

# Zimplats Holdings Limited



REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2012

## KEY FEATURES

- Four lost time injuries recorded in the quarter.
- Good operational and cost performance.
- Reduced profitability due to lower sales volumes and metal prices.
- Ngezi Phase II Expansion project implementation progressing well.
- Discussions in progress on finalisation of prior years tax liabilities.
- Discussions on implementation of indigenisation programme on-going.

## SAFETY

There was a marked deterioration in safety performance with four lost time injuries recorded in the quarter and one recorded since quarter end. Efforts have been stepped up to reduce at risk behaviour through implementation of identified behaviour based initiatives particularly in areas previously classified as low risk.

## PRODUCTION – Zimbabwe Platinum Mines (Private) Limited

		September Quarter 2012	June Quarter 2012	% Change	September Quarter 2011	% Change
<b>Mining</b>						
Ore mined	Tonnes (000's)	1,212	1,172	3	1,155	5
Head grade	4E g/t	3.31	3.28	1	3.36	(1)
<b>Processing</b>						
Ore milled	Tonnes (000's)	1,056	1,153	(8)	1,060	(0)
Recovery	4E%	82.4	82.4	0	83.0	(1)
Metal in concentrate	4E oz	93,160	100,409	(7)	91,934	1
Metal in converter matte	4E oz	60,659	100,798	(40)	89,284	(32)
Nickel	Tonnes	601	1,030	(42)	861	(30)
Copper	Tonnes	439	746	(41)	621	(29)
<b>Metal sales</b>						
Converter matte						
4E	Oz	63,011	102,098	(38)	89,440	(30)
Nickel	Tonnes	623	1,036	(40)	857	(27)
Copper	Tonnes	455	746	(39)	613	(26)
Concentrate						
4E	Oz	14,712	0	n/a	0	n/a
Nickel	Tonnes	137	0	n/a	0	n/a
Copper	Tonnes	100	0	n/a	0	n/a

Mining production for the quarter was good at 3% above previous quarter. Head grade improved by 1% on prior quarter.

Tonnage milled was 8% lower than previous quarter due to planned concentrator maintenance shutdowns. The furnace was taken down on 27 August for a 42 day periodic re-line which was completed by mid-October resulting in 4E metal in matte production and sales coming down 40% and 38% respectively from previous quarter. As a result of the smelter shut down, a portion of the concentrate produced during the shutdown period was sold in that form whilst the balance was stockpiled for

processing when the smelter resumes operations. Due to the difficulties of transporting concentrate during the recent truck drivers' industrial action in South Africa, only 14,712 ounces 4E was sold as concentrate.

## FINANCIAL – Zimbabwe Platinum Mines (Private) Limited

Operating Income Statement	September Quarter 2012 US\$ 000's	June Quarter 2012 US\$ 000's	% Change	September Quarter 2011 US\$ 000's	% Change
Revenue	93,495	114,428	(18)	133,265	(30)
Operating Costs*	(71,825)	(89,543)	20	(72,305)	1
Operating Profit	21,670	24,884	(13)	60,960	(64)

\*Excluding share based payments, fair value adjustments, tax penalties and foreign exchange differences

Revenue was 18% lower than previous quarter driven by lower sales volumes and metal prices. Operating costs were 20% below previous quarter in line with the lower sales volume. Resultantly, operating profit amounted to \$22 million, 13% lower than the previous quarter.

Cash and total cost of production	September Quarter 2012 US\$	June Quarter 2012 US\$	% Change	September Quarter 2011 US\$	% Change
Cash cost of production per 4E ounce	806	608	(32)	735	(10)
Net cash cost per 4E ounce	635	436	(46)	525	(21)
Amortisation and depreciation	152	137	(11)	98	(55)
Total cost per 4E ounce *	787	572	(38)	623	(26)
Total revenue per 4E ounce	1,203	1,121	7	1,466	(18)
Surplus per 4E ounce**	245	376	(35)	633	(61)

Cash cost of production per 4E ounce was 32% higher than previous quarter driven mainly by the lower production volume.

\*Net of by-product revenue.

\*\* Total Revenue, less total cost/Total 4E ounces.

The company's local spend (excluding payments to government and related institutions), increased to \$67 million or 65% of total payments, reflecting the company's commitment to supporting local industry. Zimplats' contribution to the fiscus, in direct and indirect taxes, for the quarter at \$17 million was 23% lower than the previous quarter mainly due to reduced royalties and MMCZ commissions, which fell in line with the lower revenue .

## PGM PRICES

The average PGM, gold and nickel prices for the past quarter are as follows:

	September Quarter 2012	June Quarter 2011	% Change	September Quarter 2011	% Change
Platinum (USD per oz)	1,499	1,501	(0)	1,661	(10)
Palladium (USD per oz)	612	629	(3)	704	(13)
Rhodium (USD per oz)	1,095	1,270	(14)	1,769	(38)
Gold (USD per oz)	1,654	1,610	3	1,597	4
Nickel (USD per tonne)	16,341	17,149	(5)	21,188	(23)

Metal prices remained depressed for most of the period although there was some improvement towards the end of the quarter in response to the industrial relations problems experienced by some of the major PGM producers in South Africa.

## EXPANSION

Implementation of the Ngezi Phase II Expansion Project progressed well in the quarter. The project remains on schedule for commissioning of the concentrator plant by June 2013. However, due to the constrained cash flows, components of the project including Mupfuti Mine development and some of the infrastructure projects have been rescheduled. Overall, the project is expected to be completed by March 2015.

## RESOLUTION OF OUTSTANDING ISSUES WITH GOVERNMENT

### Taxation Issues

As previously reported, the Zimbabwe Revenue Authority (ZIMRA) is in the process of issuing revised taxation assessments for the operating subsidiary, Zimbabwe Platinum Mines (Private) Limited, for the period 2007 to 2012 on which the upfront deduction of capital expenditure as applicable to other mining concerns in Zimbabwe has been disallowed on the basis that the legislation needed to give legal effect to the undertakings given by the Government to the company on this issue has not been promulgated. Instead, as a Special Mining Leaseholder, the company is required to deduct capital expenditure over four years in terms of the Income Tax legislation which has not been updated to be in line with the undertakings. As a consequence, the company is liable for additional principal income tax and Additional Profits Tax for the 2007 to 2012 period. In addition, ZIMRA has indicated that a penalty and interest would be charged. An objection has been lodged against the levying of both the penalty and interest to which a response is yet to be received.

The prior years tax liabilities will be paid over a 12 month period commencing October 2012.

### Additional Profits Tax Court Case

The Special Court for Income Tax Appeals is yet to allocate a new hearing date for the case.

### RBZ Debt

Government is yet to indicate when and the terms under which it would assume the \$34 million debt due by the RBZ to the operating subsidiary.

### Indigenisation and Economic Empowerment

The Joint Technical Committee comprising Government of Zimbabwe representatives and management has continued to work through material issues pertaining to the agreement signed in March 2012 and significant progress has been made.

## SHAREHOLDER INFORMATION

### Share price

The average share price for the quarter was AU\$7.98 (previous quarter: A\$9.60).

### Capital Structure

#### Major shareholders as at 30 June 2011:

Impala Platinum Holdings Limited	87.00%
HSBC Custody Nominees (Australia) Ltd	5.16%
National Nominees Pty Ltd	1.43%

### Shareholder enquiries

Matters relating to the shareholdings should be directed to the share registry at: Computershare Registry Services Pty Ltd, GPO Box 7054, Sydney NSW 1115, Australia. Tel: +61 3 9415 4000, Fax: +61 3 9473 2500.

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