

# Zimplats Holdings Limited



## REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

### KEY FEATURES

- One lost time injury recorded.
- Excellent operational performance.
- Relative SA Rand strength versus US\$ adversely affected operating costs.
- Positive cash generation driven by higher production volumes and improved metal prices.

### SAFETY

Safety performance for the quarter was unsatisfactory with one lost time injury recorded bringing the year to date total to two.

Zimplats retained its ISO 14001, ISO 9001:2008 and OHSAS 18001:2007 certifications following audits undertaken in December 2009.

### PRODUCTION – Zimbabwe Platinum Mines (Private) Limited

		December Quarter 2009	September Quarter 2009	June Quarter 2009	March Quarter 2009
<b>Mining</b>					
Ore mined	Tonnes (000's)	863	797	677	581
Head grade	4E g/t	3.34	3.32	3.38	3.36
<b>Processing</b>					
Ore milled	Tonnes (000's)	1,100	869	541	543
Recovery	4E%	80.9	80.6	83.7	83.6
Metal in concentrate	4E oz	94,670	74,389	49,028	48,859
Metal in converter matte	4E oz	91,463	72,027	47,746	49,624
<b>Metal sales</b>					
4E sales	Oz	90,081	71,261	48,391	48,567
Nickel	Tonnes	794	594	398	418
Copper	Tonnes	566	420	304	292

Both mining and processing operations recorded excellent performances in the quarter.

Ore mined was 8% higher than the previous quarter as ramping up of production at Portal 4 continued.

This was the first full quarter of operation for the new Ngezi concentrator which was commissioned in late July 2009. Consequently, ore milled was 27% up on the previous quarter. 4E recovery at 80.9% was marginally above the prior quarter due to a reduction in the amount of oxidised material processed. The recovery for the year will however be lower than prior years due to running the two concentrators at a lower mass pull in line with smelter capacity.

Metal production and sales volumes were up on the previous quarter in line with the higher milled tonnage.

### **FINANCIAL – Zimbabwe Platinum Mines (Private) Limited**

<b>Operating Income Statement</b>	<b>December Quarter 2009 US\$ 000's</b>	<b>September Quarter 2009 US\$ 000's</b>	<b>June Quarter 2009 US\$ 000's</b>	<b>March Quarter 2009 US\$ 000's</b>
Revenue	107,425	64,602	44,082	35,127
Operating Costs	(57,404)	(43,875)	(39,039)	(34,021)
Operating Profit	50,021	20,727	5,043	1,106

The combination of higher sales volumes and improved metal prices resulted in a 66% increase in revenue for the quarter. Operating costs were up 31% on the previous quarter reflecting, in the main, the higher production base following the commissioning of the Ngezi plant. With a significant portion of input costs incurred in Rand, the continued strength of that currency relative to the United States Dollar has continued to adversely affect operating costs.

Mainly as a result of the higher revenue, an operating profit in excess of \$50 million was recorded, an increase of 138% on the previous quarter.

<b>Cash and total cost of production</b>	<b>December Quarter 2009 US\$</b>	<b>September Quarter 2009 US\$</b>	<b>June Quarter 2009 US\$</b>	<b>March Quarter 2009 US\$</b>
Cash cost of production per 4E ounce	559	560	853	604
Less by-product credits	(166)	(150)	(140)	(86)
Net cash cost per 4E ounce	393	410	713	518
Amortisation and depreciation	78	72	34	65
Total cost per 4E ounce *	471	482	747	583
Total revenue per 4E ounce	1,193	907	911	723
Surplus/(deficit) per 4E ounce**	556	274	24	54

Despite the cost pressures, cash cost of production per 4E ounce remained unchanged due to the higher production volume. Depreciation increased by 8% following the commissioning of the Ngezi concentrator plant in the previous quarter.

*\*Net of by-product revenue.*

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

## PGM PRICES

The average pgm, gold and nickel prices for the past 4 quarters are as follows:

	December 2009 Quarter	September 2009 Quarter	June 2009 Quarter	March 2009 Quarter
Platinum (USD per oz)	1,393	1,237	1,225	1,028
Palladium (USD per oz)	349	273	248	200
Rhodium (USD per oz)	2,000	1,608	1,467	1,167
Gold (USD per oz)	1,102	958	948	907
Nickel (USD per tonne)	17,695	17,522	14,956	10,466

There were significant increases in metal prices in the quarter reflecting moderate levels of economic recovery that have been recorded in most developed economies and renewed appetite for PGM investment products. The current metal price levels are considered to be sustainable in the short-term.

## PHASE 1 EXPANSION PROJECT

The development of the Portal 4 underground mine remains on schedule to reach full production by May 2011. Whilst Portal 4 production is ramping up, previously stockpiled ore will be processed through the new concentrator, with sufficient stockpile in place to bridge the shortfall until the mine reached full production.

Evaluation work of the second phase of the expansion programme is proceeding well and will be completed in February 2010.

As previously reported, two loans for US\$75 million and ZAR442 million were secured from Standard Bank of South Africa with an Impala Platinum Holdings Limited guarantee to fund the Phase 1 Expansion project. Repayment of the US\$ loan commenced in the quarter with US\$6.5 million being repaid. Repayment of the ZAR loan commences in December 2010.

## SOCIO-POLITICAL ENVIRONMENT

The socio-political environment remains calm despite the fact that the agreement that brought about the three party coalition government has not been implemented in full.

## RESOLUTION OF OUTSTANDING ISSUES WITH GOVERNMENT

In the annual report for the year ended 30 June 2009, it was reported that efforts were underway to resolve with the Government of Zimbabwe, a number of long outstanding issues. Regrettably, despite management having engaged the relevant government authorities on numerous occasions these matters remain unresolved.

### Additional Profits Tax (APT)

As previously reported, payment of APT by Special Mining Leaseholders is provided for in the original long-term agreement entered into with the Government of Zimbabwe in 1994. In 2001, prior to Zimplats commencing operations, the government gave a written undertaking that Zimplats would not be liable for this tax. However, to date the legislative changes required to give legal effect to this undertaking have not been promulgated hence the demand for payment of the tax by the Zimbabwe Revenue Authority (Zimra).

Whilst the government has still not indicated whether it will honour its undertakings on APT, Zimra has since ruled on the Zimplats objection to the APT assessment by setting aside the US\$4 million penalty that had been charged but has insisted that the principal tax liability of US\$23.5 million is payable. Despite this matter being in dispute and discussions with government having been on-going for a long time, in February 2009 Zimra instituted recovery of the APT liability by withholding monthly Value Added Tax (VAT) refunds due to Zimplats. As at end of November 2009, Zimra had recovered a total of US\$9.2 million of the disputed liability through withholding VAT refunds.

Discussions with the government on this matter are continuing.

#### **Reserve Bank of Zimbabwe (RBZ) US\$34.13 million debt**

As previously reported, the RBZ owes Zimplats US\$34.13 million that was placed with the central bank and was to be drawn in Zimbabwe dollars to fund local costs. The Zimbabwe dollar ceased to be a functional currency in February 2009 and the RBZ has been unable to refund the deposit. The RBZ has recommended to the government that it assumes this debt. The government is currently assessing the position as the RBZ owes a number of companies.

## **SHAREHOLDER INFORMATION**

### **Share price**

The average share price for the quarter was A\$10.82 (previous quarter: A\$8.44).

### **Capital Structure**

#### **Major shareholders as at 31 December 2009:**

Impala Platinum Holdings Limited	87.00%
Merrill Lynch (Australia) Nominees Pty Ltd	3.81%
HSBC Custody Nominees (Australia) Ltd	2.80%

### **Caution**

Shareholders are advised to exercise caution in their share dealings due to the uncertain conditions prevailing in Zimbabwe.

### **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.

## **INFORMATION ON ZIMPLATS**

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In the report Zimplats refers to Zimplats Holdings Limited and/or its subsidiaries.