

# Zimplats Holdings Limited



REPORT FOR THE QUARTER ENDED 30 JUNE 2012

## KEY FEATURES

- One lost time injury.
- Good operational and cost performance.
- Reduced profitability and cash generation due to depressed metal prices.
- Ngezi Phase II Expansion project implementation progressing well.
- Discussions on implementation of indigenisation programme on-going.

## SAFETY

One lost time injury was recorded to bring the year to date total to four. Safety performance remains of a high standard.

## PRODUCTION – Zimbabwe Platinum Mines (Private) Limited

		June Quarter 2012	March Quarter 2012	% Change	June Quarter 2011	% Change
<b>Mining</b>						
Ore mined	Tonnes (000's)	1,172	1,125	4	1,138	3
Head grade	4E g/t	3.28	3.33	(2)	3.35	(2)
<b>Processing</b>						
Ore milled	Tonnes (000's)	1,153	1,069	8	1,137	1
Recovery	4E%	82.4	82.3	0	82.7	0
Metal in concentrate	4E oz	100,409	94,321	6	101,200	(1)
Metal in converter matte	4E oz	100,798	90,557	11	103,874	(3)
Nickel	Tonnes	1,030	941	9	998	3
Copper	Tonnes	746	681	10	735	2
<b>Metal sales</b>						
4E	Oz	102,098	89,979	13	103,757	(2)
Nickel	Tonnes	1,036	935	11	980	6
Copper	Tonnes	746	677	10	717	4

Mining production was good at 4% above previous quarter. Head grade was, however, 2% lower than prior quarter owing to poor ground conditions encountered in some sections of the mines.

Tonnage milled was 8% higher than the previous quarter due to improved plant availabilities in contrast to the previous quarter when plant running time was affected by major plant maintenance shutdowns. 4E metal in matte production was 11% above previous quarter in line with the higher milled tonnage and the smelting of concentrates stockpiled in the previous quarter when the smelter was down for scheduled periodic maintenance.

## FINANCIAL – Zimbabwe Platinum Mines (Private) Limited

Operating Income Statement	June Quarter 2012 US\$ 000's	March Quarter 2012 US\$ 000's	% Change	June Quarter 2011 US\$ 000's	% Change
Revenue	114,428	128,211	(11)	146,849	(22)
Operating Costs*	(89,543)	(76,356)	(17)	(77,253)	(16)
Operating Profit	24,884	51,855	(52)	69,596	(64)

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

Financial performance did not mirror a 13% increase in volume of metals sold due to depressed metal prices, with gross revenue per 4E ounce 21% lower than the previous quarter. Revenue thus amounted to \$114 million, 11% lower than the previous quarter.

Operating costs were 17% above previous quarter in line with the higher sales volume. In addition, the first tranche of \$3.3 million was paid to the Community Share Ownership Trust in terms of an undertaking to make available to the trust, \$10 million over a three year period. Royalties continue to be accounted for at the higher rates set in terms of the Finance Act whilst the company awaits resolution of the dispute which is currently before the courts.

As a result of the above, operating profit amounted to \$25 million, 52% lower than the previous quarter.

The depressed metal prices have put severe pressure on cash flows and the company will consequently have to secure higher levels of bank borrowings than originally envisaged.

Cash and total cost of production	June Quarter 2012 US\$	March Quarter 2012 US\$	% Change	June Quarter 2011 US\$	% Change
Cash cost of production per 4E ounce	608	785	22	642	5
Net cash cost per 4E ounce	436	561	22	422	(3)
Amortisation and depreciation	137	102	(34)	92	(49)
Total cost per 4E ounce *	572	663	14	514	(11)
Total revenue per 4E ounce	1,121	1,425	(21)	1,415	(21)
Surplus per 4E ounce**	376	538	(30)	681	(45)

Cash cost of production per 4E ounce was 22% lower than previous quarter driven mainly by higher 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), at \$65 million or 54% of total payments, was satisfactory. Zimplats' contribution to the fiscus, in direct and employee taxes, for the quarter at \$23 million was 25% lower than the previous quarter mainly due to lower royalties following the full payment of the disputed royalties in May 2012 as well as the weakening of metal prices.

During the quarter, Zimbabwe Platinum Mines (Private) Limited advanced a \$25 million loan to the power utility ZESA which was used to reduce the utility's overdue indebtedness to Hidroelectrica de Cahora Bassa of Mozambique in respect of power imports. The loan facility enabled Zimbabwe to resume power imports from Mozambique to augment the country's constrained power generation. The loan principal and interest were converted into power units which will be redeemed over three years. In return, Zimplats is guaranteed uninterrupted power supplies for its operations for five years.

## PGM PRICES

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

	June Quarter 2012	March Quarter 2012	% Change	June Quarter 2011	% Change
Platinum (USD per oz)	1,501	1,607	(7)	1,783	(16)
Palladium (USD per oz)	629	682	(8)	759	(17)
Rhodium (USD per oz)	1,325	1,376	(8)	2,095	(39)
Gold (USD per oz)	1,560	1,691	(5)	1,505	7
Nickel (USD per tonne)	17,149	19,662	(13)	24,294	(29)

Metal prices continued on a downward trend in the quarter reflecting a PGM market in oversupply as well as continued concerns over the Eurozone economies.

## EXPANSION

Implementation of the Ngezi Phase II Expansion Project progressed well in the quarter. The project remains on schedule for the commissioning of the concentrator plant in April 2013. However, due to the constrained cash flows, parts of the infrastructure component of the project have been rescheduled to subsequent years.

## RESOLUTION OF OUTSTANDING ISSUES

### Additional Profits Tax

The Special Court of Income Tax Appeals has set the 9<sup>th</sup> of August 2012 as the date when the APT case will be heard.

### 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

A Joint Technical Committee comprising Government of Zimbabwe representatives and management has been set up to work through material issues pertaining to the agreement. Discussions are on-going and shareholders will be updated on major developments.

### Localisation of Offshore Bank Accounts

During the quarter, the RBZ issued a directive instructing the operating subsidiary to localise its bank accounts which hitherto had been domiciled off-shore in terms of the Mining Agreement with the Government of Zimbabwe. The directive has been complied with and to date there has been no adverse effect on operations.

## SHAREHOLDER INFORMATION

### Share price

The average share price for the quarter was AU\$9.60 (previous quarter: A\$10.61).

### Capital Structure

#### Major shareholders as at 30 June 2012:

Impala Platinum Holdings Limited	87.00%
HSBC Custody Nominees (Australia) Ltd	5.36%
National Nominees Limited	1.34%
Merrill Lynch (Australia) Nominees Pty Ltd	1.32%

### 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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