

ZIMBABWE PLATINUM MINES

MATERIALS
Analyst: Ian Preston

Date: 31 July 2002
Page 1

June Quarter Production Report

RECOMMENDATION: SPECULATIVE BUY

Stock Code: ZIM (150¢)

Valuation: 175¢

KEY POINTS:

First full quarter of production..
Resulting in positive cash flow and earnings..
No change to valuation
Key country political risk remains

- Zimplats has reported it's first full production quarter ahead of our estimates 4PGE's of 36 278 ozs (JBW 31 512 ozs).
- The company reported a positive cash flow for the quarter of US\$3.2m (JBW US\$3.1m).
- Our F02 earnings reduces to \$1.3m (\$3.3m) due to higher D&A charge than we had forecast. From F03, there is essentially no change to our forecasts. Similarly, there is no change to our valuation of 175¢.
- We highlight that there may be changes to forecast earnings once the financials are released due to the D&A charges and the future policy in this regard. We have allowed for the capital to be amortised over a 20 years and not according to production.
- The key risk surrounding Zimplats is the current political situation in the country and whilst the company has taken every possible step to secure it's financial position, the perceived risk remains.

INVESTMENT ARITHMETIC

Latest Price:	150¢	12 month Price Range:	60¢ -190¢
Issued Capital:	90.4 m ord.	Turnover:	\$1.163m./month
Market Cap:	\$136 m	ASX Code:	ZIM
Key Shareholder:	Impala/ABSA 30%	Valuation:	\$1.65

Year End June	2000 Hist.	2001 Hist.	2002 Est.	2003 Est.	2004 Est.
Net Profit (\$m)	-1.5	-1.7	1.3	24.1	24.5
EPS (diluted) (¢)	-1.6	-1.8	1.5	26.6	27.1
EPS Growth (%)	0.0	0.0	100.0	1693.7	1.7
PER	-92.9	-82.2	101.1	5.6	5.5
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0	0	0	0	0
CFPS (¢)	-1.6	-1.8	3.6	32.7	31.9
P:CF	0.0	0.0	41.2	4.6	4.7
Major Assumptions:					
A\$/US\$		0.54	0.52	0.60	0.60
Platinum (US\$/oz)		557	436	445	450
Platinum (000ozs)		0	21	91	91
Paladium (000ozs)		0	19	75	75
Rhodium (000ozs)		0	3	8	8
		1 month	3 months	12 month	
Relative Price Perform vs. S&P ASX 300:		-2.3%	30.5%	67.7%	
Relative Price Perform vs. All Resources:		-2.1%	29.6%	57.9%	

ZIMBABWE PLATINUM MINES

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 Page 2

OUTLOOK

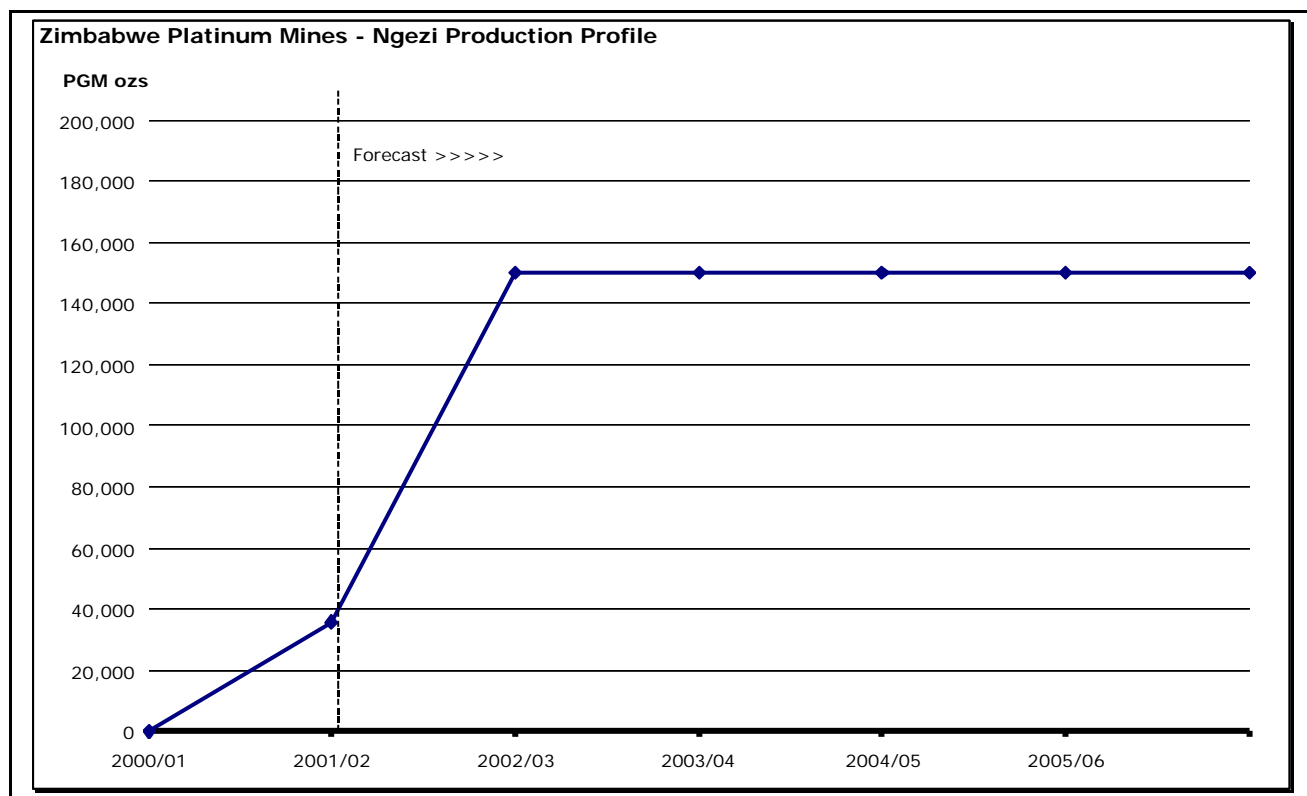
Earnings Change

With the update from the quarterly, there is a small change to F02. We are forecasting a small operating profit of \$1.3m (\$3.4m) which will increase substantially into 2003 with a full years production from the mine.

The only issue now relates to the amortisation and depreciation charges that will apply. As this is the first full quarter of production we anticipate that there could potentially be a few expense adjustments in the final result to account for the change in mine status from development (capitalising expenses to B/S) to production (expensing through P/L).

Production ramp-up translating into Earnings

We had forecast that Ngezi would reach full throughput rates by the end of September. This rate has been achieved at the end of the June quarter. Th chart below shows our production ramp-up, with earnings increasing as a consequence.



RISKS

Operational

- The key operational risk remains the grade of ore delivered to the mill. The current quarter showed that this is an area where the company has not yet achieved the design parameters.
- The road link and road trains are now fully operational. However, given that all ore is transported from the mine to the metallurgical plant, this remains an area of risk. We would expect that the company will build a reasonable stockpile of ore at the plant during the course of the new financial year.

ZIMBABWE PLATINUM MINES

MATERIALS
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Date: 31 July 2002
Page 3

Country

- The political situation in Zimbabwe has not improved. We stress that the company has not been affected and continues to receive the support of the Government.
- Zimplats have taken steps to minimise the level of financial risk.
- All major bank accounts are held offshore in US\$.
- All major transactions are entered into in US\$
- Local banking is confined to the minimum to cover labour and daily operating costs.
- Empowerment
- The company has allowed for a 15% placement to be made once funding for this is secured by the National Trust (on behalf of indigenous Zimbabweans) *In our view, this is a key issue. We are of the opinion that the long term interests of shareholders will best be served if the company provides the necessary guarantees for the required loans to facilitate this placement.*

Ngezi Platinum Mine

- Improved performance from the contractor through the quarter. Additional waste stripping was undertaken during the mill shutdown which will assist throughput in the coming months.
- A new crusher feeder was installed during the quarter and now allows designed production rates to be achieved.

Selous Metallurgical Complex

- Mill liners replaced and subsequently the breakage problem previously reported has been resolved.
- Stockpiled concentrate was reduced with the smelter on on-line following the fire in March. Processing of the stockpiled ore meant that less material was mined yet milling was up 23%. A residual ~100 tonnes to be treated in the September quarter.

Capital

- Expenditure to 30th June US\$30.3m. Estimate to complete US\$31.9m Budget US\$32.5m. Given the political and social environment which persisted throughout the construction period, finalising construction within budget is a great achievement for the company.

Corporate

- The National Trust has not yet been able to source funding for the 15% of the issued equity to be placed in terms of an empowerment placement. *(JBW: Given the issues relating to empowerment that have arisen in South Africa, it is our view that shareholders interests would be best served by Zimplats providing the necessary guarantees for this funding, with repayment of the loans from future g dividend flows).*

Production Details

Zimplats - Quarterly Production		Dec-00	Mar-00	Jun-02	Q on Q
Production					
Mined	mtns	n.a	4.10	2.20	-46%
Ore	'000tns	n.a	293.00	377.00	29%
Grade	%	n.a	2.6%	2.9%	12%
Milling	'000tns	n.a	297	365	23%
Sales					
Platinum	ozs	n.a	2,724	18,680	586%
Palladium	ozs	n.a	2,781	15,934	473%
Rhodium	ozs	n.a	540	2,121	293%
Gold	ozs	n.a	258	1,709	562%
Nickel	ozs	n.a	76	211	178%
Copper	ozs	n.a	71	154	117%

ZIMBABWE PLATINUM MINES

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Date: 31 July 2002
Page 4

Zimbabwe Platinum Mines LTD. - Summary (A\$)							Recommendation (LT):		SPECULATIVE BUY		
Current Price A\$:		\$1.50	Mkt Cap. (A\$m):		135		Analyst:		Ian Preston		
JBWere DCF:		\$1.74	ASX Code:		ZIM		Data as at:		31-Jul-02		
Industry: Mining Explorer											
Investments Statistics							Profit & Loss (A\$m)				
Year end June 2000a 2001a 2002e 2003e 2004e							Year end June 2000a 2001a 2002e 2003e 2004e				
Net Profit (reported) (A\$m) -1.5 -1.7 1.3 24.1 24.5							Sales Revenue (excl JV & Assoc.) 0.3 0.5 29.8 111.2 112.7				
- EPS (Reported) 1 (€) -1.6 -1.8 1.5 26.7 27.2							Operating costs 1.7 2.2 26.5 81.7 84.0				
- PER (Reported) 1 (X) -92.8 -81.9 100.7 5.6 5.5							Operating EBITDA -1.5 -1.7 3.3 29.5 28.7				
NET PROFIT (Adj.) 2 (X) -1.5 -1.7 1.3 24.1 24.5							D&A 0.0 0.0 1.4 1.5 1.6				
- EPS (Adj.) 2 (€) -1.6 -1.8 1.5 26.7 27.2							Operating EBIT -1.5 -1.7 1.8 27.9 27.2				
- EPS Growth (%) 13% 181% 1694% 2%							JV & Assoc. 0.0 0.0 0.0 0.0 0.0				
- PER (Adj.) 2 (X) -92.8 -81.9 100.7 5.6 5.5							EBIT -1.5 -1.7 1.8 27.9 27.2				
Dividend (€) 0.0 0.0 0.0 0.0 0.0							Net Interest Exp./(Rev) 0.0 0.0 0.5 3.9 2.7				
- Yield (%) 0.0% 0.0% 0.0% 0.0% 0.0%							Non recurring Items Pre Tax 0.0 0.0 0.0 0.0 0.0				
- Franking (%) 0 0 0 0 0							PreTax Profit (pre ab's) -1.5 -1.7 1.3 24.1 24.5				
Free Cash Flow (A\$m) 0 -3 3 32 31							Tax Expense (pre abs) 0.0 0.0 0.0 0.0 0.0				
- P/FCF 4 (X) -51.0 48.6 4.2 4.4							Minorities (after Tax) 0.0 0.0 0.0 0.0 0.0				
EV(Adj.)/EBITDA 3 (X) -95.2 -86.1 47.5 4.2 4.3							Pref. Dividends 0.0 0.0 0.0 0.0 0.0				
Avg. Shares (diluted) (mill) 90 90 90 90 90							Reported NPAT (pre abnormals) -1.5 -1.7 1.3 24.1 24.5				
EV Analysis / DCF Valuation							NET PROFIT (Pre NRJ's) 1				
A\$ DCF Valuation: 1.74 (Excludes Franking Credits)							Abnormal Items (after Tax) 0.0 0.0 0.0 0.0 0.0				
Price / DCF: 0.86							Reported NPAT (post ab's) -1.5 -1.7 1.3 24.1 24.5				
Ke: 13.8%							Sales Growth (%) 74% 5857% 273% 1%				
Kd: 5.6%							Op. EBITDA Growth (%) n.a. n.a. 798% -3%				
BETA: 1.20							NPAT (Adj.) Growth (%) n.a. -181% 1694% 2%				
WACC: 12.0%							EPS (Adj.) Growth (%) 13% 181% 1694% 2%				
RF: 6.0%							Op. EBITDA Margin (%) 11.0% 26.5% 25.5%				
MRP: 6.5%							Interest Cover - EBITDA (X) 6.6 7.6 10.6				
Year end June 2000a 2001a 2002e 2003e 2004e							Return on Equity 5 (%) -1.2% -1.7% 1.4% 20.0% 16.9%				
EV (Adj.) 3 (A\$m) 139 142 156 124 124							Cash Flow Analysis (A\$m)				
EV (Adj.) / EBITDA (X) -95.2 -86.1 47.5 4.2 4.3							Year end June 2000a 2001a 2002e 2003e 2004e				
EV (Adj.) / Sales (X) 482.7 284.0 5.2 1.1 1.1							Operating EBITDA -1 -2 3 29 29				
EV (Adj.) / Gross CF (X) -95.2 -86.1 47.5 4.2 4.3							change in working cap. 0 0 0 0 0				
Balance Sheet (A\$m)							Gross Cashflow -1 -2 3 29 29				
Year end June 2000a 2001a 2002e 2003e 2004e							Net Interest Paid 0 0 1 4 3				
Cash 0 2 11 11 11							Tax Paid (inc. abs) 0 0 0 0 0				
Property, Plant, Equip 0 1 35 35 36							Other 0 0 0 0 0				
Other Assets 4 106 106 107 108							Operating Cash Flow -1 -2 4 33 31				
Debt 3 9 32 0 0							Maint. Capex 0 -1 -1 -1 -1				
Shareholders Equity 126 95 96 121 145							FREE CASH FLOW 0 -3 3 32 31				
Net Debt / Equity (%) 3% 7% 22% -9% -8%							Dividends Paid 0 0 0 0 0				
Net Debt / (D+E) (%) 3% 7% 18% -10% -8%							Expan. Capex 0 -45 -34 -1 -1				
Annual Production							Acquisitions 0 0 0 0 0				
Year end June 2000a 2001a 2002e 2003e 2004e							Asset Sales 0 0 0 0 0				
Platinum 000 Oz 0 0 21 91 91							Dividends Received 0 0 0 0 0				
Palladium 000 Oz 0 0 19 75 75							Share Issues/Repurchases 0 0 0 0 0				
Rhodium 000 Oz 0 0 3 8 8							Increase in Net Cash/(Debt) 0 -47 -32 32 30				
Commodity Prices							Gross CF / Op. EBITDA (X) 1.00 1.00 1.00 1.00 1.00				
Year Average to June 2000a 2001a 2002e 2003e 2004e							Maint. Capex / Sales (%) 0.0% 0.0% 3.4% 0.7% 0.7%				
Currency A\$/US\$ 0.63 0.54 0.52 0.60 0.60							Total Capex / Sales (%) 0.0% 0.0% 118.8% 1.5% 1.4%				
Currency Rand/A\$ 4.0 4.1 5.3 6.3 6.3							Maint. Capex / D&A (X) 0.69 0.53 0.52				
Platinum US\$/Oz 487 557 436 445 450							Total Capex / D&A (X) 24.60 1.05 1.05				
Palladium US\$/Oz 500 792 364 310 300							Maint. Capex / GCF (%) 0.0% -60.6% 30.5% 2.8% 2.8%				
Rhodium US\$/Oz 1500 1500 1500 1500 1500							ROE Analysis				
Earnings Sensitivity (A\$m)							Year end June 2000a 2001a 2002e 2003e 2004e				
Year Average to June 2000a 2001a 2002e 2003e 2004e							EBIT/Sales (X) -5.07 -3.30 0.06 0.25 0.24				
Currency US\$/A\$ 0% 0% 2% 2% 2%							Pretax Profit/EBIT (X) 0.00 1.00 0.73 0.86 0.90				
Platinum US\$/Oz 0% 0% 6% 7% 7%							NPAT/ Pretax Profit (X) n.a. 1.00 0.73 0.86 0.90				
Palladium US\$/Oz 0% 0% 5% 6% 6%							Sales/Assets (X) 0.07 0.00 0.20 0.72 0.73				
(1) Net Profit (Reported) is before Non Recurring Items & after Pref. Dividends.							Assets/Equity (X) 0.03 1.14 1.58 1.27 1.07				
(2) Net Profit (Adj.) is before goodwill amortisation, abnormals and after Pref. Divs.							Return on Equity (ROE) (%) -1.2% -1.7% 1.4% 20.0% 16.9%				
(3) EV Includes 100% of Mkt. Value of minorities and excludes Mkt. Value of Invest/Assoc.							ROCE WACC Analysis				
(4) Includes 100% of Mkt. Value of minorities and excludes Mkt. Value of Invest/Assoc.							Year end June 2000a 2001a 2002e 2003e 2004e				
(5) ROE excludes Preference Capital.							Adjusted NOPAT (A\$m) -1 -2 1 24 24				
							Adj Cap employed (A\$m) 115.6 115.6 109.6 113.4 121.8				
							ROCE (%) -1.3% -1.4% 1.2% 21.2% 20.1%				
							WACC (%) 12.0% 12.0% 12.0% 12.0% 12.0%				
							ROCE Spread (abs) -13% -13% -11% 9.2% 8.1%				
							Change in ROCE (abs) -0.2% 2.7% 20.0% -1.1%				

Date: 31 July 2002

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Corporations Law - Disclosure of Interests:

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