

ZIMBABWE PLATINUM MINES

MATERIALS
Analyst: Ian Preston

Date: 14 March 2003

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Interim Profit of US\$7.8m – 7% Upgrade for 2003

RECOMMENDATION:	S/Term: OUTPERFORM L/Term: BUY
Stock Code: ZIM (225¢)	ZIM allows risk tolerant investors access to a growth vehicle in the attractive platinum industry.
Valuation: 245¢	
KEY POINTS:	<ul style="list-style-type: none"> Interim Result - US\$7.8m (JBW US\$6.4m) ahead of expectations reflecting a faster ramp up to steady state operations and the settling of operating costs, an excellent achievement given the political and economic climate in Zimbabwe. Depreciation expense appears lower than expected at US\$1.2m (JBW US\$2m) accounting for the difference to our forecast. This is due to the significant Reserve upgrade (+31m ozs). We have increased our earnings estimate for 2003 by 7% to A\$23m (A\$21.5m) to account for the lower depreciation rate that is now applicable due to the reserve upgrade. Remains an attractive company with significant growth potential. We maintain our Outperform/BUY recommendations, however, highlight that the Zimbabwe political/economic situation is the key risk.
Interim Result above expectations – an excellent result given Zim economic climate	
7% upgrade to 2003 NPAT	
BUY but be cognoscente of the risks of Zimbabwe	

INVESTMENT ARITHMETIC

Latest Price:	225¢	12 month Price Range:	98¢ -280¢		
Issued Capital:	90.4 m ord.	Turnover:	\$1.163m./month		
Market Cap:	\$203 m	ASX Code:	ZIM		
Key Shareholder:	Impala/ABSA 30%	Valuation:	\$2.46		
Year End June	2001	2002	2003	2004	2005
	Hist.	Hist.	Est.	Est.	Hist.
Net Profit (\$m)	-1.7	2.1	23.0	25.4	24.0
EPS (diluted) (¢)	-1.8	2.3	25.5	28.0	26.6
EPS Growth (%)	0.0	100.0	1015.9	10.2	-5.3
PER	-123.3	98.6	8.8	8.0	8.5
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 (¢)	-1.8	4.4	33.8	33.3	30.5
P:CF	0.0	50.6	6.7	6.8	7.4
Major Assumptions:					
A\$/US\$	0.54	0.52	0.56	0.58	0.58
Platinum (US\$/oz)	557	481	585	555	488
Paladium (US\$/oz)	792	364	284	265	298
Rhodium (US\$/oz)	1500	1500	698	775	875
Platinum (000ozs)	19	21	85	91	91
Paladium (000ozs)	16	19	73	75	75
Rhodium (000ozs)	2	3	8	8	8
Relative Price Perform vs. S&P 300:	1 month	3 months	12 months		
	15.0%	48.9%	124.8%		

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ANALYTICAL COMMENT

GROWTH – The options are many, given the large resource base

Zimplats successfully have brought on line the Ngezi open cast mine. The company is now looking at growth options to further exploit its very large reserve base. The first phase under consideration is an expansion in production from 200koz/annum 4E to 400koz/annum 4E by the end of 2005 through developing a mechanised underground board and pillar mining operation at Ngezi.

Additionally this expansion could be constructed with the ability to provide facilities for repeat modular expansion growth up to a potential 1moz/annum 4E per annum within a 10-year time frame. The bankable feasibility study has commenced for Phase 1, which is due for completion by end 2003. Whilst ZIM currently has a 70% entitlement to profit from Ngezi, it is not a given that the same shareholding structure has to be applied to Ngezi underground.

A potential impediment to the growth aspirations of the company is the fact that neither Impala Platinum nor the banks would, in our opinion be happy to commit further capital to Zimbabwe until there is some resolution of the political situation.

TAKEOVER – A minimum price is set if Impala makes a bid

The advancement of Impala Platinum to a relevant interest of ~51% (of which 30% was held jointly with ABSA bank) sparked takeover speculation. As Zimplats is a Guernsey registered company Impala was not required to make an offer to minorities, following its acquisition of the 21% stake in Zimplats from Placer Dome (formerly DeltaGold's holding). In addition, the terms of the agreement between Impala and ABSA each independently votes their share of the 30%. As a result the board have put in place an "Offer to Minorities" clause agreed with Impala should Impala wish to acquire further shares in Zimplats.

The clause states that should Impala acquire further shares above the 36% effective interest they hold, it will make an offer to all other shareholders at a price, which is the **HIGHEST of the following**;

- A\$1.90 per share (the transaction price for acquisition of the Delta stake); or
- The weighted average price paid to any third party for their shareholding; or
- An independent valuation of Zimplats at that time.

It is our opinion that of the three options noted above the one most likely to result in highest price would be an independent valuation. As a reference point Zimplats commissioned an independent report by Venmyn Rand (Pty) Ltd. **They determined an independent valuation of A\$3.67 – A\$3.89 per Zimplats share** based on an underlying value of A\$1.22 – A\$1.38 for the current operation with the higher valuation range reflecting the Resource Potential (undeveloped and not in a mining plan). This compares to our base case valuation of \$1.63 plus 81¢ for reserves not included in our LOM cashflow analysis. .

ZIMBABWE – The major risk

Political Situation In Zimbabwe is probably the biggest issue facing the company. Despite the stellar share price performance in CY02 and again so far in CY03, political uncertainty, famine etc will continue to be an impediment to the company releasing the full value of the potential of the Great Dyke in Zimbabwe. We have no crystal ball but find it difficult to believe that the current situation in the country can continue indefinitely. The major negative is that under the current regime, the threat of nationalisation or worse will continue to hang over the company.

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Whilst ZIM rightly point to the fact that they operate in terms of an "agreed fiscal regime with the Government of Zimbabwe, which is incorporated in a signed agreement", Zimbabwe has extremely limited foreign reserves or the ability to obtain same given the deterioration of any/all export industries. Against this background, ZIM are only required to take into the country sufficient FX to cover those costs that are paid in Z\$. To date, this has been done at the "black market rate". For F02, ZIM has converted Zimbabwe denominated costs at Z\$1650 to US\$1 versus the official exchange rate of Z\$55. Current legislation (not yet enacted) calls for exporters to convert 50% of their FX to Z\$ at Z\$800 to US\$ rate. To the extent that ZIM are excluded from this arrangement, there is no issue. However, given the importance of ZIM to FX in Zimbabwe, we find it difficult to believe that ZIM will not ultimately be affected.

RESULT DETAILS

- The comparison of result with pcp is not relevant given that production had not started prior to December 2001.
- The balance sheet is strong reflecting the high cashflows from the mining operations. Net debt to equity is only 8%.
- ZIM has made the 1st repayment of SU\$8.6m (March 2003) in terms of the finance package (US\$30m) arranged for the development of Ngezi. The balance is repaid by a further 3 payments of the same amount every 6 months.

Balance Date:	Dec-01	Dec-02		Dec-01	Dec-02
	US\$m	US\$m		US\$m	US\$m
ASSETS					
Current					
Cash/Deposits	13	22			
Receivables	3	10			
Inventories	3	11			
Total Current	18	43			
Non-Current					
Investments	-	-			
Expl/Dev - Expln	22	22			
Expl/Dev - Prod'n	108	112			
Other P, P & E	-	-			
Intangibles	-	-			
Other	-	-			
Total Non-Current	131	135			
TOTAL ASSETS	149	177			
NTA per share	125	135			
NTA per share	\$ 0.21	\$ 0.22			
LIABILITIES					
Current					
Creditors					
Borrowings	-	16			
Provisions/Other	4	8			
Total Current	4	24			
Non-Current					
Borrowings	19	16			
Provisions	0	2			
Total Non-Current	19	19			
SHAREHOLDER'S EQUITY					
Share Capital	9	9			
Reserves	86	92			
Minorities	30	33			
Total Shareholders E	125	135			
TOTAL	149	177			
Net Debt	7	11			
Net Debt to Equity	5.5%	7.9%			

Profit & Loss Statement	12mths to:		
	Dec-01	Dec-02	
Total Sales Revenue	US\$m	0.1	34.2
Total Revenue	US\$m	0.1	34.2
Total Costs	US\$m	(0.1)	17.3
EBITDA (Excludes Int. Income)	US\$m	0.2	17.0
Depreciation/Amortisation	US\$m	0.0	1.2
EBIT (Excludes Int. Income)	US\$m	0.2	15.7
Net Interest Expense/(income)	US\$m	0.9	3.4
Pre-Tax Profit	US\$m	(0.7)	12.4
Less: Tax	US\$m	-	1.8
Effective Tax Rate	%	0.0%	14.8%
Net Profit After Tax	US\$m	(0.7)	10.5
Minorities	US\$m	-	2.7
Reported Profit	US\$m	(0.7)	7.8
Other Information			
Dividend	¢ps	-	-
EPS	¢ps	(0.8)	8.8
Operating Statistics			
Operating Cash Flow	US\$m	(6.4)	14.4
Free Cash Flow	US\$m	(29.7)	11.8
Sales Volumes	ozs	-	81.7
EBITDA / Sales		n.a.	50%
EBIT / Sales		n.a.	46%
Net interest cover	times	0	5

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Zimbabwe Platinum Mines LTD. - Summary (A\$)							Recommendation (ST):		Outperform							
Current Price A\$:		\$2.25	Mkt Cap. (A\$m):		203		Recommendation (LT):		SPECULATIVE BUY							
JBWere DCF:		\$2.46	ASX Code:		ZIM		Analyst:		Ian Preston							
Industry:		Mining Explorer				Data as at:		14-Mar-03								
Investments Statistics							Profit & Loss (A\$m)									
	Year end	June	2001a	2002e	2003e	2004e	2005e	Year end	June	2001a	2002e	2003e	2004e	2005e		
Net Profit (reported)	(A\$m)		-1.7	2.1	23.0	25.4	24.0	Sales Revenue (excl JV & Assoc.)		0.5	32.9	147.7	143.0	125.2		
- EPS (Reported) 1	(€)		-1.8	2.3	25.6	28.2	26.7	Operating costs		2.2	28.9	117.3	113.0	97.8		
- PER (Reported) 1	(X)		-122.8	98.2	8.8	8.0	8.4	Operating EBITDA		-1.7	4.0	30.5	30.0	27.5		
NET PROFIT (Adj.) 2	(X)		-1.7	2.1	23.0	25.4	24.0	D&A		0.0	1.4	3.4	1.6	1.6		
- EPS (Adj.) 2	(€)		-1.8	2.3	25.6	28.2	26.7	Operating EBIT		-1.7	2.6	27.0	28.4	25.9		
- EPS Growth	(%)			225%	1016%	10%	-5%	JV & Assoc.		0.0	0.0	0.0	0.0	0.0		
- PER (Adj.) 2	(X)		-122.8	98.2	8.8	8.0	8.4	EBIT		-1.7	2.6	27.0	28.4	25.9		
Dividend	(€)		0.0	0.0	0.0	0.0	0.0	Net Interest Exp./(Rev)		0.0	0.5	4.0	3.0	1.9		
- Yield	(%)		0.0%	0.0%	0.0%	0.0%	0.0%	Non recurring Items Pre Tax		0.0	0.0	0.0	0.0	1.0		
- Franking	(%)		0	0	0	0	0	PreTax Profit (pre ab's)		-1.7	2.1	23.0	25.4	24.0		
Free Cash Flow	(A\$m)		-3	4	25	32	28	Tax Expense (pre abs)		0.0	0.0	0.0	0.0	0.0		
- P/FCF 4	(X)		-76.5	57.9	8.0	6.3	7.1	Minorities (after Tax)		0.0	0.0	0.0	0.0	0.0		
EV (Adj.) / EBITDA 3	(X)		-127.0	55.6	6.3	5.6	5.3	Prof. Dividends		0.0	0.0	0.0	0.0	0.0		
Avg. Shares (diluted)	(mill)		90	90	90	90	90	Reported NPAT (pre abnormals)		-1.7	2.1	23.0	25.4	24.0		
EV Analysis / DCF Valuation							NET PROFIT (Pre NRI's) 1									
A\$ DCF Valuation:		2.46	(Excludes Franking Credits)				Abnormal Items (after Tax)									
Price / DCF:		0.91					Reported NPAT (post ab's)									
Ke:		13.8%	WACC: 12.0%				Sales Growth (%)									
Kd:		5.6%	RF: 6.0%				Op. EBITDA Growth (%)									
BETA:		1.20	MRP: 6.5%				NPAT (Adj.) Growth (%)									
							EPS (Adj.) Growth (%)									
							Op. EBITDA Margin (%)									
							Interest Cover - EBITDA (X)									
							Return on Equity 5 (%)									
EV (Adj.) 3	(A\$m)		210	223	192	168	145	Cash Flow Analysis (A\$m)								
EV (Adj.) / EBITDA	(X)		-127.0	55.6	6.3	5.6	5.3	Year end	June	2001a	2002e	2003e	2004e	2005e		
EV (Adj.) / Sales	(X)		419.1	6.8	1.3	1.2	1.2	Operating EBITDA		-2	4	30	30	27		
EV (Adj.) / Gross CF	(X)		-127.0	55.6	6.3	5.6	5.3	change in working cap.		0	0	0	0	0		
Balance Sheet (A\$m)							Gross Cashflow									
Year end		June	2001a	2002e	2003e	2004e	2005e	Net Interest Paid		0	1	4	3	2		
Cash			2	11	11	35	58	Tax Paid (inc. abs)		0	0	0	0	0		
Property, Plant, Equip			1	35	43	44	44	Other		0	0	0	0	0		
Other Assets			106	106	106	106	107	Operating Cash Flow		-2	5	34	33	29		
Debt			9	31	0	0	0	Maint. Capex		-1	-1	-9	-1	-1		
Shareholders Equity			95	97	120	146	170	FREE CASH FLOW		-3	4	25	32	28		
Net Debt / Equity	(%)		7%	21%	-9%	-24%	-34%	Dividends Paid		0	0	0	0	0		
Net Debt / (D+E)	(%)		7%	17%	-10%	-32%	-52%	Expan. Capex		-45	-34	-9	-1	-1		
Annual Production							Acquisitions									
Year end		June	2001a	2002e	2003e	2004e	2005e	Asset Sales		0	0	0	0	0		
Platinum	000 Oz		19	21	85	91	91	Dividends Received		0	0	0	0	0		
Palladium	000 Oz		16	19	73	75	75	Share Issues/Repurchases		0	0	0	0	0		
Rhodium	000 Oz		2	3	8	8	8	Increase in Net Cash/(Debt)								
Commodity Prices							Gross CF / Op. EBITDA (X)									
Year Average to		June	2001a	2002e	2003e	2004e	2005e	Maint. Capex / Sales (%)		0.0%	3.0%	6.3%	0.6%	0.6%		
Currency	A\$/US\$		0.54	0.52	0.56	0.58	0.58	Total Capex / Sales (%)		(X)	0.69	2.70	0.51	0.51		
Currency	Rand/A\$		4.1	5.3	5.3	5.3	6.0	Maint. Capex / D&A (X)		(X)	24.60	5.39	1.02	1.02		
Platinum	US\$/Oz		557	481	585	555	488	Maint. Capex / GCF (%)		(%)	-60.6%	25.0%	30.4%	2.7%	3.0%	
Palladium	US\$/Oz		792	364	284	265	298	ROE Analysis								
Rhodium	US\$/Oz		1500	1500	698	775	875	Year end	June	2001a	2002e	2003e	2004e	2005e		
Earnings Sensitivity (A\$m)							EBIT/Sales (X)									
Year Average to		June	2001a	2002e	2003e	2004e	2005e	Pretax Profit/EBIT (X)		1.00	0.80	0.85	0.89	0.93		
Currency	US\$/A\$		0%	2%	2%	2%	2%	NPAT / Pretax Profit (X)		(X)	1.00	0.80	0.85	0.89	0.93	
Platinum	US\$/Oz		0%	6%	7%	7%	7%	Sales/Assets (X)		(X)	0.00	0.22	0.92	0.77	0.60	
Palladium	US\$/Oz		0%	5%	6%	6%	6%	Assets/Equity (X)		(X)	1.14	1.57	1.33	1.27	1.24	
							Return on Equity (ROE) (%)									
							ROE WACC Analysis									
Year end		June	2001a	2002e	2003e	2004e	2005e	Year end	June	2001a	2002e	2003e	2004e	2005e		
Adjusted NOPAT	(A\$m)		-2	2	23	25	24	Adjusted NOPAT	(A\$m)		51.0	109.6	113.2	109.8	111.0	
Adj Cap employed	(A\$m)		51.0	109.6	113.2	109.8	111.0	ROCE	(%)		-3.2%	1.9%	20.3%	23.1%	21.6%	
ROCE	(%)		12.0%	12.0%	12.0%	12.0%	12.0%	WACC	(%)		12.0%	12.0%	12.0%	12.0%		
ROCE Spread	(abs)		-15%	-10%	8.3%	11.1%	9.6%	ROCE Spread	(abs)		(abs)	-15%	-10%	8.3%	11.1%	9.6%
Change in ROCE	(abs)		5.1%	18.5%	2.8%	-1.5%		Change in ROCE	(abs)		(abs)	5.1%	18.5%	2.8%	-1.5%	

(1) Net Profit (Reported) is before Non Recurring Items & after Pref. Dividends.
(2) Net Profit (Adj.) is before goodwill amortisation, abnormals and after Pref. Divs.
(3) EV Includes 100% of Mkt. Value of minorities and excludes Mkt. Value of Invest/Assoc.
(4) Includes 100% of Mkt. Value of minorities and excludes Mkt. Value of Invest/Assoc.
(5) ROE excludes Preference Capital.

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