

ZIMBABWE PLATINUM MINES

MATERIALS
Analyst: Ian Preston

Date: 20 November 2002

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Key Points from AGM – Impala agreement

RECOMMENDATION:

S/Term; **OUTPERFORM**

L/TERM; **BUY**

Stock Code: ZIM (143¢)

Valuation: 170¢ Base Case

KEY POINTS:

After prolonged legal negotiating, Zimplats has entered a New Agreement with Impala.

Under the New Agreement, Impala will be required to make a full offer to minority shareholders if its interest exceeds 35%. exceeds

Impala were prepared to make a \$1.90 per share offer. The board viewed this as not in the interests of shareholders.

Key risk remains Zimbabwe political/economic risk.

- The acquisition by Impala of a further 21% stake in Zimplats from AurionGold, caused frustration ZIM shareholders. Under Australian Corps law the acquisition meant that Impala now holds a relevant interest of 51% in Zimplats and that control has passed without a premium being paid. In terms of the domicile of Zimplats being in Guernsey, there was no provision for minority protection.
- Zimplats has struck a 'New Agreement' with Impala in respect of the level of their ownership and future takeover procedures. The new agreement provides for the restructure of Impala's holding such that it does not have a relevant interest in the 15% of shares held by ABSA bank. This will reduce Impala interests to ~36%, or 30% of the fully diluted capital. In addition the key points of the New Agreement are:
In the event that Impala acquires shares in Zimplats in excess of 35% (fully diluted) it will make an offer to shareholders at a price which is the highest of the following;
 - \$1.90
 - The price paid for the newly acquired interest
 - An independent valuation of Zimplats at the time.
- As part of the process Zimplats commissioned an independent valuation which was carried out by Venmyn Rand. The report concluded that notwithstanding the political/country risk of Zimbabwe the Zimplats shares have a fair value of A\$3.67 (We have not seen the assumptions on which this valuation was based but compares to our 170¢ base case valuation)
- Impala indicated that it was prepared to enter the New Agreement or, as an alternative, make an offer of A\$1.90 to all shareholders. The board decided that, given the independent valuation, a takeover at \$1.90 was not in the best interests of shareholders.
- Impala is still able to make an offer to shareholders at \$1.90, however, the Zimplats board has said that they would not recommend acceptance of an offer at this level.

INVESTMENT ARITHMETIC

Latest Price:	143¢	12 month Price Range: 85¢-190¢			
Issued Capital:	90.4 m ord.	Turnover: \$1.163m. /month			
Market Cap:	\$129 m	ASX Code: ZIM			
Key Shareholder:	Impala/ABSA 30%	Valuation: \$1.70			
Year End June	2000	2001	2002	2003	2004
	Hist.	Hist.	Hist.	Est.	Est.
Net Profit (\$m)	-1.5	-1.7	2.3	25.7	24.6
EPS (diluted) (¢)	-1.6	-1.8	2.6	28.4	27.2
EPS Growth (%)	0.0	0.0	100.0	997.5	-4.1
PER	-88.5	-78.3	55.3	5.0	5.3
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	4.7	34.5	32.0
P:CF	0.0	0.0	30.1	4.1	4.5
	1 month		3 months		12 months
Relative Price Perform vs. S&P ASX 300:	2.2%		6.7%		72.7%

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Zimbabwe Platinum Mines LTD. - Summary (A\$)						
Current Price A\$:	\$1.43	Mkt Cap. (A\$m):	129	Recommendation (LT): SPECULATIVE BUY		
JBWere DCF:	\$1.71	ASX Code:	ZIM	Analyst: Ian Preston		
Industry:	Mining Explorer			Data as at: 20-Nov-02		
Investments Statistics						
Year end	June	2000a	2001a	2002e	2003e	2004e
Net Profit (reported)	(A\$m)	-1.5	-1.7	2.3	25.7	24.6
- EPS (Reported) 1	(c)	-1.6	-1.8	2.6	28.5	27.3
- PER (Reported) 1	(X)	-88.5	-78.1	55.1	5.0	5.2
NET PROFIT (Adj.) 2	(X)	-1.5	-1.7	2.3	25.7	24.6
- EPS (Adj.) 2	(c)	-1.6	-1.8	2.6	28.5	27.3
- EPS Growth	(%)		13%	242%	998%	-4%
- PER (Adj.) 2	(X)	-88.5	-78.1	55.1	5.0	5.2
Dividend	(c)	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
Free Cash Flow	(A\$m)	0	-3	4	34	31
- P/FCF 4	(X)		-48.6	34.1	3.8	4.2
EV (Adj.) / EBITDA 3	(X)	-90.8	-82.2	34.7	3.8	4.1
Avg. Shares (diluted)	(mill)	90	90	90	90	90
Profit & Loss (A\$m)						
Year end	June	2000a	2001a	2002e	2003e	2004e
Sales Revenue (excl JV & Assoc.)		0.3	0.5	32.9	127.4	115.9
Operating costs		1.7	2.2	28.6	96.3	87.1
Operating EBITDA		-1.5	-1.7	4.3	31.1	28.8
D&A		0.0	0.0	1.4	1.7	1.6
Operating EBIT		-1.5	-1.7	2.8	29.4	27.2
JV & Assoc.		0.0	0.0	0.0	0.0	0.0
EBIT		-1.5	-1.7	2.8	29.4	27.2
Net Interest Exp./(Rev)		0.0	0.0	0.5	3.8	2.6
Non recurring Items Pre Tax		0.0	0.0	0.0	0.0	0.0
PreTax Profit (pre ab's)		-1.5	-1.7	2.3	25.7	24.6
Tax Expense (pre abs)		0.0	0.0	0.0	0.0	0.0
Minorities (after Tax)		0.0	0.0	0.0	0.0	0.0
Prof. Dividends		0.0	0.0	0.0	0.0	0.0
Reported NPAT (pre abnormals)		-1.5	-1.7	2.3	25.7	24.6
NET PROFIT (Pre NRI's) 1		-1.5	-1.7	2.3	25.7	24.6
Abnormal Items (after Tax)		0.0	0.0	0.0	0.0	0.0
Reported NPAT (post ab's)		-1.5	-1.7	2.3	25.7	24.6
Sales Growth	(%)		74%	6478%	287%	-9%
Op. EBITDA Growth	(%)		n.a.	n.a.	627%	-7%
NPAT (Adj.) Growth	(%)		n.a.	-242%	998%	-4%
EPS (Adj.) Growth	(%)		13%	242%	998%	-4%
Op. EBITDA Margin	(%)			13.0%	24.4%	24.8%
Interest Cover - EBITDA	(X)			8.6	8.3	11.2
Return on Equity 5	(%)	-1.2%	-1.7%	2.4%	20.8%	16.7%
Cash Flow Analysis (A\$m)						
Year end	June	2000a	2001a	2002e	2003e	2004e
Operating EBITDA		-1	-2	4	31	29
change in working cap.		0	0	0	0	0
Gross Cashflow		-1	-2	4	31	29
Net Interest Paic		0	0	1	4	3
Tax Paid (inc. abs)		0	0	0	0	0
Other		0	0	0	0	0
Operating Cash Flow		-1	-2	5	35	31
Maint. Capex		0	-1	-1	-1	-1
FREE CASH FLOW		0	-3	4	34	31
Dividends Paid		0	0	0	0	0
Expan. Capex		0	-45	-34	-1	-1
Acquisitions		0	0	0	0	0
Asset Sales		0	0	0	0	0
Dividends Received		0	0	0	0	0
Share Issues/Repurchases		0	0	0	0	0
Increase in Net Cash/(Debt)		0	-47	-31	33	30
Gross CF / Op. EBITDA	(X)	1.00	1.00	1.00	1.00	1.00
Maint. Capex / Sales	(%)	0.0%	0.0%	3.0%	0.6%	0.7%
Total Capex / Sales	(%)	0.0%	0.0%	107.6%	1.3%	1.4%
Maint. Capex / D&A	(X)			0.69	0.49	0.51
Total Capex / D&A	(X)			24.60	0.98	1.02
Maint. Capex / GCF	(%)	0.0%	-60.6%	23.4%	2.6%	2.8%
ROE Analysis						
Year end	June	2000a	2001a	2002e	2003e	2004e
EBIT/Sales	(X)	-5.07	-3.30	0.09	0.23	0.23
Pretax Profit/EBIT	(X)	0.00	1.00	0.82	0.87	0.91
NPAT / Pretax Profit	(X)	n.a.	1.00	0.82	0.87	0.91
Sales/Assets	(X)	0.07	0.00	0.22	0.83	0.75
Assets/Equity	(X)	0.03	1.14	1.56	1.25	1.05
Return on Equity (ROE)	(%)	-1.2%	-1.7%	2.4%	20.8%	16.7%
ROCE WACC Analysis						
Year end	June	2000a	2001a	2002e	2003e	2004e
Adjusted NOPAT	(A\$m)	-1	-2	2	26	25
Adj Cap employed	(A\$m)	115.6	115.6	109.6	114.7	124.4
ROCE	(%)	-1.3%	-1.4%	2.1%	22.4%	19.8%
WACC	(%)	12.0%	12.0%	12.0%	12.0%	12.0%
ROCE Spread	(abs)	-13%	-13%	-10%	10.4%	7.8%
Change in ROCE	(abs)		-0.2%	3.6%	20.3%	-2.6%
EV Analysis / DCF Valuation						
A\$ DCF Valuation: 1.71 (Excludes Franking Credits)						
Price / DCF:	0.84					
Ke:	13.8%	WACC:	12.0%			
Kd:	5.6%	RF:	6.0%			
BETA:	1.20	MRP:	6.5%			
Year end	June	2000a	2001a	2002e	2003e	2004e
EV (Adj.) 3	(A\$m)	132	136	149	118	118
EV (Adj.) / EBITDA	(X)	-90.8	-82.2	34.7	3.8	4.1
EV (Adj.) / Sales	(X)	460.8	271.4	4.5	0.9	1.0
EV (Adj.) / Gross CF	(X)	-90.8	-82.2	34.7	3.8	4.1
Balance Sheet (A\$m)						
Year end	June	2000a	2001a	2002e	2003e	2004e
Cash		0	2	11	11	11
Property, Plant, Equip		0	1	35	35	36
Other Assets		4	106	106	107	108
Debt		3	9	31	0	0
Shareholders Equity		126	95	97	123	148
Net Debt / Equity	(%)	3%	7%	20%	-9%	-7%
Net Debt / (D+E)	(%)	3%	7%	17%	-10%	-8%
Annual Production						
Year end	June	2000a	2001a	2002e	2003e	2004e
Platinum	000 Oz	0	20	21	91	91
Palladium	000 Oz	0	17	19	75	75
Rhodium	000 Oz	0	2	3	8	8
Commodity Prices						
Year Average to	June	2000a	2001a	2002e	2003e	2004e
Currency	A\$/US\$	0.63	0.54	0.52	0.56	0.58
Currency	Rand/A\$	4.0	4.1	5.3	5.9	6.1
Platinum	US\$/Oz	487	557	481	475	450
Palladium	US\$/Oz	500	792	383	321	300
Rhodium	US\$/Oz	1500	1500	1500	1500	1500
Earnings Sensitivity (A\$m)						
Year Average to	June	2000a	2001a	2002e	2003e	2004e
Currency	US\$/A\$	0%	0%	2%	2%	2%
Platinum	US\$/Oz	0%	0%	6%	7%	7%
Palladium	US\$/Oz	0%	0%	5%	6%	6%
(1) Net Profit (Reported) is before Non Recurring Items & after Pref. Dividends.						
(2) Net Profit (Adj.) is before goodwill amortisation, abnormals and after Pref. Dividends.						
(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.						

Date: 20 November 2002

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