

HALF YEAR REPORT

Appendix 4D

Zimplats Holdings Limited
ARBN: 463 058
Australian Stock Exchange code: **ZIM**

Half year ended 31 December 2010
Results for announcement to the market.

			2010	2009
			US\$ 000	US\$ 000
1.	Revenue from ordinary activities	Up 45%	249 967	172 027
2.	Profit from ordinary activities after tax	Up 206%	85 471	27 929
3.	Net profit attributed to equity holders	Up 206%	85 471	27 929

- The unaudited directors' and finance reports for the half year to December 2010 have been released and are available on the Zimplats website.
- Three lost time injuries were recorded compared to two in the same period last year. Following independent audits the company retained its ISO14001:2004, ISO 9001:2008 and OHSAS 18001:2007 certifications.
- Ore mined totaled 2 037 000 tonnes, up 23% on the previous year as the Bimha Mine ramp up continued.
- Ore milled at 2 078 000 tonnes was 6% above the tonnage for the same period last year, reflecting the fact that for the same period last year, the Ngezi concentrator only operated at full capacity for part of the period. The satisfactory milling performance was despite an 11 day unplanned shutdown at the SMC concentrator due to a problem on the SAG mill discharge end bearing which has since been rectified. Mill grade was in line with expectations whilst concentrator recovery at 82.3% was 2% higher than the previous year, reflecting the optimization of processes at the new Ngezi concentrator.
- 4E metal production amounted to 180 733 ounces, an increase of 10% on the previous year's production in line with the higher throughput and recoveries.
- Metal prices have continued to improve partly reflecting improved market sentiment and also production constraints in South Africa. Accordingly, metal prices realized during the half year were significantly higher than for the same period last year.
- The combination of higher production and improved metal prices resulted in turnover for the six months of \$250 million, up 45% on \$172 million for the comparative period.
- Operating costs for the period amounted to \$134 million, an increase of 30% on the previous year. The increase was primarily driven by higher production volumes, increase in royalties in line with revenue and royalty rate adjustments as well as increase in labour costs following conclusion of the 2010 wage negotiations. With a significant portion of input costs denominated in South African Rand, the continued strength of that currency relative to the United States Dollar had an adverse impact on costs. A \$40 million partial early repayment of the bank loans was made in December 2010, in part, to reduce exposure to the South African Rand.
- The combination of the above factors resulted in a profit before tax of \$101 million, a 71% increase on the prior period's \$59 million. Profit after tax amounted to \$85 million compared to \$28 million for the previous period.

- Development of Bimha Mine remains on course with the mine scheduled to achieve design production capacity by May 2011. Implementation of the Ngezi Phase II expansion project is proceeding according to plan.
- Shareholders are aware of the long drawn dispute between Zimplats and the Government on whether or not Zimplats was liable for APT in view of the written undertakings given by Government in 2001 that the company would be exempted from the tax. In the event, Zimplats had grudgingly accepted that as Government had not promulgated the legislation to give legal effect to the promised exemption, the company was liable for APT. Accordingly, Zimplats accepted an APT assessment of \$23.5 million issued by the Zimbabwe Revenue Authority (ZIMRA) in 2009 in respect of the period 2001 to 2007 and has paid the assessed amount in full.

In December 2010, the audit section of ZIMRA reviewed the APT assessment and concluded that the deduction of income tax assessed losses in the derivation of net cash receipts, on which APT is chargeable if positive, was incorrect. ZIMRA has thus proceeded to issue an amended APT assessment in which they disallowed the deduction of income tax assessed losses. The effect of the disallowance is to increase the APT liability to \$50.4 million, an increase of \$26.9 million.

Management and the company's tax advisers strongly believe that the ZIMRA interpretation of the deduction provisions of the 22nd and 23rd Schedules of the Income Tax Act is incorrect and accordingly, an objection to the amended assessment has been lodged. A response to the objection is yet to be received.

In the event that the response to the objection is negative, it is the board's intention to seek legal redress.

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