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5 May 2020

Lin Kang
Adviser, Listings Compliance
ASX Limited
ASX Customer Service Centre
20 Bridge Street
Sydney
NSW 2000

Dear Ms Kang

ZIMPLATS HOLDINGS LIMITED ("Zimplats, or "Company"): QUERIES REGARDING ACCOUNTS

We refer to your letter dated 6 April 2020 regarding the Independent Auditor's Report ("Auditor's Report") included in the Zimplats' interim accounts for the half year ended 31 December 2019 lodged with ASX Market Announcements Platform and released on 27 February 2020 ("Half Year Accounts"). We would like to express our gratitude for granting Zimplats an extension to respond no later than 6 May 2020 in view of the current COVID-19 pandemic. In response to your questions, we provide the following answers:

1. Compliance with Accounting Standards

- a) We confirm that the Half Year Accounts were prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34").
- b) We confirm that the Half Year Accounts give a true and fair view of Zimplats' financial performance and position, except for the possible but unquantifiable carry over effects of the qualified opinion issued by the predecessor auditors, PricewaterhouseCoopers, on the financial statements for the year ended 30 June 2019 lodged with ASX Market Announcements Platform and released on 30 September 2019 ('Annual Accounts').

The basis for the qualified opinion was set out in detail in the Annual Accounts, refer to the Independent Auditor's Report on pages 118 to 125 read together with the relevant critical estimates and judgments in note 4(f) on pages 157 and 158 of the Annual Accounts. In summary, the qualified opinion in the Annual Accounts related to a reporting issue pertaining to policy changes imposed by the Reserve Bank of Zimbabwe ("RBZ") from 1 October 2018, which resulted in companies having to separate Real Time Gross Settlement transactions from foreign currency transactions (which were previously accumulated in the same account). Transactions which occurred from 1 October 2018 to 22 February 2019, being the material period when the policy changes were enacted and implemented, were therefore affected and accordingly noted by the auditors.

Zimplats Holdings Limited
ARBN: 083 463 058
Australian Stock Exchange Code: ZIM

Directors: Dr F. S. Mufamadi (Chairman), A. Mhembere* (Chief Executive Officer), P. Zvandasara*,
M. Kerber, T.N. Mgoduso, C. Mtasa, A. Muchadehama, N.J. Muller, Dr D.S.M. Shoko, Z. B. Swanepoel
* Executive

It should be noted that the issuance of modified opinions due to non-compliance with International Accounting Standard 21, 'The Effects of Changes in Foreign Exchange Rates' ("IAS 21") was a countrywide issue in Zimbabwe. To that end, we have attached a statement issued by the Zimbabwe Stock Exchange Limited ("ZSE") on the prevalence of modified audit opinions amongst ZSE listed companies. The ZSE statement states that most, if not all, of the published results of ZSE listed companies carried adverse opinions.

2. The qualified review conclusion in the Half Year Accounts was based on the possible but unquantifiable carry over effects of the qualified opinion issued by PricewaterhouseCoopers on the Annual Accounts as discussed in 1 above.

By way of background, in October 2018, banks were instructed by the RBZ to separate and create distinct bank accounts for depositors, namely, Real Time Gross Settlement Foreign Currency Account (RTGS FCA) and Nostro Foreign Currency Account (Nostro FCA). This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increase in multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework initially mandating parity, and later introducing an inter-bank rate on 22 February 2019.

Subsequently, on 22 February 2019, the Government of Zimbabwe, through another policy measure, issued Statutory Instrument 33 of 2019 ("S.I. 33 of 2019") which introduced the electronic RTGS Dollar as an official currency and established an interbank foreign exchange market to formalise trading of the RTGS Dollar with other currencies. The balances previously separated to RTGS FCA accounts in October 2018, became RTGS Dollar together with bond notes, bond coins and mobile money.

These events were indicative of macroeconomic fundamentals that would require a reassessment of the functional currency as required by IAS 21. However, there were practical reporting challenges across entities operating in Zimbabwe to comply with IAS 21 as stated in the attached ZSE statement.

Triggered by the monetary policy changes referred to above, during the year ended 30 June 2019, management considered the parameters as set out in IAS 21, (Paragraph 8), in the determination of the operating subsidiary's functional currency. Considering the primary economic environment in which the operating subsidiary, Zimbabwe Platinum Mines (Private) Limited, operates, as well as considering factors such as (i) which currency influences sales prices, (ii) the currency in whose competitive forces and regulations primarily determine sales prices, (iii) the currency which influences cost, (iv) the currency funding financing activities and (v) the currency in which receipts from operating activities are retained, management concluded that the operating subsidiary's functional currency remained the United States dollar ("USD"). The board approved the adoption of the USD as the functional currency and the auditors concurred.

The opinion issued by PricewaterhouseCoopers on the Annual Accounts was qualified as opposed to being an adverse opinion which was prevalent to other companies in the Zimbabwean market as the Company had endeavoured to do all that was necessary to comply with IAS 21. To comply with IAS 21, management manually separated cost of sales and corporate social responsibility expenditure transactions between RTGS and USD to enable conversion of the RTGS transactions to USD using the Old Mutual Implied Rate ("OMIR") which was deemed to be a reasonable rate of exchange in the absence of an observable foreign exchange market. The operating subsidiary was however not able to separate transactions up to the general ledger detail as required by the auditors as it was not practicable to do so due to the volume of transactions between 1 October 2018 and 22 February 2019 and there was no requirement to separate the ledger transactions as RTGS FCA and Nostro FCA balances were legally at par. In addition, the RTGS was not an official currency prior to 22 February 2019.

The audit and risk committee of the board reviewed the assumptions used by management for the Half Year Accounts and were satisfied that the underlying assumptions were acceptable given the circumstances prevailing. There was at the time of reporting full compliance with all International Financial

Reporting Standards other than IAS 21 in respect of the possible carry over effects of the transactions detailed above.

3. Management will continue to provide information to the current auditors, Deloitte & Touche, to demonstrate that the carry over effects of inventory and additions to property, plant and equipment incurred in RTGS balances during the period 1 October 2018 and 22 February 2019, will not materially misstate financial statements for the year ending 30 June 2020. As the qualification mainly relates to prior period income statement comparatives and, in particular, reclassification between cost of sales and exchange gains and losses, we expect this issue to only have a carryover effect on the financial statements for the current financial year ending 30 June 2020. However, given that Zimplats is now reporting its transactions to enable compliance with IAS 21 and has been doing so for this current financial year, the Company is confident that the possible carry over effects of the qualified opinion from the Annual Accounts will no longer have a material impact on the financial statements of Zimplats after this current financial year.

The matters outlined in the Auditor's Report resulting in the qualified review conclusion do not, in our view, affect the financial condition of the Company or its ability to continue as a going concern.

4. We confirm that the CEO and CFO declarations were presented to the board and are also included in the Half Year Accounts, refer to page 7 of the Half Year Accounts.
5. Not applicable as the CEO and CFO declarations are included in the Half Year Accounts as discussed in 4 above.
6. The Half Year Accounts were prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. As the condensed consolidated interim financial statements do not include all the notes typically included in the annual financial statements, the interim financial statements should be read in conjunction with the Annual Accounts.

The Half Year Accounts were reviewed by the audit and risk committee before board approval. Management, internal and external auditors make detailed presentations to the audit and risk committee. The Zimplats' audit and risk committee assist the board in fulfilling its corporate governance and oversight responsibilities by, among other things, reviewing and making recommendations on the following:

- The financial, business risk and information technology reporting processes and governance;
- The risk management systems, both financial and non-financial;
- The systems and adequacy of internal controls and safeguarding of the Company assets;
- The integrity of the financial statements;
- The internal and external audit process;
- The appointment of both the external and internal auditors and approving their remuneration and terms of engagement, monitoring their independence, objectivity and effectiveness;
- Regulating the use of external auditors for non-audit duties; and
- The Company's process for monitoring compliance with relevant laws and regulations.

The combined assurance model is well embedded throughout the business. The model assists in facilitating, integrating and aligning the various assurance processes in the Company to maximise risk and governance oversight and control efficiencies which, in turn, increases the overall level of assurance to the audit and risk committee.

Management made enquiries with the ZSE on the treatment of transactions by entities in Zimbabwe during the period in question. The ZSE position is per the attached circular. The audit and risk committee also considered the guidelines issued by the Public Accountants and Auditors Board of Zimbabwe (PAAB) in assessing that the financial records had and are being properly maintained and the financial statements comply with the appropriate accounting standards other than the IAS 21 matter for the period 1 October 2018 to 22 February 2019 which has also impacted on some of the opening balances.

The financial position and performance of the Company is reviewed by the audit and risk committee and the full board at quarterly meetings. In addition, management circulates a monthly report to the directors. Zimplats and its external auditor are comfortable that the Half Year Accounts comply with International Accounting Standards and, other than the possible effects of the matter subject to the qualified review

conclusion following on from the opinion in the Annual Accounts, the Half Year Accounts give a true and fair view of the financial position and performance of Zimplats.

7. The board considers that Zimplats has a sound risk management and internal control systems. As discussed in 2 above, the qualified opinion arose from legislative developments driven by the Government, through the Ministry of Finance and Economic Development, which had the effect, through a series of enactments, reverting the country to a mono currency economy, from the previous multi-currency economy rather than a breakdown in the Company's risk management and internal controls.
8. We confirm that Zimplats is complying with the ASX Listing Rules and, in particular, Listing Rule 3.1. The qualified review conclusion in the Half Year Accounts was a technical accounting issue arising from legislative developments which were previously disclosed in the Annual Accounts by the previous auditor, PricewaterhouseCoopers. The impact of the issue on the half year period ended 31 December 2019 was under consideration by Zimplats' current auditors, Deloitte & Touche, and the qualified review conclusion was immediately disclosed to the ASX on 27 February 2020 as soon as the review opinion was finalised.
9. We confirm that Zimplats' responses to the questions above have been duly authorised and approved.

Yours faithfully



PATRICIA ZVANDASARA
CHIEF FINANCE OFFICER



6 April 2020

Ms Kathrine Brown
Investor Relations Manger
Zimplats Holdings Limited
Suite 702
275 Alfred Street
North Sydney
NSW 2060

By email: kathrine.brown@zimplats.com.au

Dear Ms Brown

Zimplats Holdings Limited ('ZIM'): Queries regarding Accounts

ASX refers to:

- A. ZIM's half year accounts for the half year ended 31 December 2019 lodged with ASX Market Announcements Platform and released on 27 February 2020 ('Half Year Accounts').
- B. ASX notes that the Independent Auditor's Report attached to the Half Year Accounts ('Auditor's Report') contains a qualified opinion:

"Qualified opinion on prior year audited financial statements

The financial statements of the Group for the year ended 30 June 2019, were audited by another auditor who expressed a qualified opinion. The basis for qualified opinion as presented in the prior year condensed consolidated financial statements is as follows;

"The Group transacted using a combination of United States Dollars (US\$), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms in the 2019 financial year. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS Foreign Currency Accounts (FCA) in comparison to the US\$.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates."

In order to comply with IAS 21, management performed a reassessment of its functional currency and concluded that the US\$ remained as the functional currency of the Group. Consequently from 1 October 2018, management manually separated transactions between RTGS and US\$ in order to convert RTGS transactions to US\$ using the Old Mutual Implied Rate ("OMIR").

In the absence of a detailed ledger account reflecting the transactions split by currency, management applied judgment by assuming that the foreign currency payments to suppliers equalled the foreign currency portion of the expenditure recorded in the statement of profit or loss. Furthermore, the OMIR fluctuated significantly during the period from October 2018 to June 2019. The manual separation of transactions has some inherent

limitations in terms of precision of the amounts recognised, which could result in a material misstatement in expenditure and the corresponding exchange gain or loss recognised in the condensed consolidated statement of profit and loss and other comprehensive income.

In addition, included in inventory on hand and property, plant and equipment additions as at 30 June 2019, were RTGS transactions which were incurred between 1 October 2018 and 22 February 2019 and were recorded as if they had been incurred in US\$. In accordance with IAS 21, these transactions should have been converted to US\$ using another rate other than 1:1.

It was not practicable for management to split the transactions between RTGS and US\$ as the amounts were capitalised at parity in the accounting records. Exchange gains and losses resulting from the conversion of foreign currencies should have been expensed as and when they were incurred. During the period 1 October 2018 and 22 February 2019, exchange losses were recognised in inventory which may have resulted in a material misstatement in the inventory balance.

Similarly, additions to property, plant and equipment incurred in RTGS between 1 October 2018 and 22 February 2019 should have been converted to US\$. As a result of this, property, plant and equipment additions recognised during this period and the corresponding depreciation charge may have been materially misstated.

As it was not practicable to determine the financial effects of the matters, consequently the predecessor auditors were unable to determine whether any adjustments to the expenditure, property, plant and equipment, inventory and related profit or loss movements and foreign exchange losses were necessary.

Accordingly, our conclusion on the six month period's financial statements is also modified because of the above carry over effects in the current six month period which cannot be determined."

- C. ZIM's Corporate Governance Statement for 2019 lodged on the ASX Market Announcements Platform on 1 November 2019 which provides confirmation that ZIM complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively."

- D. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

- E. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the

entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.

- (d) *If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) *If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) *If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

In light of the information contained in the Half Year Accounts and the Auditor's Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is ZIM able to confirm that in the Directors' Opinion the Half Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of ZIM's financial performance and position?
2. Given the qualified conclusion relates to the Auditor's inability to obtain sufficient information to determine whether prior year adjustments to expenditure, property, plant and equipment, inventory, and related profit or loss movements and foreign exchange losses were necessary, please explain how the directors satisfied themselves that the carrying values are appropriate and adheres to the relevant Accounting Standards. In answering this question, reference should be made to the underlying assumptions used by the directors in coming to this conclusion, as well as any independent valuations and the validity of the assumptions upon which these valuations are based.
3. What steps has ZIM taken since the release of the Half Year Accounts to obtain an unqualified opinion with regards to its future financial statements?
4. In relation to the Half Year Accounts, did the Board receive the CFO and CEO declaration, as described in section 4.2 of ZIM's Corporate Governance Disclosure, that in the opinion of the CFO and CEO, the financial records of ZIM have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZIM and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
5. If the answer to Question 4 is 'no', why did the Board not receive the CEO and CFO declaration as described in section 4.2 of ZIM's Corporate Governance Disclosure?
6. What enquiries did the Board make of management to satisfy itself that the financial records of ZIM have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ZIM?
7. Commenting specifically on the qualified opinion, does the board consider that ZIM has a sound system of risk management and internal control which is operating effectively?
8. Please confirm that ZIM is complying with the Listing Rules and, in particular, Listing Rule 3.1.

9. Please confirm that ZIM's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of ZIM with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and ZIM's response to the market. Accordingly, ZIM's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **9 am AEDT Thursday, 9 April 2020**.

Any response should be sent to me by return email at ListingsComplianceSydney@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Kind regards

Lin Kang
Adviser, Listings Compliance (Sydney)