

Appendix 4D

Half Year Report

Zimplats Holdings Limited





ARBN: 083 463 058

Australian Stock Exchange code: **ZIM**


Results for announcement to the market

Reporting period: 1 July 2020 to 31 December 2020

Previous reporting period: 1 July 2019 to 31 December 2019

			2020 US\$000	2019 US\$000
1.	Revenue	 79%	674 943	377 726
2.	Profit before income tax	 197%	375 351	126 518
3.	Income tax expense	 175%	(124 746)	(45 330)
4.	Profit for the half year attributable to shareholders	 209%	250 603	81 188
5.	Dividend per share (cents)		40.88	41.81

Net tangible asset backing

		2020	2019
Net tangible assets per security	 36%	US\$13.74	US\$10.14

The directors' report and the condensed consolidated interim financial statements of Zimplats Holdings Limited ('Zimplats' or the 'Company') and its subsidiaries (together the 'Group') for the half year ended 31 December 2020, which have been reviewed by auditors, have been released and are available on the Company's website (www.zimplats.com).

This report was approved and authorised for release to the market by the board of directors of Zimplats.

Commentary on results

Below are key highlights for the half year ended 31 December 2020.

Finance

- Half year revenue increased by 79% to US\$674.9 million compared to the same period last year largely driven by increases in average metal prices and volumes of metal sold. The gross revenue per 6E ounce for the half year at US\$2 241 was 50% higher than the US\$1 494 for the same period last year.
- Cost of sales at US\$297.4 million was 24% higher than the same period last year, mainly due to an increase in sales volumes, and the resultant increase in royalty and commission costs. Additionally, share-based payments were higher due to the improvement in the Impala Platinum Holdings Limited share price which forms the basis for Zimplats share-based compensation scheme. Resultantly, gross profit margin at 56% increased by 20 percentage points from 36% achieved in the same period last year.
- Administrative expenses for the half year at US\$4.2 million increased 14% from the US\$3.7 million incurred during the same period last year mainly due to higher corporate social responsibility costs.
- Cash operating cost per 6E ounce produced at US\$642 was marginally above US\$641 for the same period last year. This was driven by 8% increase in 6E ounces produced and savings on procurement costs. The positive impact of higher production volumes and lower procurement costs was partly offset by additional costs incurred to mitigate the impact of COVID-19 on our employees and the community in which the Group operates.
- The Group recorded net foreign currency exchange losses of US\$0.1 million compared to US\$5.6 million in the same period last year owing to the rate movements of the Zimbabwean Dollar observed on the foreign currency auction system that was introduced in June 2020 by the Reserve Bank of Zimbabwe.
- Other income for the half year increased significantly from US\$0.3 million reported in the same period last year to US\$5.6 million due to the fair value gain on the Impala Platinum Holdings Limited shares purchased by the Group for the share-based compensation scheme.
- Finance costs at US\$1.7 million were 31% higher than the same period last year as there were no borrowing costs eligible for capitalisation during the period under review.

Resultantly, profit before income tax for the period at US\$375.4 million was 197% higher than US\$126.5 million recorded in the same period last year. Income tax for the half year at US\$124.7 million (2019: US\$45.3 million) resulted in profit after tax for the period of US\$250.6 million compared to US\$81.2 million achieved in the same period last year.

Safety, Health and Environment

- There were no lost-time injuries recorded in the half year, compared to six lost-time injuries recorded during the same period last year. Regrettably, after the reporting date, the Group recorded three lost-time-injuries including a fatality as reported to the market through an ASX announcement released on 18 February 2021.
- An external safety, health and environment management systems audit was conducted during the half year. No non-conformities were raised for the three management systems (ISO 45001:2018, ISO 14001:2015 and ISO 9001:2015) and certification for the three systems was therefore maintained.
- Rehabilitation of open pits and tailings storage facilities progressed as planned during the half year.
- Water management strategies continued with recycled water accounting for 33% of the total water consumed, down from 34% achieved in the same period last year.

- COVID-19 continues to pose significant risks to the health and safety of the employees as well as business continuity, with Zimbabwe experiencing a rise in cases in the second wave of infections. Government initially responded by reversion to Lockdown Level IV effective 5 January 2021 to 31 January 2021 followed by two extensions to 1 March 2021. Mining remains designated an “essential service” allowing operations to continue during this period under strict COVID-19 protocols.

Operations

- Ore mined during the half year increased by 2% to 3.7 million tonnes compared to the same period last year benefiting from improved fleet productivity and additional ore from Mupani Mine, which is under development.
- Tonnes milled remained unchanged at 3.4 million tonnes compared to the same period last year, reflecting consistent milling performance.
- Six elements (platinum, palladium, rhodium, gold, ruthenium and iridium), 6E mill head grade at 3.49g/t remained largely unchanged from the same period last year reflecting sustained grade control at the Group’s operations.
- 6E production increased by 8% to 288 310 ounces from 267 366 ounces in the same period last year. Previous year same period production was adversely affected by the build-up of inventory (first fill) in the furnace on start-up after the 122 days major rebuild shutdown.

Capital Projects

- The Bimha Mine redevelopment project is essentially complete. A total of US\$100 million had been spent on the redevelopment project as at 31 December 2020 against an estimated project cost of US\$101 million.
- The development of Mupani Mine (the replacement for Ngwarati and Rukodzi mines) is ahead of schedule and the project has started receiving fleets from the depleting mines. Installation of key infrastructure is on schedule targeting full production in August 2025. A total of US\$124 million had been spent on this project as at 31 December 2020 against a project budget of US\$264 million.
- The board of directors approved the implementation of Mupani and Bimha mines upgrade (the replacement for Mupfuti Mine) and the construction of a third concentrator plant at Ngezi at an estimated total cost of US\$297 million. Work on the projects has commenced targeting to commission the concentrator plant in 2022 with the Bimha and Mupani mines upgrades scheduled for completion in 2023 and 2028, respectively.

Mineral Resources and Ore Reserves

There have been no material changes in the Group’s Mineral Resources and Ore Reserves compared to those reported in the annual integrated report for the financial year ended 30 June 2020.

Dividend

- The board of directors declared a final dividend of US\$44 million (equating to 40.88 US cents per share) for the year ended 30 June 2020. The ex-dividend and record dates for the dividend were 16 and 17 November 2020, respectively.
- After the reporting date, the board of directors declared an interim dividend of US\$45 million (equating to 41.81 US cents per share) for the half year ended 31 December 2020. The ex-dividend and record dates for the dividend were 18 and 19 February 2021, respectively.