



ARBN: 083 463 058

Australian Stock Exchange Code **ZIM**

## **ZIMBABWE PLATINUM MINES LIMITED**

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RAP3063:Inf

27 August 2003

### **ASX ANNOUNCEMENT**

#### **BARBICAN PROPOSED OFFER TO ZIMPLATS MINORITIES**

The independent directors and their advisers have now had the opportunity to review the latest analysis of the Proposed Barbican Offer. Owing to time constraints and the paucity of data supplied by Barbican to date, this review cannot be comprehensive but is published in the interests of keeping shareholders as fully informed as possible in the circumstances and in the light of the closing of the Implats offer on Friday 29 August 2003.

#### **Implats Shareholding**

As of the close of trading on the ASX on 26 August 2003, Implats had acquired a total of 55 978 123 Zimplats shares, out of 90 997 938 shares in issue, representing a 61.5% stake in the company.

#### **Barbican Proposed Offer to Minorities**

With reference to the key terms and analysis of the proposed Barbican offer to minorities, lodged with the ASX and the Zimplats web page, Zimplats comments as follows:

1. The offer is conditional, being subject to funding being secured and ASX approval of the Newco prospectus and listing.
2. If the ASX does not give permission for an Official Quotation within the prescribed 3 months, or any period of extension, the Barbican offer will be void.
3. Contrary to previous Barbican communications, which stated that irrevocable financial support had been obtained, Barbican has now stated that expressions of interest, subject to due diligence and board approval, have been received from two international institutions. Zimplats notes that no approaches have yet been made by any such institutions to carry out a due diligence on the company.

Funding is therefore uncertain and will take time to arrange, particularly in view of the due diligence that is still to be undertaken on Zimplats. Should political risk insurance be required for the funding, this cover is not readily available at present and will require extensive negotiations.

4. The Newco funding arrangements to acquire the Zimplats minority shares are to be based on debt funding, and in addition, the operational, ASX listing and Newco prospectus costs are also to be financed by borrowings.

Barbican also proposes to obtain a 5% interest in Newco for promoting the offer to minorities and that Newco will sell some Zimplats shares to meet loan repayments and funding costs.

The combined effect of the above measures will result in minority shareholders interest in Newco, and indirect interest in Zimplats, being diluted.

Shareholders should be aware that Zimplats is proposing a 10-year growth plan, which will require substantial funding and so it is unlikely that the company will be in a position to pay dividends during the next 5 years.

5. Zimplats concurs that the Proposed Barbican Offer allows shareholders to receive some cash now as well as continued participation, on a geared basis, in Zimplats' future but feel obliged to issue the following clarifications:

- The documentation refers to a "founder's premium" and infers that the Proposed Barbican Offer incorporates an unspecified premium. This is misleading and appears incorrect.

Notwithstanding that "Option A" envisages a cash payment of A\$5 per share for up to 35% of the minority shareholding, the balance of the consideration is paid for in shares in Newco which will need to borrow the finance to make this payment. This is a zero-sum-game and no additional shareholder value is created or paid out.

In fact, given that the Barbican group proposes to be issued with 5% of the shares in Newco "for its efforts as a promoter of the offer by Newco" and given Newco's duplicated administrative costs, the proposed offer is value dilutive.

- The documentation suggests that Newco would have an improved liquidity position vis-à-vis minority shareholders declining the Implats offer and remaining in Zimplats itself by reason, inter-alia, of more shares on issue. Given that these shares will represent the same underlying holding in Zimplats, this statement is questionable. In fact, if some of the minority shareholders who decline the Implats offer remain in Zimplats itself, and some accept the Newco offer, the liquidity of all remaining minorities will be adversely affected.
- The documentation states that Newco shareholders would be in a position to avoid dilution from cash calls to finance expansion at Zimplats because "Newco, as a listed entity, would be in a much-improved position to raise equity capital if needed for such expansions". This is a simplistic statement and is potentially misleading.

Shareholders in Zimplats who are unable or unwilling to follow their pro-rata rights in cash calls will only be diluted to the extent that the share price of such a cash call is significantly less than the value of the shares. In the case of funds raised by Newco to follow cash calls in Zimplats, non-contributory

shareholders in Newco would only avoid dilution if Newco trades at or above the underlying imputed value of its holding in Zimplats.

On stock-exchange bourses worldwide it is usual for indirect holding or pyramid companies to trade at a discount to their underlying assets. This phenomenon, combined with the fact that the Zimplats shares have consistently traded at below value, may well combine to result in non-contributory shareholders suffering greater dilution through Newco than in Zimplats itself.

### **Options available to Zimplats shareholders**

At this juncture, Zimplats minority shareholders have only two possible choices:

- Accept Implats' offer of A\$4.08 by 29 August 2003, or
- Retain their Zimplats shares.

Shareholders who chose to retain their Zimplats shares may in the future be in a position to consider a potential offer from Barbican, which should theoretically be substantially similar to the draft document received on the 25 August 2003.

### **Recommendation by Independent Directors**

Your board believes that Zimplats has an exciting future and that material shareholder value may be created in the longer term. Thus your independent directors recognise that long-term investment-orientated shareholders with risk-tolerance and an ability to follow rights in future capital raisings may validly consider rejecting the Implats Offer.

Such shareholders, however, should recognise that the probability of limited future liquidity in the trading of Zimplats shares, or even the possible future absence of a public listing of Zimplats, will limit their exit options and such shareholders should focus their decisions on longer-term dividend growth.

The independent directors are regretfully of the unanimous opinion that the Proposed Barbican Offer should not be a factor in shareholders rejecting the Implats Offer for the following key reasons:

- The Proposed Barbican Offer is conditional, uncertain and subject to a high degree of risk, particularly in securing funding on acceptable terms.
- Given that the Proposed Barbican Offer envisages the debt-funding of the cash component paid to shareholders, it does not generate incremental value.

The independent directors recognise, however, that minority shareholders rejecting the Implats Offer may well be in a position to consider a more certain and perhaps improved Barbican offer in the future but reiterate that the possibility thereof should not be a factor in shareholders rejecting the Implats Offer.

**Your independent directors continue to believe that the Implats Offer is "fair and reasonable" and consequently unanimously recommend the Implats Offer.**

**Your independent directors intend to accept the Implats Offer in respect of their own Zimplats Shares.**

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