



Pan African Resources plc

(Incorporated and registered in England and Wales under Companies Act 1985 with registered number 3937466 on 25 February 2000)
Share code on AIM: PAF
Share code on JSE: PAN
ISIN: GB0004300496
("Pan African" or the "Company")

SHANDUKA TO EXCHANGE ITS 26% SHAREHOLDING IN BARBERTON MINES FOR A 21% SHAREHOLDING IN PAN AFRICAN AND SUPERSESSON AND REPLACEMENT OF EXISTING SHANDUKA RIGHTS

1. INTRODUCTION

Pan African announces that on 18 June 2009 it concluded an agreement with Shanduka Gold (Proprietary) Limited ("Shanduka Gold") and Shanduka Gold's holding company, Shanduka Resources (Proprietary) Limited ("Shanduka Resources"), (together "Shanduka") (the "Share Exchange Agreement") whereby Pan African will acquire Shanduka Gold's current 26% shareholding in Barberton Mines (Proprietary) Limited ("Barberton Mines"), in exchange for the issue of new ordinary shares in Pan African to Shanduka Gold ("Share Exchange" or "Transaction"). The new ordinary shares to be issued to Shanduka Gold will represent 21% of the enlarged issued share capital of Pan African following implementation of the Share Exchange. Upon implementation of the Transaction, Barberton Mines will become a wholly-owned subsidiary of Pan African.

2. SUPERSESSON AND REPLACEMENT OF SHANDUKA'S EXISTING RIGHTS

Shanduka was granted certain rights detailed in paragraph 6.4 of Part VI of the Company's Pre-Listing Statement and Re-admission Document dated 4 July 2007, which rights were amended in August 2008 (the "Shanduka Rights").

Following implementation of the Transaction, the Shanduka Rights will be superseded and replaced in terms of the Share Exchange Agreement. The Shanduka Rights which will be superseded and replaced include:

- the right granted by Pan African to Shanduka Resources whereby Shanduka Resources has the option to exchange its 26% shareholding in Barberton Mines for 208 611 579 new ordinary Pan African shares ("Flip-up Right"); and
- the right granted by Pan African to Shanduka Resources whereby Shanduka Resources has the option to subscribe for an additional 64 304 622 ordinary Pan African shares at a 15% discount to the three-month volume weighted average trading price of Pan African shares on all markets immediately preceding the subscription ("Subscription Right").

In addition to the Shanduka Rights set out above, Shanduka has a right to exchange its shareholding in Pan African (if acquired as a consequence of the Flip-Up Right and the Subscription Right) for shares in Metorex Limited ("Metorex"), Pan African's major shareholder (the "Metorex Flip-Up Right"). Following the implementation of the Transaction the Metorex Flip-Up Right will no longer be exercisable by Shanduka.

3. DETAILS OF THE SHARE EXCHANGE AGREEMENT

Shanduka Gold will dispose of its 26% shareholding in Barberton Mines ("Barberton shares") to Pan African and the Shanduka Rights and the Metorex Flip-Up Right will cease to be exercisable upon implementation of the Transaction. In consideration, Pan African will allot and issue 295 749 157 new ordinary shares in Pan African ("Consideration Shares") to Shanduka Gold, representing 21% of the total issued share capital of Pan African following implementation of the Transaction.

4. CONDITIONS PRECEDENT

Implementation of the Share Exchange Agreement is subject to, *inter alia*, the fulfilment of the following conditions precedent, by no later than 30 September 2009:

- notification to, and to the extent applicable, approval from the South African Minister of Minerals and Energy pertaining to the proposed change in shareholding of Barberton Mines ("Ministerial Approval");
- the parties obtaining a ruling from the Securities Regulation Panel ("SRP") to the effect that the Transaction does not constitute an "affected transaction", as defined by the Securities Regulation Code on Takeovers and Mergers and the Rules of the SRP (the "Code"), alternatively, that the shareholders of Pan African in general meeting waive their right in terms of rule 8.7 of the Code, to receive an offer from Shanduka ("Offer Condition");
- the admission to trading of the Consideration Shares on AIM and approval by JSE Limited ("JSE") for the listing of the Consideration Shares on the Alternative Exchange operated by the JSE;
- the directors of Pan African, in consultation with the Nominated Adviser of the Company, determining that the terms of the Transaction are fair and reasonable to Pan African shareholders in accordance with AIM Rule 13;
- Metorex, in its capacity as major shareholder of Pan African, obtaining a fairness opinion in respect of the Transaction and any other approvals required in terms of the Listings Requirements of the JSE; and
- such other statutory and regulatory approvals as are customary to a transaction of this nature, including confirmation from the UK Panel on Takeovers and Mergers that the provisions of the City Code on Takeovers and Mergers are not applicable to the Transaction.

The aforementioned conditions precedent, save for the Ministerial Approval and Offer Condition, cannot be waived.

The effective date of the Transaction is the first business day after the date upon which the last of the conditions precedent is fulfilled or waived.

5. PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION

The unaudited *pro forma* financial effects set out below have been prepared for illustrative purposes only to assist the shareholders of Pan African to assess the impact of the Transaction on the earnings per share ("EPS"), diluted earnings per share ("DEPS"), headline earnings per share ("HEPS"), diluted headline earnings per share ("DHEPS"), net asset value per share ("NAVPS") and tangible net asset value per share ("TNAVPS") of Pan African had the Transaction occurred on 1 July 2008 for income statement purposes and 31 December 2008 for balance sheet purposes.

These unaudited *pro forma* financial effects have been disclosed in terms of the Listings Requirements of the JSE and because of their nature may not fairly present Pan African's financial position, changes in equity, results of operations or cash flows.

The unaudited *pro forma* financial effects have not been reviewed or reported on by the Company's auditors and are the responsibility of the directors of Pan African.

	Unaudited Before	Unaudited After	Change %
EPS (pence)	0.23	0.30	29.12
DEPS (pence)	0.23	0.30	29.39
HEPS (pence)	0.36	0.40	11.88
DHEPS (pence)	0.35	0.39	12.12
NAVPS (pence)	4.68	5.10	8.85
TNAVPS (pence)	1.56	1.67	6.68
Weighted average number of shares in issue	1 100 517 684	1 396 266 841	26.87

6. BACKGROUND TO AND RATIONALE FOR THE TRANSACTION

Changes in the relative values of the underlying assets of Pan African, combined with the continued excellent performance delivered by Barberton Mines, resulted in the Flip-Up Right being significantly "out of the money" from the perspective of Shanduka. As a consequence it was unlikely for Shanduka to exchange its shareholding in Barberton Mines for a shareholding in Pan African.

The directors of Pan African consider it preferable to extend the Black Economic Empowerment ("BEE") credentials currently enjoyed by Barberton Mines to Pan African level, particularly in the light of Pan African having exercised its option to acquire the entire issued share capital of Phoenix Platinum (Pty) Limited, as announced on 21 May 2009.

The Board is also pleased to secure the BEE credentials at Pan African level without the risk of these credentials being diluted in the event of Shanduka exercising the Metorex Flip-Up Right. The Board therefore views the termination of the Metorex Flip-Up Right as positive for Pan African shareholders.

Furthermore, the Board considers it prudent to simplify the Pan African group structure by acquiring the entire issued share capital of Barberton Mines, in doing so:

- significantly increasing the attributable gold ounces to Pan African to approximately 100 000 ounces per year; and
- terminating the shareholders' agreement that currently exists at Barberton Mines level ("Barberton Shareholders' Agreement"), thereby further simplifying the operations of the group.

Barberton Mines will continue to benefit from an empowerment agreement concluded between Shanduka and Barberton Mines ("Empowerment Agreement") referred to in the Barberton Shareholders' Agreement, as the Share Exchange Agreement specifically provides that the Empowerment Agreement will continue notwithstanding the automatic termination of the Empowerment Agreement upon Shanduka ceasing to hold shares in Barberton Mines.

Based on the closing mid-market price of a Pan African share on 18 June 2009 of 5.125 pence, the value of the Consideration Shares is approximately £15.2 million. On implementation of the Transaction, Pan African will own 100% of Barberton Mines, which in the year ended 30 June 2008 reported audited turnover of ZAR576 256 906 and profit after tax of ZAR119 627 426.

7. PROPOSED APPOINTMENTS TO THE BOARD

Upon implementation of the Transaction, it is proposed that two representatives from Shanduka will be appointed in a non-executive capacity to the Board of Pan African.

8. INFORMATION ON BARBERTON MINES

Barberton Mines comprises three operating mines, namely Fairview, New Consort and Sheba, situated in the Magisterial District of Barberton, Mpumalanga Province, Republic of South Africa, some 370km east of Johannesburg and 47km south-west of Nelspruit. For the year ended 30 June 2008, Barberton Mines sold 99 078 ozs of gold at a weighted average price of US\$783 per oz at a cash cost of US\$451 per oz.

9. INFORMATION ON SHANDUKA

Shanduka forms part of a leading black owned and managed BEE investment holding company group established in November 2000. The group's investment activities include Resources, Financial Services, Property, Energy and Beverages. Shanduka has made a number of investments in the precious metals, coal, steel, diamonds, mining services, paper and forestry arenas. The Shanduka Group's major shareholders include the Ramaphosa Family Trust, the Lilita Consortium (a broad based women's group), the Shanduka Foundation (more than 65 000 historically disadvantaged individuals are beneficiaries), management, staff, and financial institutions.

10. FURTHER INFORMATION

Shareholders will be informed of the fulfilment of the conditions precedent in due course.

Pan African's CEO, Jan Nelson, commented:

"We see this transaction as value-enhancing for all our shareholders. Shanduka swapping 26% in Barberton for 21% in Pan African means the Company will apply the full attributable profit from Barberton to its earnings."

"Shanduka, in turn, will confer BEE status to Pan African rather than an individual asset. We look forward to Shanduka becoming a far more active partner when it assumes two board seats as a result of the flip-up."

Rowan Smith, CEO of Shanduka Resources, added:

"We are pleased to become a significant shareholder of Pan African as we believe this Transaction will allow us to benefit from Pan African's strategy of operating and developing quality assets. We look forward to working closely with the management team to further develop this precious metals vehicle."

19 June 2009

Sponsor



MACQUARIE

Corporate Adviser to Pan African



Corporate Finance

Legal Adviser to the Corporate Adviser



DLA CLIFFE DEKKER HOFMEYR

For further information on Pan African Resources plc, please visit the website at www.panafricanresources.com

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INAVPS (pence)	1.56	1.67	6.68
Weighted average number of shares in issue	1 100 517 684	1 396 266 841	26.87
Number of shares in issue ('000)	1 100 589 162	1 396 338 319	26.87

Notes:

1. The EPS, DEPS, HEPS and DHEPS, set out in the "Unaudited Before" column of the table, are based on Pan African's consolidated unaudited interim results as at 31 December 2008 as announced on 26 February 2009.
2. The NAVPS and TNAVPS, as set out in the "Unaudited Before" column of the table, are based on Pan African's consolidated unaudited interim results as at 31 December 2008 as announced on 26 February 2009.
3. The unaudited *pro forma* financial effects have been prepared in accordance with International Financial Reporting Standards and are consistent with the accounting policies applied by Pan African for the financial year ended 30 June 2008.

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