

Regulatory Announcement

Company [Pan African Resources PLC](#)
TIDM PAF
Headline Acquisition Manica Project
Released 09:18 09-Jan-06
Number 6218W

9th January 2006

Pan African Resources PLC

("Pan African" or "the Company")

Acquisition of Manica Project, Mozambique And Board Appointment

Pan African Resources PLC (AIM : PAF), the African based gold exploration company, announces that it has elected to exercise its right to acquire a 100% shareholding in the Manica Project ("the Project"), a gold project in Mozambique.

Highlights

- **Acquisition of 100% of Explorator Limitada ("Explorator"), the titleholder of the Manica Project. Completion expected by the end of the first quarter of 2006.**
- **Explorator is acquired for £150,000 satisfied by the issue of 7,500,000 ordinary shares to its shareholders, representing approximately 2.2% of the current Pan African issued share capital.**
- **Share issue represents a renegotiation of the original prospecting and mining agreement with Explorator that required a cash payment of US \$900,000 and a subsequent exploration commitment of US \$1,000,000.**
- **Manica Project has a surface to near surface defined resource of 800,000 ounces of gold with considerable upside potential**
- **Dr. H Blignault, a geologist with extensive exploration experience in Africa, is appointed to the Board of Pan African as a non-executive director.**

Background and Original Agreement

Explorator Limitada is a company incorporated in Mozambique and holds title to the exploration licence covering an area north of Manica in Mozambique referred to as the Manica Project. The shareholders of Explorator are Bullion Prospects SA (Pty) Limited (“Bullion”) and Geoser Limitada (“Geoser”). The right to acquire 100% of the Manica Project had been assigned to Pan African under an acquisition agreement (the “Acquisition Agreement”) dated 19 November 2003 between Pangea Exploration (Pty) Ltd (“Pangea”) and Mistral Resource Development Corporation Limited (“Mistral”), a wholly owned subsidiary of Pan African. Under the Acquisition Agreement, Pangea assigned to Mistral, all of its rights and obligations under a prospecting agreement and mining option agreement dated 15 August 2003, that it entered into with the shareholders of Explorator (the “Original Agreement”). The Acquisition Agreement was secured for a payment to Pangea of US\$800,000, made in two tranches prior to 31 December 2003.

According to the Original Agreement, Pan African would, upon election to exercise its rights under the Acquisition Agreement, between 31 October 2005 and 31 October 2006:

- pay to Explorator US\$900,000;
- pay a further US\$1.00 for each ounce of gold by which the measured reserve exceeded 1,000,000 ounces
- fund the exploration program with a minimum of \$500,000 per annum until 30 June 2007.

In addition to the above consideration, under the Acquisition Agreement, Pan African granted Pangea a 20% carried interest in the Manica Project. The Acquisition Agreement also provided that Pan African would have the right of first refusal with respect to any gold projects sourced by Pangea in Africa and which Pangea develop to such a stage that it is required to raise additional funding from third parties.

The New Acquisition Agreement

Pan African has successfully renegotiated the terms of the Acquisition Agreement to extinguish all previous obligations. The terms of the renegotiated agreement are that:

- (1) Pan African exercises its right to acquire the Manica Project by acquiring the entire issued share capital of Explorator, the cost of the share transfer to be carried by Pan African.
- (2) The share capital of Explorator is acquired for £150,000 satisfied by the issue of 7,500,000 ordinary shares to the shareholders of Explorator.
- (3) Pangea will retain its 20% carried interest in the Manica Project under the terms of the Acquisition Agreement dated 19 November 2003.
- (4) Pan African shall retain the right of first refusal with respect to any gold projects sourced by Pangea under the terms of the acquisition agreement dated 19 November 2003.

Appointment of Director

Pan African has also appointed Dr. Hennie Blignault, a geologist and one of the principals of Bullion, with extensive exploration experience and expertise, as a non-executive director to the board of Pan African. Dr. Blignault's appointment is effective from the 9th of January 2006 and he holds 5,000,000 share options granted at an exercise price of 2p (two pence), in accordance with the terms and conditions of the Company's share option scheme. The Company welcomes Dr Blignault and looks forward to a long and mutually beneficial relationship.

Jan Nelson, Chief Executive Officer of Pan African, commented: "The renegotiation of the Acquisition Agreement allows us to acquire the entire share capital of Explorator who holds title to the Manica Project through the issue of 7.5m ordinary shares. The cost to Pan African is significantly reduced at approximately US\$260,000 as opposed to a previous cash commitment of US\$1.9 million. The Board of Pan African consider this to be a very good deal for the Company as we are acquiring the Project with a defined resource in excess of 800,000 oz of gold at or near surface with considerable upside potential, for less than 2.2% of the current issued share capital of Pan African.

"In addition, we gain the experience and expertise of Dr Blignault, a geologist with an invaluable knowledge of potential exploration projects in Africa, as a non-executive director and we warmly welcome him to the Board."

ENDS

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

Enquiries:

Pan African Resources

Jan Nelson, CEO
+27 11 886 1211
Colin Bird, Chairman
+44 (0) 20 7584 2155

Ambrian Partners

Richard Brown /
Emma Priestley
+44 (0) 207 776 6400

Parkgreen Communications

Justine Howarth /
Victoria Thomas
+44 (0) 20 7493 3713