

Regulatory Story

Company [Pan African Resources PLC](#)
TIDM PAF
Headline Conditional acquisition of 25% stake in RK1 Consortium
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Pan African Resources PLC

(`Pan African' or the `Company' or the `Group')

(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

Conditional acquisition of a 25% stake in the RK1 Consortium which operates a Platinum Group Metals concentrator plant, and cautionary announcement

1. INTRODUCTION

Pan African has signed a conditional Sale and Purchase Agreement with Ivanhoe Nickel & Platinum Limited (`Ivanhoe') to acquire 100% of the issued share capital Ivanhoe holds in GB Mining UK Limited (`GB Mining') and RKR Mining Limited (`RKR Mining') for a total consideration of ZAR53 million (approximately £4.8 million) (the `Transaction'). The consideration is payable by Pan African in cash within three business days of the fulfilment of the last of the conditions precedent set out in paragraph 4 below.

2. STRUCTURE AND NATURE OF BUSINESS

2.1 STRUCTURE

GB Mining and RKR Mining, through their wholly owned South African subsidiaries, hold a 25% participating interest in the RK1 Consortium.

The other members of the RK1 Consortium are Aquarius Platinum Limited (`Aquarius') and Sylvania Resources Limited (`Sylvania'). Aquarius holds a 50% participating interest in the RK1 Consortium through its wholly owned subsidiary Aquarius South Africa Corporate Services (Pty) Limited whilst Sylvania holds a 25% participating interest in the RK1 Consortium through its wholly owned subsidiary, Sylvania South Africa (Pty) Limited.

2.2. CHROMITE TAILINGS RETREATMENT PLANT

The RK1 Consortium owns a Chromite Tailings Retreatment Plant (`CTRP') situated at Kroondal on the Western Limb of the Bushveld Complex in the North West Province of South Africa, which produces Platinum Group Metals (`PGM') concentrate.

2.3 CTRP PRODUCTION

The CTRP treats old dump material and current tailings streams derived from the beneficiation processes employed by nearby chromite mines. Aquarius operates the CTRP on behalf of the RK1 Consortium in terms of a management agreement.

The CTRP produced 6,824 ounces (246,600 tons at 2.34g/t) of four Platinum Group Elements (Platinum (60.9%), Palladium (21.9%), Rhodium (16.9%) and Gold (0.2%) ('4PGM')) at an average cost of US\$332 per ounce for the 12-month period ended 30 June 2009. The profit before tax attributable to the CTRP for the same period was approximately ZAR3.09 million (£243,040). For the 12-month period ended 30 June 2008, the CTRP produced 9,849 ounces (274,000 tons at 4.20g/t) of 4PGM at an average cost of US\$360/oz. Attributable profit before tax for the same period was approximately ZAR50 million (£4.5 million). The reduction in production from 2008 to 2009 was mainly the result of variations in the supply of current tailings streams from the chromite processing plant currently supplying the CTRP and secondly the relocation of the reclamation facilities on the tailings dump. According to information in the public domain, significant progress has been made in securing medium- and long-term tailings supply sources.

3. TRANSACTION RATIONALE

The Transaction will allow Pan African to:

- a. Gain access to low cost attributable PGM ounces;
- b. Further strengthen its earnings and operating cash flows ;
- c. Gain further insight into operating skills and technical expertise with regard to CTRP operations;
- d. Benefit from anticipated strong medium and long term demand for PGM's; and
- e. Potentially unlock further growth opportunities and synergies.

4. CONDITIONS PRECEDENT

The Transaction is subject to the fulfilment of the following conditions precedent:

- * The successful completion of a technical and financial due diligence investigation by Pan African into the affairs of GB Mining, RKR Mining, and their wholly owned South African subsidiaries; and
- * Such other statutory and regulatory approvals as are customary to a transaction of this nature.

It is anticipated that the due diligence investigation by Pan African will have been completed by the end of April 2010. Shareholders will be kept informed of the outcome of the due diligence investigation through the release of further announcements on the JSE Limited ('JSE') Securities Exchange News Service ('SENS') and the London Stock Exchange Regulatory News Service ('RNS').

5. PRO FORMA FINANCIAL EFFECTS IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

The pro forma financial effects of the Transaction will be announced in due course. Until such time as the pro forma financial effects of the Transaction have been announced, shareholders are referred to the cautionary announcement set out in paragraph 7 below.

6. CATEGORISATION OF THE TRANSACTION IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

The Transaction is deemed to constitute a Category II transaction in terms of section 9.5 (a) of the Listings Requirements of the JSE.

7. CAUTIONARY ANNOUNCEMENT

Shareholders are advised that the pro forma financial effects of the Transaction are currently being determined and may have a material effect on the price of the securities of the Company. Accordingly, shareholders are

advised to exercise caution when dealing in the securities of the Company until the pro forma financial effects of the Transaction have been announced on SENS and RNS.

Jan Nelson, Chief Executive Officer of Pan African, stated:

"This Transaction not only brings PGM ounces to the Group but potentially unlocks further PGM growth opportunities. The Rk1 CTRP is a low cost platinum operator with high margins. This strategic interest fits well with PAR's objective."

ENDS

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

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