

Regulatory Story

Company [Pan African Resources PLC](#)
TIDM PAF
Headline Interim Results for the 6 months ended 31 December 2009
Released 07:01 10-Feb-2010
Number 01524-8A1D



Regulatory Announcement

Company Pan African Resources plc
TIDM PAF
Headline Interim Results
Released 10 February 2010

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

Interim Results

For the 6 months ended 31 December 2009 and renewal of cautionary announcement

Pan African Resources PLC (AIM: PAF, JSE: PAN) is pleased to report its interim results for the 6 months ended 31 December 2009.

Highlights

Corporate

- * Earnings before interest, taxes, depreciation and amortisation (`EBITDA') of £8.6 million (2008: £8.6 million).
- * Revenue increased by 16.4% to £29 million (2008: £24.9 million).
- * Unhedged and debt-free.
- * Barberton Mines Pty (Ltd) (`Barberton Mines') now a wholly-owned subsidiary (previously 74% held).
- * Cyril Ramaphosa joined the board as Non-Executive Chairman
- * Pan African moved from Altx to the main board of the JSE Limited on 1 December 2009.

Mining Operations

- * The Fairview section of Barberton Mines, achieved 2 million fatality free shifts over a 6 year period. *

- * Major progress made on minimising criminal artisanal mining activity ('criminal mining').
- * 4.7% decrease in underground production to 45,385oz (2008: 47,634oz), principally due to non-recurring work stoppage to address criminal mining.
- * Headgrade remains sustainable at above 10g/t (2008: 11.40g/t).
- * Total cash cost of ZAR164,697/kg (2008: ZAR134,581/kg).

Near Term Production

- * Resource base at Phoenix Platinum Mining (Pty) Ltd ('Phoenix Platinum') increased by 12.5% to 405,000oz (2008: 360,000oz).

- * Post period under review

Nature of Business

Pan African is a gold mining group that produces approximately 100,000oz per year. Its focus is on developing low cost, high margin production or near term production projects. The Group is largely debt free, is unhedged and is able to fund all of its current on-mine capital expenditure from internal cash flows.

Financial Performance

For the period under review, gross revenue amounted to £29 million (2008: £24.9 million), with the total cost of production being £18.9 million (2008: £14.1 million). Tax expense was £2.7 million (2008: £3.7 million), other expenses were £1.1 million (2008: £0.89 million), and the final Central African Republic exploration impairment charge was £0.349 million (2008: £1.3 million Ghana exploration impairment charge).

EBITDA for the period under review was £8.6 million (2008: £8.6 million). Attributable profit increased to £4.5 million (2008: £2.6 million). Total cost of production increased by 10.6% in South African Rand ("ZAR") terms. Higher costs expressed in ZAR terms were linked to increased security costs (up 68%), electricity (up 35%), and salaries and wages (up 19%). The ZAR cost per kilogram increase of 22% can be directly attributed to the additional costs highlighted above as well as a 10% reduction in gold ounces sold as a result of the mine stoppage detailed in the "Criminal Mining" section below. On a normalised basis, without the additional security costs, there would have been an increase of 13% in the ZAR cost per kilogram.

The increase in mining profit is a result of the Company's increased holding in Barberton Mines. The Company's holding was increased from 74% to 100% with effect from 21 August 2009, as a result of Shanduka Gold (Pty) Ltd ('Shanduka') exchanging its 26% stake in Barberton Mines for a 21% stake in Pan African (detailed in the "Share Issue" section below). Although the average US\$ spot gold price in the period under review increased by 25% to US\$1032 (2008: US\$824), the US\$:ZAR exchange rate strengthened by 14% to ZAR7.64 (2008: ZAR8.88), and the effective ZAR gold price achieved was only 8% higher at ZAR253,510/kg (2008: ZAR235,338/kg). The profit margin in ZAR terms decreased by 11.8% to ZAR88,813/kg (2008: ZAR100,757/kg). Income tax decreased to £2.7 million (2008: £3.7 million) as a result of a decrease in profit before tax. Profit before tax in ZAR terms was 23% lower at ZAR92 million (2008: ZAR119.7 million).

Basic headline earnings per share ('HEPS') increased by 2.4% to 0.3638 pence (2008: 0.3553 pence). HEPS increased marginally from the comparable period as result of a 23% increase in total attributable headline earnings, whilst the weighted average number of shares increased by only 20%. Total headline earnings in Pounds sterling ('GBP') increased principally due to the weaker GBP:ZAR exchange rate. In ZAR terms, HEPS decreased by 16% to 4.54 cents (2008: 5.37 cents). The total attributable headline earnings in ZAR increased in the current year as a result of consolidating 100% of the earnings from 21 August

2009, but the percentage increase in earnings was lower than the increase in weighted average numbers of shares in issue, due to the lower gold ounces sold in the current period.

Earnings per share ('EPS') increased in the current year both in ZAR and GBP due to a reduced impairment charge for the period of £0.349 million (2008: £1.3 million) and also because of the Group consolidating 100% of the profits of Barberton Mines from 21 August 2009.

		6 months ended 31 Dec 2009 (Unaudited)	6 months ended 31 Dec 2008 (Unaudited)
Revenue	(GBP)	29,044,934	24,940,383
EBITDA	(GBP)	8,597,517	8,552,011
Attributable profit	(GBP)	4,467,939	2,569,804
EPS	(pence)	0.34	0.23
HEPS	(pence)	0.36	0.36
Weighted average number of shares in issue		1,324,071,776	1,100,517,684

Review of Barberton Mines

Safety and Training

The safety performance at Barberton Mines reflected a marked improvement during the period under review. Lost time injuries decreased to 10 (2008: 25) and reportable injuries to 3 (2008: 5). The Lost Time Injury Frequency Rate improved to 3.6 (2008: 6.4) and the Serious Injury Frequency Rate improved to 1.1 (2008: 1.7). The number of shifts lost decreased to 75 (2008: 106), however the lost day severity rate increased marginally to 7.5 (2008: 6.2).

The Company is pleased to report that Barberton Mines as a whole achieved 1.2 million fatality free shifts at the end of December 2009, and more recently the Fairview section has achieved 2 million fatality free shifts post the period under review on 5 February 2010, accomplished over a six year period.

Operating Performance

A total of 45,971oz (2008: 51,186oz) of gold was sold from Barberton Mines (which comprises the Fairview, Sheba and New Consort sections), a decrease of 10% from the previous year. Total underground production decreased by 4.7% to 45,385oz (2008: 47,634oz). Tons milled decreased by 4.6% to 152,584 (2008: 159,919). Despite a decrease in the headgrade of 11% to 10.11g/t (2008: 11.4g/t), the head grade achieved was above 10g/t as forecasted and is sustainable at these levels. The reductions in volumes milled and gold produced are primarily attributed to certain sections of the mine being stopped for a period of two weeks in December 2009 to combat criminal mining - please refer to the "Criminal Mining" section for a more detailed explanation.

			6 months ended 31 Dec 09	6 months ended 31 Dec 08	6 months ended 31 Dec 07	6 months ended 31 Dec 06	6 months ended 31 Dec 05
Tons Milled	t		152,584	159,919	161,455	166,377	157,452
Headgrade	g/t		10.11	11.40	9.05	9.24	11.44
Overall Recovery	%		91	91	92	92	92
Production	Underground	oz	45,385	47,634	43,145	45,332	53,369
	Calcine Dump	oz	-	3,545	3,601	-	-
Sold - Mining Sources		oz	45,971	51,186	47,486	45,749	52,983
Average Price: Spot Price Achieved	USD/oz		1,032	824	721	567	464
Average Price: Hedge Achieved	USD/oz		-	-	460	406	430
Average Price: Spot Achieved	ZAR/KG		253,510	235,338	165,782	144,564	96,767
Total Cash cost	USD/oz		670	451	521	516	415
Total Cash cost	ZAR/KG		164,697	134,581	114,640	104,471	82,671
EBITDA	GBP '000		8,598	8,552	4,001	3,049	2,153
Depreciation	GBP '000		1,375	1,066	806	1,077	1,042
Capital Expenditure	GBP '000		2,199	2,282	1,532	867	569
Exchange rate - average	ZAR/GBP		12.48	15.13	14.05	13.68	11.48
Exchange rate - closing	ZAR/GBP		11.94	13.78	13.77	13.78	11.06
Exchange rate - average	ZAR/US\$		7.64	8.88	6.94	7.22	6.53
Exchange rate - closing	ZAR/US\$		7.39	9.55	6.86	6.99	6.31

* 74% of the 2007 and 2008 results are attributable to the equity shareholders of Pan African, 2005 - 2006 results attributable to Metorex Limited ("Metorex"). Effective 21 August 2009, 100% of Barberton Mines' earnings attributable to Pan African.

** Total cash cost excludes depreciation and capital expenditure.

Mineral Resource Management

A full time Mineral Resource Manager has been appointed to Barberton Mines. The Mineral Resource Management department's main objective will be to ensure that a headgrade of above 10g/t is achieved and sustained, therefore improving mining flexibility and extending the Life of Mine.

Capital and Reserve Projects

At Barberton Mines there are six mining projects and three exploration development projects aimed at the replacement of reserves. The mine commenced with two new reserve replacement projects this year and continued with seven projects from the previous year. The two new projects are the Consort 37 inter-level exploration drive and the Fairview 54 level re-equipping and development. The 60/62 level development project at Fairview is estimated to be completed by the end of the current financial year.

The development advances achieved for the 6 months to 31 December 2009 were a total of 1,175m (2008: 1,095m). The potential resource target of the reserve replacement projects increased to a total of approximately 744,000 ounces.

Criminal Mining

Criminal mining activity increased significantly both in frequency and in severity during the first months of the period under review. Unacceptable actions by the criminal miners jeopardised the safety of employees and operations of Barberton Mines. Management therefore made a deliberate decision to temporarily cease production in certain sections of the mine over a two-week period in order to directly address the issue. Starting at the beginning of December the mine initiated a systematic underground sweep ('Operation Clean Sweep') of workings, utilising specialised contract security forces, in co-operation with local and regional law enforcement. In conjunction with the underground initiative, the contract security presence on surface was also increased to restrict access to mine property.

As a result of the actions described above security expenditure for the period under review was increased by 68% to ZAR9.2 million (2008: ZAR 5.5 million). Management estimates financial losses due to gold theft to be significantly higher than the costs of increased security efforts, and the recent security initiatives are expected to improve gold output and profits from the mine.

Operation Clean Sweep has been a resounding success and criminal mining activity on the mine has been significantly reduced. A total of 326 criminal miners were arrested during December as a result of Operation Clean Sweep. A total of 509 criminal miners were arrested for the period under review (2008: 370). The Company has appointed an executive solely dedicated to security at Barberton Mines, reporting directly to the Chief Executive Officer. The current approach to security at Barberton Mines will be maintained and further improved to ensure criminal activity is kept to a minimum.

Review of the Phoenix Platinum Near Term Production Project

Results of metallurgical test work performed to date by Mintek to evaluate the process indicate recoveries of up to 50% and concentrate grades of approximately 150g/t. The next phase of metallurgical test work is planned to optimise the metallurgical process in order to maximise recoveries and improve concentrate grades.

Update on engineering and design work

Total capital expenditure for the planned 20,000 tons per month Chrome Tailings Retreatment Plant ("CTRP") is estimated to be ZAR100 million.

The Company is in the process of negotiating a preferred CTRP location, if completed by Q3 2010 this will allow production to commence in the second half of 2011. Furthermore, the Company is evaluating other opportunities in an

effort to fast-track production output and grow the project resource base further.

Review of the Manica Gold Growth Project

The Company is continuing an investigation into the feasibility of a heap leach operation to exploit the oxide resource at Manica. The focus during the first half of 2010 is to complete the necessary test work at SGS in South Africa to ascertain the viability of a heap leach operation at Manica. Subsequent to obtaining the results from such test work, the feasibility of a small scale heap-leach gold mine will be assessed.

Capital Expenditure and Commitments

Capital expenditure at Barberton Mines totalled £2.199 million of which development capital was £1.266 million and maintenance capital was £0.933 million. Capital expenditure on growth projects totalled £0.220 million. There were no material contracted capital commitments at the end of the period. Operating lease commitments, which fall due within the next year, amounted to £0.156 million.

Shares Issued

On 19 June 2009 the Company announced that it had concluded an agreement with Shanduka and Shanduka's holding company, Shanduka Resources (Proprietary) Limited, whereby Pan African would acquire Shanduka's 26% shareholding in Barberton Mines, in exchange for the issue of new ordinary shares in Pan African to Shanduka. On 21 August 2009 Pan African announced that the transaction had become unconditional and that the shares had been issued and allotted to Shanduka. Barberton Mines became a wholly-owned subsidiary of Pan African from this date. The new shares issued to Shanduka (295,751,549 ordinary shares) represent 21% of the enlarged issued share capital of Pan African following implementation of this transaction. Shanduka acquired a further 5% of the issued ordinary share capital of Pan African via the Metorex book build, thereby increasing its shareholding to 26%.

For accounting purposes the Group consolidated 100% of profits from Barberton Mines from 21 August 2009. The accounting treatment for the Shanduka and Pan African transaction was in terms of IAS 27 Changes in the ownership interests. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

Therefore the additional investment of £14,760,214 through the Pan African share issue to Shanduka and non-controlling interest of £4,059,121 as at 21 August 2009 were eliminated on consolidation, and the Group's merger reserve increased by £10,701,093.

Directorship Change

During the period under review, Mr Maritz Smith resigned as Financial Director with effect from 21 August 2009 and was replaced by Mr Cobus Loots with effect from 17 September 2009.

Mr Cyril Ramaphosa was appointed as the Company's Non-Executive Chairman and Mr Rowan Smith was appointed as a Non-Executive Director, both with effect from 17 September 2009.

Dividends

The Company has adopted a policy whereby dividends are considered, and where deemed appropriate by the Board, declared, on an annual basis. Pan African will consider a final dividend subsequent to the finalisation of financial year-end results. The consideration of any dividend will take account of cashflow requirements and growth plans, whilst recognising that, where possible, a consistent dividend policy increases shareholder value.

Accounting Policies

The financial information set out in this announcement does not constitute the Company's statutory accounts for the half year ended 31 December 2009. The financial information has been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards ('IFRS') and the JSE Limited listing requirements.

The unaudited interim results have been prepared and presented in accordance with, and containing the information required by IFRS on Interim Financial Reporting, IAS 34. The accounting policies are consistent with the prior year's annual financial statements and deal with new disclosure requirements by IFRS, specifically IAS 1 (Presentation of Financial Statements) and IFRS 8 (Operating Segments).

Operating Segments

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments. The Group considers gold mining to be its material operating segment as this is the main business activity which the Group earns revenues and incurs expenses. The operating segments allocation of assets and liabilities have been summarised as follows:

- * Gold mining total assets of £37,757,322 (2008: £34,925,555) and total liabilities £15,783,514 (2008: £15,215,748).
- * Corporate and Growth Projects total assets £41,451,632 (2008: £36,612,907) and total liabilities £237,019 (2008: £351,972).

Future Prospects

- * Focus on productivity and efficiency improvements to counter cost pressures and increase margins.
- * Encouraging production forecast for the next 6 months.
- * Significant progress in eliminating criminal mining activities will yield future benefit to all stakeholders.
- * Phoenix project value expected to further increase.
- * Strong balance sheet to take advantage of opportunities.

Renewal of cautionary Announcement

Further to the cautionary announcement first released on 26 November 2009 and renewed on 7 January 2010 and in terms of the Listings Requirements of the JSE, shareholders are advised that the discussions in respect of a possible transaction are still in progress. If successfully concluded, the outcome of the discussions may have a material effect on the price of the Company's securities. Accordingly, shareholders are advised to continue exercising caution when dealing in the Company's securities until a full announcement in respect of the possible transaction is made.

By order of the Board,

J P Nelson

C Loots

Chief Executive Officer

Financial Director

10 February 2010

Consolidated Statement of Comprehensive Income

	31 Dec 09	31 Dec 08
	(Unaudited)	(Unaudited)
	£	£
Revenue		
Gold sales	29,044,934	24,940,383
Realisation costs	(82,410)	(63,532)
On - mine revenue	28,962,524	24,876,851
Cost of production	(18,898,789)	(14,099,512)
Depreciation	(1,374,753)	(1,065,720)
Mining Profit	8,688,982	9,711,619
Other expenses	(1,117,303)	(885,413)
Operating income before finance costs	7,571,679	8,826,206
Finance income	152,607	434,700
Finance costs	(1,588)	(6,007)
Impairment	(348,915)	(1,339,915)
Profit before taxation	7,373,783	7,914,984
Taxation	(2,683,201)	(3,705,065)
Profit after taxation	4,690,582	4,209,919
Other comprehensive income:		
Foreign currency translation differences	2,216,274	2,164,635
Total comprehensive income for the 6 months	6,906,856	6,374,554
Profit attributable to:		
Owners of the parent	4,467,939	2,569,804
Non-controlling interest	222,643	1,640,115
	4,690,582	4,209,919
Total comprehensive income attributable to:		
Owners of the parent	6,836,312	4,734,439
Non-controlling interest	70,544	1,640,115
	6,906,856	6,374,554

Earnings Per Share

Earnings per share (pence)	0.34	0.23
Diluted earnings per share (pence)	0.34	0.23
Weighted average number of shares in issue	1,324,071,776	1,100,517,684
Diluted number of shares in issue	1,329,710,617	1,111,517,684
Headline earnings per share is calculated :		
Earnings as reported :	4,467,939	2,569,804
Adjustments : Impairment costs	348,915	1,339,915
Headline earnings	4,816,854	3,909,719
Headline earnings per share (pence)	0.36	0.36
Diluted headline earnings per share (pence)	0.36	0.35

Consolidated Statement of Financial Position

	31 Dec 2009	30 June 2009
	(Unaudited)	(Audited)
	£	£
ASSETS		
Non-current assets		
Property, plant and equipment and Mineral Rights	34,280,999	31,801,235
Rehabilitation trust fund	2,499,886	2,357,266
Intangible assets	13,191,556	12,038,616
Goodwill	21,000,714	21,000,714
	70,973,155	67,197,831
Current assets		
Inventories	1,525,057	358,363
Trade and other receivables	2,475,265	2,201,213
Cash and cash equivalents	235,477	2,389,301
	8,235,799	4,948,877
TOTAL ASSETS	79,208,954	72,146,708
EQUITY AND LIABILITIES		
Capital and reserves		

Share capital	14,083,406	11,125,891
Share Premium	49,696,830	37,899,997
Translation Reserve	4,180,278	1,964,004
Share Option Reserve	628,818	549,690
Retained income	16,005,490	11,537,551
Merger Reserve	(21,406,401)	(10,705,308)
Equity attributable to owners of the parent	63,188,421	52,371,825
Non controlling interest	-	3,988,577
Total equity	63,188,421	56,360,402
Non - Current liabilities		
Long term Provisions	3,103,001	2,933,105
Deferred Taxation	7,461,262	6,752,432
	10,564,263	9,685,537
Current liabilities		
Trade and other payables	3,805,235	3,719,787
Short term liabilities - Interest bearing	-	20,669
Short term Provisions	1,420,208	1,151,895
Payable to another Group Company	-	954 759
Current Tax Liabilities	230,827	253,659
	5,456,270	6,100,769
TOTAL EQUITY AND LIABILITIES	79,208,954	72,146,708

Consolidated Cash Flow Statement

6 months ended 6 months ended

31 Dec 09 31 Dec 08

(Unaudited) (Unaudited)

£

£

Cash generated by operations	7,776,767	10,401,503
Non controlling interest distributions	-	(890,831)
Taxation Paid	(2,537,000)	(4,240,562)
Finance income net	151,019	428,693
Cash inflow from operating activities	5,390,786	5,698,803
Cash outflow from investing activities	(2,429,578)	(4,056,420)
Cash outflow from finance activities	(954,759)	(44,374)

Net increase in cash equivalents	2,006,449	1,598,009
Cash at the beginning of period	2,389,301	5,419,489
Effect of Foreign Currency rate changes	(160,273)	700,227
Cash at end of period	4,235,477	7,717,725
Statement in changes of equity		
	6 months ended 31 Dec 2009 (Unaudited)	6 months ended 31 Dec 2008 (Unaudited)
	£	£
Shareholders' equity at start of period	56,360,402	50,368,771
Share Issue	14,754,348	39,749
Share Option Reserve	79,128	78,500
Other Comprehensive Income	2,216,274	2,164,635
Profit for the period	4,467,939	2,569,804
Merger Reserve	(10,701,093)	-
Non-controlling interest	(3,988,577)	749,284
Total Equity	63,188,421	55,970,743

ENDS

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

Enquiries:

Pan African Resources
Jan Nelson, Chief Executive Officer
+27 (0) 11 243 2900

Nicole Spruijt, Public Relations
+27 (0) 11 243 2900

RBC Capital Markets
Martin Eales
+44 (0) 20 7029 7881

Macquarie First South (Pty) Ltd
Melanie de Nysschen / Thembeke Mgoduso
+27 (0) 11 583 2000

St James's Corporate Services Limited
Phil Dexter
+44 (0) 20 7499 3916

END