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**Company** [Pan African Resources PLC](#)  
**TIDM** PAF  
**Headline** Proposed Acquisition  
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Pan African Resources PLC  
("Pan African" or "the Company")

**Proposed acquisition of producing gold mines**  
**&**  
**Notice of suspension**

Pan African Resources PLC (AIM: PAF), the African based gold exploration Company, announces the signing of a conditional Sale of Shares Agreement ("SSA") with Metorex Limited ("Metorex") to acquire 74% of Barberton Mines (Proprietary) Limited ("Barberton Mines"), with ownership of producing gold mines, in South Africa ("the Acquisition"). Barberton Mines comprises Fairview, Sheba and New Consort Mines, located in the Mpumalanga Province.

**Highlights**

**Completion of the Acquisition will:**

- **Establish Pan African as a gold producer**
- **Add additional premium exploration potential close to the mines being acquired**
- **Build on the Company mission of growth through the acquisition and development of mine and exploration properties in Africa**

Completion of the Acquisition is subject to certain conditions precedent. These include a valuation from an auditor on the assets to be acquired for a non-cash consideration (to comply with section 103 of the UK Companies Act of 1985), South African Reserve Bank ("SARB") approval, South African Competition Commission Approval, to the extent that it is required, secondary listing on the JSE Limited of Pan African Shares, Pan African Shareholder approval, a waiver of the mandatory cash bid requirements of the UK City Code on Takeovers and Mergers, waiver of pre-emptive rights of the remaining shareholder in Barberton Mines and Pan African's re-admission to AIM (see "Notice of suspension" below).

## The Pan African – Metorex Sale of Shares Agreement

The SSA with Metorex contemplates the purchase of 74% of Barberton Mines, for a consideration of £35.62 million satisfied by the issue of 593.74 million ordinary Pan African shares to Metorex credited as fully paid at 6p per share. The remaining 26% of Barberton Mines is held by a black empowerment group, in order to comply with the Mineral and Petroleum Resources Development Act (“MPRDA”) and Broad Based Socio-economic Empowerment Charter (“BBEC”) for the South African Mining Industry. Pan African will have the first right of refusal to acquire the remaining 26% of Barberton Mines conditional upon compliance to the MPRDA and BBEC.

Metorex intends to hold the Pan African shares as an investment, conditional on approval from the SARB and will comply with all conditions imposed on it by the SARB, if any. Should Metorex receive approval to hold the Pan African shares, it has undertaken not dispose of any of its Pan African shareholding for a period of 12 months from the date of issue other than by way of distribution in specie. Pan African has the right to place such shares if required. Metorex will be allowed to appoint at least 2 directors to the board of Pan African for as long as they remain a direct shareholder in the Company. Pan African will have the right to appoint 3 directors onto the board of Barberton Mines, which will have a total of 5 directors.

As a further condition precedent of the SSA, Pan African will issue an additional 60 million ordinary shares to Pangea Exploration (Pty) Ltd (“Pangea”) credited as fully paid up at 6p per share to acquire the 20% free carried interest it holds in the Manica project (taking the Company’s stake to a 100% in the Manica project) and to cancel the remaining payments due to Pangea on the gold projects in the Central African Republic.

The Acquisition will increase Pan African’s issued share capital from 407.7 million shares to 1.07 billion shares in issue. This includes an outstanding obligation to issue 10.25 million shares for the acquisition of mineral rights in the Central African Republic and Mozambique upon certain conditions being fulfilled (as announced by the Company on 13 March 2006 and 9 January 2006 respectively). As part of the re-admission process Pan African may contemplate a share consolidation.

### The assets

Barberton Mines comprises Fairview, Sheba and New Consort Mines with the mining operations situated approximately 10km north of the town of Barberton in the Mpumalanga Province of South Africa. The acquisition of Barberton Mines will give Pan African title to all the mining rights for the current mine reserve and resource, mine site infrastructure and mining equipment, metallurgical processing plants and certain surface rights.

As at 30 June 2006 the SAMREC compliant reserves and resources were:

<b>Mineral Reserves</b>	Tons	g/t Au	Kg Au
Proved:	1,264,800	7.56	9,562
Probable:	696,232	9.21	6,412
Total mineral reserves:	1,961,032	8.15	15,974
<b>Mineral resources</b>			
Measured:	2,831,118	8.53	24,149
Indicated:	2,383,938	6.85	16,330
Inferred:	2,596,438	5.73	14,887
Total mineral resources:	7,811,494	7.09	55,357

Source: Metorex website [www.metorexgroup.co.za](http://www.metorexgroup.co.za)

Barberton Mines produced approximately 100,000 ounces of gold for the financial year ended 30 June 2006 at a recovered grade of 9.8g/t. The mine's production for that financial year was in line with that of the previous year. The recent introduction of larger underground machines at the Fairview mine and the establishment of underground access between the Fairview mine and Sheba mine by Metorex, are targeted at a 10% increase in gold production during the year to June 2007.

Total operating costs for the year ended 30 June 2006 were US\$428/oz of gold with a profit margin of approximately 16%, resulting in an operating profit of US\$9.8 million in that year (source: Metorex Limited – Published consolidated reviewed provisional results for the Financial Year ended 30 June 2006).

An independent technical review is currently being undertaken on the assets. A CPR will be included in the re-admission document, which will also address Pan African's intent on how the assets will be developed in the future.

### **Pan African: current and future strategy**

Alongside the exploration and development of the Barberton Mines assets, the Company will continue the acquisition of a portfolio of mineral deposits with world-class potential in favourable areas of Africa and develop them to enhance shareholder value. The Acquisition will allow the Company to continue to pursue its current exploration and growth strategy.

Pan African is currently completing a pre-feasibility study on the viability of a 1Moz open pit mining operation at its Manica gold project in Mozambique. As announced by the Company on 14 November 2006, preliminary results without optimisation indicate a pre-tax NPV of US\$39 million and IRR of 31%. The mining scoping study on the project was calculated on an annual production rate of 86,000 ounces per annum at a cash cost of US\$387/oz over a 8.5 year period.

In the Central African Republic the Company holds title through 4 exclusive exploration licences, as part of a contributory Joint Venture, to the Bogoin and Dekoa gold projects. These projects cover over 4000km<sup>2</sup> which the Pan African board considers to be some of the most prospective greenstone belts in the country. At the Bogoin project, a gold-in-soil anomaly 12km in strike-length has been identified. Some of the best historical boreholes drilled within the anomaly include values of 17.38g/t over 19m, 5.05g/t over 20m and 3.90g/t over 18m. Drilling to test the depth extension of this gold-in-soil anomaly is expected to start in Q1 of 2007. Stream sediment sampling is currently underway at the Dekoa gold project.

Assuming a successful completion of a Bankable Feasibility Study at the Manica gold project in Mozambique, together with the production from Barberton mines, the Company will be targeting a combined production output of approximately 180,000 ounces per annum.

The BIOX<sup>®</sup> process which Pan African is envisaging to utilise at its Manica gold project in Mozambique was developed at the Fairview mine. The metallurgical plant at the Fairview mine is one of the world's most efficient BIOX<sup>®</sup> plants. The technical skills available to Pan African upon completion of the Acquisition will as a result of such project synergies further add to the prospect of successful development of the Manica gold project in Mozambique.

### **Management comments**

Jan Nelson, CEO, of Pan African commented: "This transaction represents the first in the board's search for production ounces in addition to exploration ounces, with the objective of organic growth sustained by cash flow. The board of Pan African believes that the successful completion of the Acquisition will deliver significant shareholder value as it will allow the Company to become a gold producer and explorer that will be well positioned for further growth."

Colin Bird, Chairman of Pan African adds: "This significant acquisition is expected to form the core of a balanced portfolio of gold production and exploration for Pan African. Our Manica project is showing tremendous potential to which is added the significant geological prospects of the remainder of our exploration portfolio. The resource industry has suffered over the last 2 years from a shortage of skilled

individuals. A further advantage of this Acquisition is the access to industry skilled personnel throughout the engineering discipline. We look forward to working with Barberton Mines management to sustain the excellent performance that this operation has delivered.”

### **Notice of suspension**

The proposed transaction constitutes a reverse takeover under the rules of AIM. Accordingly the Acquisition will be subject to the publication of an admission document on the Company as enlarged by the Acquisition and Pan African shareholders’ approval. In accordance with the rules of AIM, dealings in Pan African shares have been suspended on AIM today and will remain suspended until the publication of the re-admission document.

On behalf of the board,

Colin Bird

Jan Nelson

Chairman

Chief Executive Officer

### **NOTES TO THE EDITOR**

- The BIOX<sup>®</sup> process is a registered trademark of Gold Fields. BIOX<sup>®</sup> – is a process whereby bacteria is used to pre-treat refractory sulphide gold ores such as pyrite, arsenopyrite and pyrrhotite. The gold in these sulphide ores is often encapsulated in sulphide minerals which prevent gold from being leached by cyanide. The BIOX<sup>®</sup> process destroys the sulphide minerals and exposes the gold for subsequent cyanidation, increasing recovery rates
- SAMREC – South African Mineral Resource Code
- Average ZAR : US\$ exchange rate of 6.4, which was the average for the 12 month period ending 30 June 2006, and was used in calculations concerning operating profit and costs
- JSE Limited – JSE Securities Exchange of South Africa

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For further information on Pan African Resources please visit the website at [www.panafricanresources.com](http://www.panafricanresources.com)

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