

## Regulatory Story

**Company** [Pan African Resources PLC](#)  
**TIDM** PAF  
**Headline** Disposal of Manica Gold Project  
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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")

ANNOUNCEMENT REGARDING THE DISPOSAL OF THE MANICA GOLD PROJECT TO TERRANOVA MINERALS AND FURTHER CAUTIONARY ANNOUNCEMENT

### 1. Introduction

Pan African is pleased to announce that it entered into an agreement ("Agreement") on 28 August 2012 to dispose of 100% of its Manica Gold Project ("Manica") to Auroch Minerals Mozambique (Pty) Ltd, a wholly owned subsidiary of Terranova Minerals NL ("Terranova"), for a total potential purchase consideration ("Purchase Consideration") of AUD 6 million (GBP 4 million / ZAR 52.4 million) payable in cash and 96,666,668 shares in Terranova ("Terranova Shares"), subject to certain terms and conditions more fully described below ("Transaction").

Pan African CEO, Jan Nelson commented, "The disposal of our Manica exploration project allows us to remain focused on our strategy of the development and growth of our South African based operating assets. Although we are no longer intent on developing exploration projects, we believe that this project and the Auroch executive team have the potential to develop the project into a significant gold producer. We are pleased that through our sizable shareholding, we can maintain an exposure to the Odzi-Mutare-Manica Greenstone Belt's success".

### 2. Purchase Consideration

In terms of the Agreement, Pan African shall receive the first portion of the Purchase Consideration comprising AUD 2 million (GBP 1.3 million / ZAR 17.5 million) and 25 million shares in Terranova upon the fulfilment or, where possible, waiver of the conditions precedent to the Transaction.

The remaining portion of the Purchase Consideration shall only become payable in tranches upon achievement of the following milestones by Manica during the four year period following the completion of the Transaction:

- \* the delineation of at least 400,000 ounces of Joint Ore Reserves Committee Code ("JORC") Inferred gold Resource of oxide ore with a cut-off grade of 1.25g/t being defined on the Northern and/or Southern shear zones of Manica's mining concession ("Concession") ("400koz Milestone");
- \* the delineation of at least 1,000,000 ounces of a JORC Inferred gold Resource of oxide ore with a cut off grade of 1.25g/t being defined on the Northern and/or Southern shear zones of the Concession ("1,000koz Milestone");

- \* the completion of a positive Bankable Feasibility Study ("BFS") on either the oxide or sulphide ore on the Concession which recommends the construction of a mine with at least a ten year life and production scope of 50,000 ounces per annum and at any time after completion of the BFS, the board of directors of Terranova elects to commence construction of the mine as recommended in the BFS and has financing arranged for the construction of the mine ("BFS Milestone"); and
- \* the production of either oxide or sulphide ore at the plant constructed at Manica to process ore from the Concession at the capacity specified in the BFS ("Capacity Milestone").

The remaining portion of the Purchase Consideration shall be settled upon the achievement of the various milestones described above as follows:

- \* AUD 1,000,000 (GBP 658,700 / ZAR 8,728,300) and 20,066,667 Terranova shares upon achievement of the 400koz Milestone;
- \* AUD 1,000,000 (GBP 658,700 / ZAR 8,728,300) and 20,066,667 Terranova shares to be paid and issued upon achievement of the 1,000koz Milestone;
- \* AUD 1,000,000 (GBP 658,700 / ZAR 8,728,300) and 24,366,667 Terranova shares or a payment of AUD 7,310,000 (GBP 4,815,097 / ZAR 63,803,873) in cash, at Terranova's election, to be paid and/or issued upon achievement of the BFS Milestone; and
- \* AUD 1,000,000 (GBP 658,700 / ZAR 8,728,300) and 7,166,667 Terranova shares or AUD 2,150,000 (GBP 1,416,205 / ZAR 18,765,845) in cash, at Terranova's election, to be paid and/or issued upon achievement of the Capacity Milestone.

Pan African expects to utilise the cash portion of the Purchase Consideration for the funding of the construction and development of its Bramber Tailings Retreatment Project and expects to retain the Terranova Shares received in terms of the Transaction so as to continue to participate in the development of Manica through Terranova.

### 3. Conditions Precedent to the Transaction

The implementation of the Transaction remains subject to the fulfilment or, where possible, waiver of, inter alia, the following conditions precedent within 6 months of the date of the Agreement:

- \* Terranova raising capital of not less than AUD 5 million (GBP 3.3 million / ZAR 43.6 million), at a price of not less than AUD 0.30 (GBP 0.20 / ZAR 2.62) per share, to fund the initial working capital requirements required for the development of Manica;
- \* Terranova obtaining a report prepared by an independent expert stating that the Transaction is fair and reasonable to Terranova's shareholders;
- \* Terranova obtaining all the necessary regulatory approvals, on acceptable terms, as are required to give effect to the Transaction; and
- \* Terranova and Pan African, to the extent required, obtaining all the necessary shareholder approvals required to implement the Transaction.

Furthermore, the Transaction remains conditional upon Terranova, within one month of the date of the Agreement, confirming that it is satisfied with the results of a due diligence exercise to be concluded over Manica.

The Transaction shall become effective upon the fulfilment or, where possible, waiver of all the conditions precedent to the Transaction.

### 4. Details of Manica and Terranova

Manica is a gold exploration project situated in central Mozambique approximately 4km north of the town of Manica, which lies approximately 270km

inland of the port city of Beira, Mozambique. The project, which spans 42km<sup>2</sup>, is positioned in the Beira Corridor which contains major road and rail infrastructure linking Zimbabwe to Beira and has a JORC resource of some 3 Moz at 1.83g/t Au. The area surrounding Manica is well known for hosting gold mines such as Penhalonga, Rezende, Monarch and Old West. The reefs in these mines have typically been classified as porphyry mineralisation within quartz-diorites where gold is hosted in quartz veins.

Listed on the Australian Securities Exchange, Terranova is a mineral exploration company which is involved in the acquisition, exploration and evaluation of gold and copper assets. Terranova has gold projects in Western Australia including the Beete Gold, Peninsula Gold projects in the eastern fields Region and the Crawford Copper Project in the Crawford Belt of the Gascoyne Province, although going forward Terranova's primary focus will be on Manica. Terranova currently has 42.5 million fully diluted shares (this includes 20 million partially paid shares) in issue.

#### 5. Categorisation and Further Cautionary Announcement

The pro forma financial effects of and categorisation, in terms of the JSE Limited Listings Requirements, of the Transaction are still to be finalised.

Accordingly, Pan African shareholders are advised to continue exercising caution when dealing in Pan African shares until such time as a further announcement has been released containing the pro forma financial effects of and further details of the Transaction.

Closing exchange rates as at 28 August 2012, being AUD:GBP 0.6587 and AUD:ZAR 8.7283, have been applied throughout this announcement.

Johannesburg

29 August 2012

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