

Regulatory Story

Company [Pan African Resources PLC](#)
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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)

AIM Code: PAF

JSE Code: PAN

ISIN: GB0004300496

("Pan African" or "Company")

ANNOUNCEMENT REGARDING:

- * THE PROCUREMENT OF APPROXIMATELY 57% IRREVOCABLE SHAREHOLDER SUPPORT IN RESPECT OF THE PROPOSED ACQUISITION OF 100% OF EVANDER GOLD MINES LIMITED ("EVANDER") FROM HARMONY GOLD MINING COMPANY LIMITED ("HARMONY") ("TRANSACTION");
- * PAN AFRICAN SECURING R700 MILLION THROUGH RIGHTS OFFER SUBSCRIPTION COMMITMENTS;
- * AN EVANDER FINANCIAL UPDATE;
- * PROGRESS ON THE TRANSACTION;
- * THE PAN AFRICAN DIVIDEND POLICY; AND
- * A FURTHER CAUTIONARY ANNOUNCEMENT

Jan Nelson, CEO of Pan African commented: "The overwhelming support from our largest institutional shareholders and Shanduka Resources has allowed us to achieve a significant milestone in concluding the acquisition of the Evander Gold Mine. Subject to shareholder approval, Pan African will issue approximately 25% of new share capital in new equity to fund a cash generative business that will double annual gold production to some 200 000 ounces per annum and add significant reserves and resources. We are also pleased to be able to conduct the rights offer in a manner that allows shareholders to participate in the upside.

Evander generated production profit, as published by Harmony, for the full year ended 30 June 2012 of R638 million, before tax and other charges, up from R183 million for the previous year. The ounces produced and announced by Harmony was 108 317, up from 87 900 the previous year. Despite Evander having had a difficult last quarter due to a nine day stoppage as a result of a mechanical failure on the rock winder, in addition to a number of public holidays disrupting production during April, the full year financial and operational performance underline the quality of both the asset and the Evander management team. These results demonstrate the importance and success of the significant re-engineering process, combined with a capital programme of some R390 million in total and completed by Harmony during the past two financial years, prior to Harmony disposing of the asset. Harmony's decision to implement and complete this process was one of the key drivers for Pan African's investment decision.

The outcome of all of the above is that Evander ended the first quarter attributable to Pan African, being 1 April to 30 June 2012, with a balance sheet showing almost R120 million of net working capital, inclusive of almost R100 million cash on hand, and no borrowings. Moreover, the environmental liability is fully funded at approximately R197 million.

The Pan African board previously stated the company's policy is to pay an annual dividend, subject to the capital requirements of the company. This policy has not changed. However, taking into account the funding required to implement the Evander transaction and the concomitant proposed rights offer, and following discussions with our major shareholders, the board of directors has decided to forego the declaration of a dividend in respect of the 2012 financial year.

The board remains committed to continue with the company's dividend policy and intends to resume the dividend payment in the 2013 financial year, normal legal and commercial considerations permitting. Pan African is positive that the Evander transaction, once implemented, will further support the Group's cash flows and drive to enhance shareholder returns through dividends."

1. INTRODUCTION

Pan African shareholders ("Shareholders") are referred to the announcement published on 30 May 2012 ("Announcement"), wherein they were advised that the Company had entered into an agreement, which has subsequently been amended as set out in paragraphs 5 and 6 below, ("Agreement") in terms of which Pan African (via a wholly-owned subsidiary) ("SPV") will acquire the entire issued share capital of and claims against Evander from Harmony for a total purchase consideration of R1.5 billion ("Purchase Consideration"), subject to certain terms and conditions.

2. SHAREHOLDER COMMITMENTS TO SUBSCRIBE FOR NEW PAN AFRICAN SHARES AND IRREVOCABLE VOTING UNDERTAKINGS

Pan African intends to finance a portion of the Purchase Consideration through the issue of new Pan African ordinary shares ("Rights Offer Shares") by way of a rights offer ("Rights Offer"), as referred to in the Announcement.

Pan African authorised a bookbuild exercise ("Bookbuild") which was conducted with, inter alia, the lead institutional shareholders of the Company and Pan African's Black Economic Empowerment shareholder, Shanduka Resources, ("Bookbuild Participants") with a view to obtaining sufficient capital subscription commitments to secure the funding of a portion of the Purchase Consideration and, in particular, the potential R1 billion deposit ("Deposit") which, at Harmony's election, may become due and payable on 30 November 2012.

Pan African is pleased to announce that the Bookbuild Participants have collectively and irrevocably committed to:

- * subscribe for Rights Offer Shares up to an aggregate amount of R700 million, upon the Rights Offer and the Transaction being approved by Shareholders ("Subscription Commitments"); and
- * vote in favour of all the requisite resolutions ("Transaction Resolutions") pertaining to the Transaction, the Rights Offer and matters ancillary thereto ("Voting Undertakings").

The Subscription Commitments were given by the Bookbuild Participants at an issue price of R1.90 per Rights Offer Share ("Subscription Price").

The aggregate Voting Undertakings secured by Pan African represent approximately 57% of the current total issued ordinary shares of the Company ("Shares").

In terms of the Subscription Commitments, the Bookbuild Participants have committed to, inter alia:

- * follow their rights in terms of the Rights Offer; and/or

* apply for so many excess Rights Offer Shares in terms of the Rights Offer, so as to ensure a total minimum capital commitment to the Rights Offer of R700 million ("Secured Capital").

The combination of the Subscription Commitments, the Voting Undertakings and the Secured Capital allows Pan African and/or SPV to:

- * discharge its/their obligations to Harmony in respect of a portion of the Purchase Consideration (or the Deposit, as the case may be); and
- * extend the Rights Offer to both the JSE and AIM markets and thereby allow the majority of its Shareholders trading or residing within jurisdictions that are not restricted from participating in the Rights Offer (further details of which will be set out in the Rights Offer circular to Shareholders) to participate in the Rights Offer.

The Subscription Price constitutes a discount of approximately:

- * 3.7% relative to the closing price of the Shares as traded on the exchange operated by the JSE Limited ("JSE") on 30 May 2012, being the date of the Announcement;
- * 3.7% relative to the volume weighted average Share price as traded on the JSE for the 30 trading days ended on the Announcement date; and
- * 4.2% relative to the volume weighted average Share price as traded on the JSE over the period from the Announcement date up to and including 15 August 2012, being the period during which the Bookbuild was conducted.

Pan African will compensate the Bookbuild Participants for providing the Subscription Commitments by paying them a liquidity fee equal to 2% of the Secured Capital.

The Bookbuild outcome is summarised in the table below.

Table: Bookbuild outcome

Bookbuild Participants	Voting Undertakings (Shares)	Subscription Commitments (Rands)
Investec Asset Management	141 785 423	231 000 000
Coronation Asset Management	160 000 000	220 000 000
Shanduka Gold	366 168 585	125 000 000
Allan Gray	97 074 447	75 000 000
PIC	39 894 492	19 282 500
Directors and others*	18 942 752	29 717 500
Total Voting Undertakings / Subscription Commitments	823 865 699	700 000 000
Total Voting Undertakings as a percentage of Shares in issue	56.9%	

* Including JP Nelson, RG Still and JAJ Loots, being directors of Pan African ("Directors") and who hold or represent certain direct and/or beneficial and/or other indirect/non-beneficial Shares. No other Directors hold Shares as at the date of this announcement.

Harmony published its results for the fourth quarter and the year ended 30 June 2012 ("Results") which include information regarding the financial performance of Evander for that period. In addition to this information provided by Harmony in the Results, Pan African has prepared a consolidated balance sheet for Evander as at 30 June 2012, as adjusted in accordance with certain terms of the Agreement, ("Adjusted Balance Sheet") which is provided below. The Adjusted Balance Sheet has not been reviewed or reported on by the Company's or Harmony's or Evander's auditors and is the responsibility of the board of directors of the Company ("Board").

EVANDER ADJUSTED CONDENSED UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2012

	R'000
ASSETS	
Non-current assets	
Property, plant and equipment	1 073 057
Restricted investments	196 408
Investments in financial assets	257
Inventories	16 438
Trade and other receivables	1 085
Total non-current assets	1 287 245
Current assets	
Inventories	50 239
Trade and other receivables	22 683
Income and mining taxes	11 529
Cash and cash equivalents	98 859
Total current assets	183 310
TOTAL ASSETS	1 470 555
EQUITY AND LIABILITIES	
Share capital and reserves	
Share capital	869 616
Other reserves	65 942
Retained earnings	166 164
Total equity	1 101 722
Non-current liabilities	
Deferred tax liabilities	130 856
Provision for environmental rehabilitation	170 173
Retirement benefit obligation and other provisions	875
Total non-current liabilities	301 904
Current liabilities	

Trade and other payables	66 929
Total current liabilities	66 929
TOTAL EQUITY AND LIABILITIES	1 470 555

The Adjusted Balance Sheet has been prepared on the basis of the unaudited results of Evander and may be subject to change. However, the parties to the Transaction ("Parties") have agreed that as at 30 June 2012:

- * there will be no inter-company loans between any member of the Harmony group companies and any member of the Evander group companies;
- * Evander shall have an agreed cash balance of R98.86 million;
- * Evander's opening balances as at 1 April 2012 have been warranted by Harmony; and
- * the balance in Evander's fully invested environmental rehabilitation trust fund shall be R196.41 million.

4. CONDITIONS PRECEDENT

The Transaction was subject to, inter alia, the fulfilment, or, where possible, waiver, of the following conditions precedent ("Conditions"):

- * Pan African obtaining approval from the South African Reserve Bank pertaining to Pan African's obligations in terms of the Transaction ("SARB Approval");
- * the Transaction being unconditionally approved by the South African competition authorities ("Competition Authority Approval");
- * Evander entering into a new electricity supply agreement with Eskom by no later than 31 July 2012, on terms and conditions acceptable to Pan African ("Eskom Agreement");
- * Pan African obtaining irrevocable undertakings from Shareholders controlling no less than 50% of Pan African's issued share capital, to vote in favour of the Transaction ("Shareholder Support");
- * Pan African obtaining irrevocable undertakings from Shareholders to subscribe for such number of new Shares as have an aggregate subscription price of at least R500 million ("Subscription Undertakings");
- * approval of the terms and conditions of the Transaction by Shareholders and the stock exchanges on which Shares are listed ("Final Shareholder and Exchange Approval") by no later than 30 November 2012; and
- * the Parties obtaining the necessary consent for the Transaction from the Department of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002 ("Ministerial Consent") by no later than 30 June 2013.

5. FULFILMENT AND EXTENSION OF CERTAIN OF THE CONDITIONS

Pan African is pleased to inform Shareholders that the Conditions pertaining to:

- * SARB Approval;
- * Competition Authority Approval;
- * Shareholder Support; and
- * Subscription Undertakings,

have been fulfilled.

The Parties have agreed to amend the Agreement by extending the date for fulfilment or waiver of the Condition pertaining to the Eskom Agreement to 31 October 2012.

Accordingly, other than the Conditions pertaining to:

- * the Eskom Agreement;
- * Final Shareholder and Exchange Approval; and
- * Ministerial Consent,

all other Conditions have been fulfilled.

6. BREAK FEE PAYMENT, ADJUSTMENT OF THE DEPOSIT AMOUNT AND FUNDING CONSIDERATIONS

Pan African has made payment in a further amount of R30 million to Harmony in respect of the second tranche of the break fee ("Break Fee") payable in terms of the Agreement.

As such, the full Break Fee, being an amount of R50 million, has been paid by Pan African to Harmony.

Pan African and Harmony have furthermore agreed that the Break Fee shall be set off against the R1 billion Deposit. The balance of the Deposit (if it becomes payable, at Harmony's election) shall therefore constitute a total amount of R950 million.

The Secured Capital, in addition to Pan African's existing cash funds available and, to the extent necessary, draw-downs by Pan African from existing debt funding facilities, will be sufficient to allow Pan African and SPV to make payment of the Deposit.

Pan African intends to fund the balance of the Purchase Consideration through a combination of, inter alia, third party debt financing and funds generated from Pan African's existing operations.

7. RIGHTS OFFER AMOUNT

The Board will determine the final amount of funds to be raised by Pan African pursuant to the Rights Offer ("Rights Offer Amount") in due course, after taking into account relevant factors and developments closer to the date of posting the circular to Shareholders providing the terms and conditions of the Rights Offer and containing a notice of general meeting (including the Transaction Resolutions).

The factors to be considered by the Board when determining the Rights Offer Amount shall include:

- * the financial performance and outlook of Pan African's existing operations (i.e. Barberton Mines and Phoenix Platinum);
- * the financial performance and outlook of Evander; and
- * general movements and trends in precious metal prices and mining costs.

The Board has retained full discretion to determine the Rights Offer Amount and is therefore not restricted as a consequence of having received the Subscription Commitments and Voting Undertakings, respectively (collectively "Capital and Voting Agreements"). The Capital and Voting Agreements contain terms and conditions customary to agreements of this nature, which, if exercised or elected by the Bookbuild Participants, may allow certain of the Bookbuild Participants to withdraw their capital and/or voting commitments in circumstances where the Company materially deviates from the Rights Offer Amount and/or the Agreement is materially amended.

Accordingly, the Rights Offer Amount may be equal to, less or more than the Secured Capital.

Pan African intends to announce the Rights Offer Amount by no later than 31 October 2012.

8. PAN AFRICAN DIVIDEND POLICY AND DIVIDEND CYCLE

Pan African has established a clear track record of enhancing Shareholder returns by declaring regular dividends to Shareholders.

The Board, having considered, inter alia, the

- * feedback and support from Shareholders during the course of the Bookbuild and during further general interaction with other Shareholders;
- * implications of a dividend declaration during the course of a Rights Offer exercise; and
- * funding implications of a dividend declaration during the course of implementing the Transaction,

has resolved not to declare a further dividend during calendar year 2012 or in respect of the 2012 financial year.

The Board wishes to emphasise that the interruption of the dividend cycle is directly related to the funding of the Transaction and does not constitute a change in the Company's dividend policy.

Pan African is committed, subject to the relevant legal and commercial considerations impacting dividend declarations, to reinstate its dividend cycle during the 2013 calendar year, upon the successful implementation of the Transaction.

9. FURTHER CAUTIONARY ANNOUNCEMENT

Shareholders are advised that the final terms and conditions of the Rights Offer and the pro forma financial effects of the Transaction and the Rights Offer are still being determined, the publication of which may have a material effect on the price of Pan African securities.

Accordingly, Shareholders are advised to continue to exercise caution when dealing in Pan African securities until a further announcement is made.

17 August 2012

Johannesburg

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