

THE EXPLORATION AND DEVELOPMENT
COMPANY WITH ASSETS IN AFRICA
Annual Report and Accounts 2006

EXPLORE AND DISCOVER



PAN AFRICAN
RESOURCES
PLC

OUR VISION

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.

WHY AFRICA?

Africa produces more than 60 metal and mineral products and is a major producer of several of the world's most important metals and minerals including Gold, PGM's, Diamonds, Uranium, Manganese, Chromium, Nickel, Bauxite and Cobalt. Although under explored, Africa hosts about 30% of the planet's mineral reserves, including 40% of the world's gold, 60% of the world's cobalt and 90% of the world's PGM reserves — making it a truly strategic producer of these precious metals.

It is one of the great ironies of the modern world that the richest continent in terms of resources is the poorest in terms of wealth. It is through harnessing the wealth of these resources that the continent hopes to escape from the poverty trap in which it is caught. Currently Pan African Resources provide employment and regeneration in some of the poorest regions of Africa.

Post-colonial Africa, as a result of the legal, political, tenure, regulatory and taxation regimes for that period, discouraged international and junior mining companies from exploring the African continent. In 1986, Ghana was the first post-colonial government to reform its mining regulations to provide a viable tax and regulatory framework that allowed for foreign ownership. By 1995, 35 African countries had followed suit redefining rights and obligations for investors, as well as increasing incentives, deregulating and privatising. The reduction in political and economic risk has attracted junior and seniors alike to explore in these countries. The latter group has in turn been rewarded with some world-class discoveries in recent years, many of them initially found by juniors.

Over the past 5–6 years, all of sub-Saharan Africa has seen dramatic changes in mineral exploration in both dollar terms and areas under exploration. To date, 60% of all mineral exploration in sub-Saharan Africa has gone to gold and diamond exploration. Historically Canada, Australia

and the U.S.A. received close to 70% of all mineral exploration funding. From 1981 to 1991, Canada was number one in this category. In 1994, Australia took over the lead to be replaced by Latin America in 1997. During this period, almost unnoticed, Africa moved from 7th to 3rd place in terms of exploration funding. Africa is now equal to Australia and ahead of Canada and the U.S.A. in the dollar value of exploration funding. In 1990, Africa attracted less than 5% of world exploration funding. Since then, it has increased 9 times to represent 17% of the world total.

Although the African continent has received huge interest in exploration activity to date, there is still opportunity to discover and explore areas which can deliver significant shareholder value. The Central African Republic as an example remains relatively unexplored as there are currently only two mining juniors actively exploring for gold. Pan African is one of them and with its exploration focus in this favorable area of the African continent the Company believes it will be able to unlock vast future potential.

Mozambique is another pointing case where Pan African's exploration activity could lead to the development of the country's first major surface gold mine.

On a continent that has limited economic success, suffers famine and deteriorating living and health standards, mining and exploration has been the sole exception in providing world-class economic success which proves that Africa can profit from its natural wealth. More African countries are now seizing the opportunity in creating an investment friendly environment. As a result Pan African Resources is not only able to capitalise on Africa's natural wealth but also generate much needed wealth and expertise that will eventually allow the continent to thrive.



Map of Africa showing countries where Pan African currently has exploration projects.

Our Exploration strategy & project criteria: the key to unlocking Shareholder value

- Minimum exploration target of 750,000oz
- Eminent development potential
- Potential to add significant additional ounces
- Build portfolio of three to four exploration projects — retain focus

OPERATIONAL HIGHLIGHTS & STRATEGIC FOCUS

Manica Gold project in Mozambique (as at 29 June 2006):

- ◆ Independently verified in situ resource of 1,311Moz (14Mt @ 2.89g/t)
- ◆ Only 12% of the potentially mineralised strike-length explored to date
- ◆ Completing a pre-feasibility study on potential of a surface gold mine
- ◆ Possibility of near term (24 to 36 months) production
- ◆ Expanding exploration programme to access the potential of multi-million ounce surface resource

Bogoin & Dekoa Gold projects in the Central African Republic (as at 29 June 2006):

- ◆ 4000km² under exclusive exploration licences
- ◆ Delineated a gold-in-soil anomaly over a 12km strike-length at the Bogoin Gold project
- ◆ Large ground position targeting multi-million ounce gold deposits



CONTENTS

Chairman's Statement	2
Review of Operations	4
Board of Directors	15
Directors' Report	16
Statement of Directors' Responsibilities	18
Auditors' Report	19
Consolidated Profit and Loss Account	20
Consolidated Balance Sheet	21
Company Balance Sheet	22
Consolidated Cash Flow Statement	23
Notes to the Financial Statements	24
Notice of the 2006 Annual General Meeting	34
Form of Proxy	35
Officers and Advisers	37

CHAIRMAN'S STATEMENT

The Board recognises that to remain prominent, we must invest available funds in projects with scope for significant returns.

During the period under review the Company incurred an operating loss of £791,293 (2004: £164,231) representing a loss per share of 0.22p (2004: 0.09p).

A focused exploration strategy and mission to advance our projects along the value curve has been responsible for the Company providing its Shareholders with a high value portfolio. At the Manica gold project in Mozambique, a resource of 1,311Moz has been independently verified with a pre-feasibility study currently under way to assess the viability of a surface gold mine. Major technical progress has been made at this project for the period and significant upside potential still exists with only some 12% of the potentially mineralised strike-length being explored. In January 2006 the Company exercised its option to purchase an 80% effective stake in the project and this will be completed in the second quarter of the financial year.

In the Central African Republic the Company is well positioned, holding extensive ground with good gold potential covering some 4000km². The exploration programmes at the Bogoin and Dekoa gold projects has been designed with the

specific goal of testing for gold deposits larger than 2Moz in size. To date a gold-in-soil anomaly 12km in strike-length has been delineated. Some of the historical boreholes drilled within the identified anomaly returned high gold values, some as high as 20m @ 5.05g/t and 19m @ 17.38g/t.

The projects in the Central African Republic are a joint venture with International Mining Investments and Goldiam SARL. Pan African commenced with an equal contributory interest of 45% to that of International Mining Investments, but has the option on a further 20% to take its effective stake to 65% upon project development. Pan African has operational control and manages the exploration programme on behalf of the joint venture.

Participation in the Wa project in Ghana has been terminated after our initial exploration programme. Consequently expenditure incurred on this project has been written off.

Our projects in general have the scope to deliver significant returns with the possibility of near term production combined with the considerable upside potential evident in the Central African Republic.

The AIM market has been a major source of funding for global resource explorers despite competition for funding being high. The Company has recently raised £1.7 million which is adequate for the company to maintain its current exploration programmes.

The outlook for gold appears promising against a weakening dollar, rising oil prices and global political tension. In recognition of this, advancing Manica to development and resource identification in the Central African Republic remains our immediate objective.





Consulting Geologists Anton Esterhuizen (left) and Dave Griffiths (right) at the Bogoin Gold project in the Central African Republic

The Company will maintain its acquisition policy aimed at securing gold deposits with exceptional upside value in areas of Africa not well explored but considered to be favourable both technically and politically.

I would like to thank my fellow Directors and staff for their hard work during the period and particular thanks to Jan Nelson, our Chief Executive Officer, for his tireless efforts to raise the Company's profile both in the markets and in the industry.

COLIN BIRD

Chairman

29 June 2006

REVIEW OF OPERATIONS

- Gold exploration and development company with exploration projects in Mozambique and the Central African Republic
- Mozambique — possibility of near term (24 to 36 months) production
- CAR — country play for multi-million ounce (>2Moz) gold deposits
- Strong Management Team with extensive understanding of African Geology and Mineral Deposits and substantial experience on AIM
- Technical/Management support from Pangea Exploration (Pty) Ltd (proven track record)

INTRODUCTION

The past year has been an extremely dynamic period for Pan African Resources. The Company has restructured its Board and reassessed its vision and strategic position considering the current resurgence in metal prices and resultant exploration activity. In order for Pan African to stay at the forefront of delivering shareholder value within this extremely competitive environment, the Company has developed a focused but pragmatic vision and strategy. Pan African will continue to build up an asset base of exploration projects within the African continent. Current projects or new acquisitions will have to meet three criteria: (a) an initial minimum target resource of not less than 750,000oz, (b) imminent development potential and (c) the potential to add significant more ounces. We feel that as we grow our current portfolio it will be done without losing focus on developing our current assets.

EXPLORATION REVIEW

The Manica project in Mozambique remains the Company's most advanced project. The current resource of 1.311Moz (14Mt @ 2.89 g/t) has been independently verified. The current resource reflects just 12% of the total 22km strike-length of potential mineralisation. Of the total resource, 76%, or 1,001,555oz, fall within the Fair Bride prospect where the Company is in the process of conducting a pre-feasibility study to access the viability of an opencast gold mine. Recent boreholes drilled within the Fair Bride prospect, to provide samples for metallurgical testwork, returned gold intersections that not only confirmed previous datasets but far exceeded our geologist's expectations. A recently completed geophysical study also delineated nine new drill targets adjacent to historically mined areas with known gold mineralisation. In total these drill targets represent a combined strike-length of 4.5km in the vicinity of the Dot's Luck, Fair Bride North, Fair Bride West, Fair Bride East and Guy Fawkes prospects.

The new drill targets at the Dot's Luck and Fair Bride prospects represent strike extensions of the Fair Bride Central prospect, where work on the pre-feasibility of an opencast mine as mentioned is under way. If mineralised, these drill targets could significantly increase the current resource of 1.311Moz of gold. The Dot's Luck and

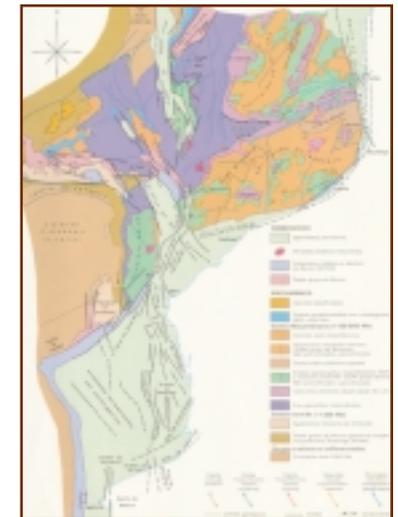
Fair Bride prospects occur along the Andrada shear zone where the mineralisation could also be conducive to possible opencast mining methods.

Part of the recently completed geophysical survey also focused for the first time on prospective exploration targets adjacent to the Guy Fawkes underground mine. The Company has increased the size of its geological team in order to assess the potential of developing Manica into a multi-million ounce gold deposit.

The pre-feasibility study is planned for completion at the end of the 2006 calendar year.

Pan African has exercised its option to acquire Explorator Limitada (company incorporated in Mozambique) which holds title to the Manica project. Pan African has exercised this option through its wholly owned subsidiary, Mistral Resource Development Corporation, incorporated in the British Virgin Islands. Pangea Exploration (Pty) Ltd has a 20% carried interest in the project until feasibility stage upon which Pan African has the first right of refusal to acquire the 20% share from Pangea. This gives Pan African an effective 80% stake in the project.

In the Central African Republic, Pan African has entered into a gold exploration joint venture with Goldiam SARL and International Mining Investments (IMI). Pan African and IMI each hold a 45% contributory stake and Goldiam SARL a 10% free carry. Pan African has purchased an additional 10% stake due upon project development from Goldiam SARL and its right to purchase a further conditional 10% bringing its effective stake in each gold project to a possible 65% stake. Pan African has management control on an executive level and manages the exploration programme on the joint venture's behalf. The joint venture has been granted an exclusive exploration licence in the Bogoin area and more recently three additional exclusive exploration licences in the vicinity of the town of Dekoa. To date a 12km long gold-in-soil anomaly has been identified within the Bogoin project. Some of the best drill intercepts historically made within the identified gold-in-soil anomaly are 19m @ 17.38g/t, 20m @ 5.05g/t and 28m @ 3.9g/t. Pan African and its JV partners are optimistic about the underlying exploration potential in the CAR. The combined



Tectonic map of Mozambique

“Since August 2005 Pan African has increased its market capitalisation four-fold to £20 million. This has been achieved on the back of a focused and aggressive exploration strategy. The quality of the company’s assets, cost-effective exploration expenditure and drive to deliver shareholder value have been key components to our growth, and will remain key to our future growth.”

strike-length of the geological structures we are following up is in excess of 100km, and more ground has been applied for. Only Pan African and one other junior exploration company are currently working in the CAR. Pan African and its partners therefore have an ideal window of opportunity and regard the CAR as the “treasure chest” of Africa.

In Ghana, the Company had three exploration licences for gold under an option agreement to earn-in in three tranches from Kenor ASA. After reviewing the initial work programme it was decided not to continue with the project.

FUNDING STATUS

The Company completed a £1.7 million fundraising in March 2006 by private placing. This will fund part of Pan African’s exploration and acquisition activity for the next year.

THE TEAM

Our Management team is well balanced with each member having a different skill set that complements project development.

FUTURE OUTLOOK

Since August 2005 Pan African’s market capitalisation increased from £5.1 million to over £20 million. This reflects the solid progress made in the period under review.

I would like to extend a special word of thanks to all our shareholders for investing in Pan African. I would also like to thank each and every member of Pan African’s team for their hard work and commitment. To my fellow Directors — Colin, Nathan, Rob and Hennie — thank you for your support and guidance.

Yours sincerely,

JAN NELSON
Chief Executive Officer
29 June 2006



Photograph showing banded iron-formation with gold from the Central African Republic



Manica Gold Project

Mozambique

Regional Geological Setting and Mining History

The Manica Gold concession is located on the eastern portion of the ~2.6 billion year old Odzi-Mutare-Manica greenstone belt, which is situated on the Zimbabwean Craton. The Odzi-Mutare-Manica greenstone belt straddles the Zimbabwean-Mozambican border and extends from the Save River in the west in Zimbabwe for approximately 140 kilometres eastwards into Mozambique where it is truncated by the Pan-African Mozambique mobile belt.

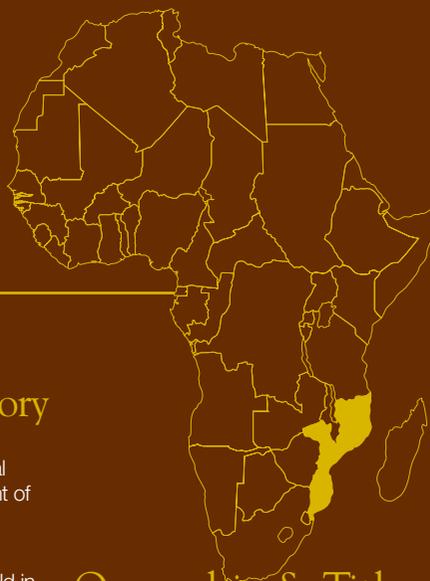
The late Archaean linear east-northeast trending Odzi-Mutare-Manica greenstone belt is synformal, with ultramafic metavolcanic (Bulawayan Group) rocks along the margins and coarse clastic metasedimentary (Shamvaian Group) rocks in the core. Relatively older gneisses (early Archaean) surround the belt, which in turn is intruded by a younger group of tonalities, granodiorites and granites of the Sesombi and Chillimanzi Suites respectively.

Gold mineralisation in the Odzi-Mutare-Manica greenstone belt is mainly hosted within secondary and tertiary structures linked to primary layer parallel regional shear zones. Gold mineralisation is confined to sub-vertical shear zones where conditions for gold precipitation are favourable. Gold concentration is dominated by factors such as deformation

and the generation of suitable structural regimes together with the emplacement of tonalitic magmas.

This greenstone belt has historically produced in excess of 80 tonnes of gold in Zimbabwe and Mozambique, with the bulk of the production (in excess of 65 tonnes) from the Rezende Mine and surrounding area in Zimbabwe, 40 km to the west of the Manica concession. Gold has been mined in the area historically from the 12th century and was mined in prehistoric times by indigenous people. A Portuguese expedition first reached the mines in 1565. Gold mining records for the Odzi-Mutare district have been collected in the 'Technical Files' of the Zimbabwe Geological Survey, while records of activities for the Manica region are housed with the Ministerio Dos Recursos Minerais e Energia (Ministry of Mineral Occurrences and Energy) in Maputo, Mozambique.

On the Mozambican side of the belt approximately 12 tonnes of gold production has been recorded on 23 mines and workings, although the bulk of these are placer deposits along the Revue River. Non-placer gold production occurred between 1900 and 1950 within the supergene zone. Workings at Braganca and Guy Fawkes went down to between 150m to 200m. Placer mining by artisanal miners is ongoing.



Ownership & Title

In 2004 the Manica Gold licence, which originally consisted of four separate licences (Andrada 93/L; Macequece 963/L/2002; Mutamborico 962/L/2002; Mazi 243/L) was consolidated into a single licence 93/L. The licence area is approximately 40 square kilometres and is centred on latitude 18° 53' S and 32° 54' E.

Pan African Resources plc has exercised a right to acquire a 100% shareholding of Explorator Limitada, on 9 January 2006, which held title to the Manica project in the form of licence 93/L. The licence is in accordance with the Mozambique Government Mining Law and Regulations. The acquisition of 100% of Explorator Limitada will be completed in the second quarter of the current financial year.

Pangea Exploration (Pty) Ltd retains a 20% carried interest as per the original agreement for which Pan African has the first right of refusal on any gold project discovered in Africa by Pangea Exploration (Pty) Ltd. This gives Pan African an effective 80% stake in the project.



Map showing location of Manica Gold Project in Mozambique

Exploration History & Current Status

Several phases of exploratory work have been undertaken within the current 93/L licence area held by Explorator Limitada post mining operations during the 1950s. The 93/L licence covers two prospective target areas namely the Andrada Shear Zone (Fair Bride – Dot's Luck Target Zone) and the Mutamborico Shear Zone (Guy Fawkes – Boa Esperanca Target Zone).

The first of these phases was a 1979 exploration-drilling programme conducted at the Dot's Luck prospect by a German group, this was later followed up by additional exploration drilling in 1987 and in 1989 by Minas Auríferas de Manica (Lonrho). An additional IP survey to the immediate east of Dot's Luck was carried out by Lonrho, which was then followed by open pit sampling in the vicinity of Fair Bride.

In 2001 Explorator Limitada completed a gold-in-soil geochemical survey and geological mapping of most of the

southern portion of licence area 93/L. In 2002, this exploration work was followed by reverse circulation drilling (RC) programme. During the 2002 drilling programme, seven lines consisting 37 shallow (50 – 100m) RC holes giving a total of 2270 metres were drilled, targeting the Try Again and Fair Bride historical workings and possible extensions.

During 2003 an induced dipole (IP) survey was conducted at the Fair Bride – Dot's Luck Target zone, covering an area of 8 square kilometres, as well as at the Boa Esperanca prospect area, covering an area of 7 square kilometres. In October 2003, a more extensive RC drilling programme commenced, drill testing various targets and following up on positive results obtained during the 2002 drilling exercise. The 2003 drilling programme consisted of 35 RC holes giving a total of 3102 metres of drilling.

In the first quarter of 2004 an additional 14 RC and 10 diamond drill holes gave a

total of 1358 metres and 1759 metres respectively, within the 93/L licence area. These drill holes were mainly concentrated in the Fair Bride – Dot's Luck Target Zone. Two diamond drill holes were drilled in the Guy Fawkes area.

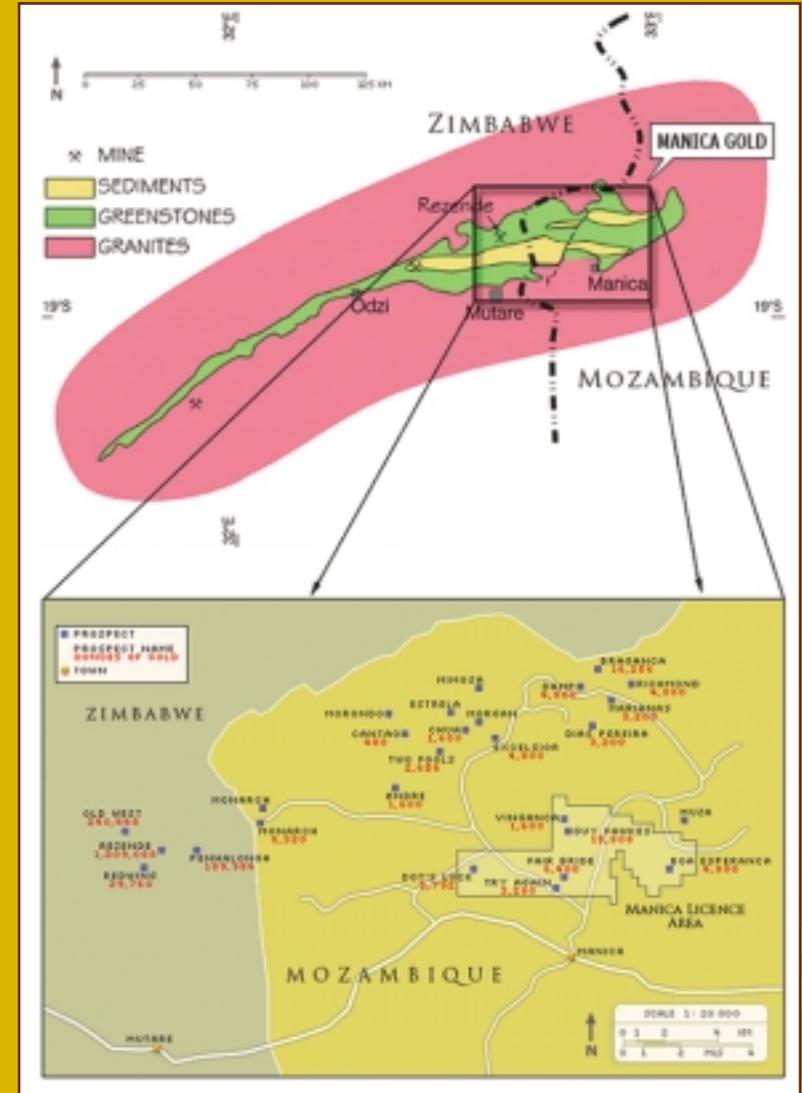
An additional 16 RC drill holes were completed in January 2005 in the Fair Bride area totalling 1514 metres. This group of drill holes was specifically targeted at Arsenic (AS)-in-soil anomalies in and around the Fair Bride mineralised zone. Dipole – Dipole IP survey work commenced in the Fair Bride area in September 2005 on 50-metre line spacing, with stations 25m apart. This geophysical work was completed in December 2005; results are currently being interpreted to delineate further drilling targets.

Pan African Resources is currently consolidating all previous exploration and mining data in the 93/L licence area.

Mineral Resource Estimation

MANICA GOLD PROJECT - JUNE 2006 RESOURCE STATEMENT						
Prospect	Category	Gross		Net attributable		Operator
		Tons	Grade (g/t)	Tons	Grade (g/t)	
RESOURCE PER PROSPECT AREA SUMMARY PER RESOURCE CATEGORY						
Fair Bride	Measured	1,044,935	3.30	110,885	1,044,935	3.30
	Inferred	1,044,935	3.30	110,885	1,044,935	3.30
	Total	2,089,870	3.30	221,770	2,089,870	3.30
Guy Fawkes	Measured	131,633	6.22	21,120	131,633	6.22
	Inferred	2,197,508	2.04	247,323	2,197,508	2.04
	Total	2,329,141	2.11	268,443	2,329,141	2.11
Guy Fawkes	Inferred	558,309	3.11	205,804	558,309	3.11
Fair Bride	Inferred	1,286,557	2.15	647,815	1,286,557	2.15
Dot's Luck	Inferred	246,274	1.05	30,111	246,274	1.05
Boa Esperanca	Inferred	302,579	1.64	11,134	302,579	1.64
	Total	8,215,527	3.15	812,333	8,215,527	3.15
Total Resource	Measured	1,044,935	3.30	110,885	1,044,935	3.30
	Inferred	3,838,261	2.11	268,362	3,838,261	2.11
	Total	4,883,196	2.69	379,247	4,883,196	2.69
TOTAL RESOURCE SUMMARY PER PROSPECT						
Guy Fawkes	Total	2,329,141	2.11	268,443	2,329,141	2.11
Fair Bride	Total	2,089,870	3.30	221,770	2,089,870	3.30
Dot's Luck	Total	246,274	1.05	30,111	246,274	1.05
Boa Esperanca	Total	302,579	1.64	11,134	302,579	1.64
	Total	4,968,764	2.69	531,458	4,968,764	2.69

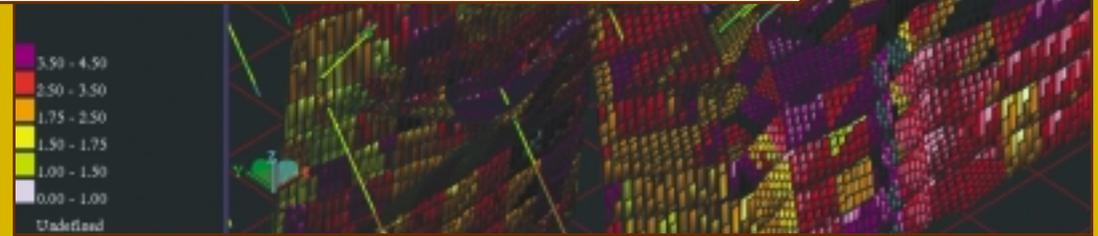
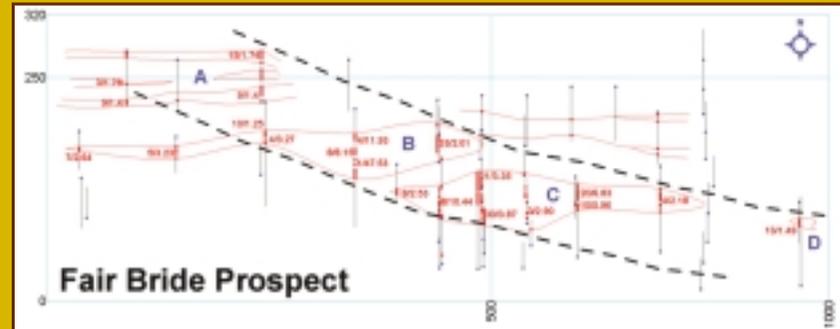
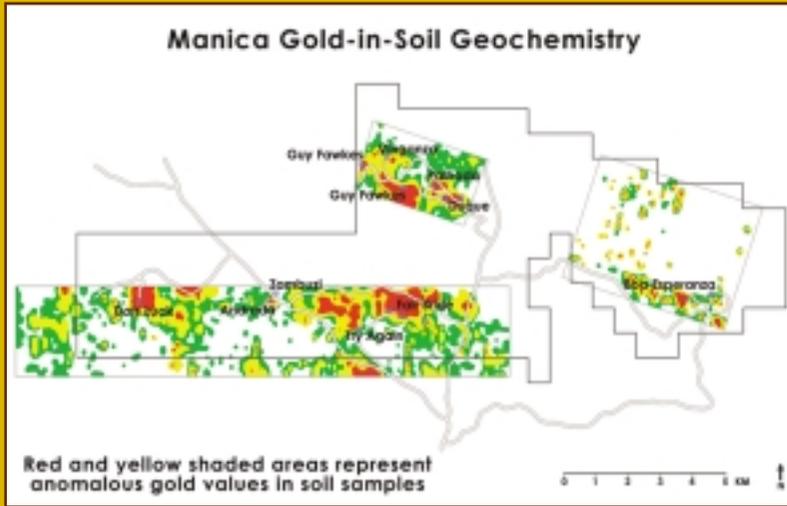
*Gross - Attributable to the Manica Exclusive Exploration Licence
 *Net attributable - in Pan African Resources plc
 Resource calculated by Dean van der Heever of Geologic BWC and audited by Pan African's competent persons, Graham Gavine and Gareth Mitchell from Explorator Limited Geological Consultants (Pty) Ltd



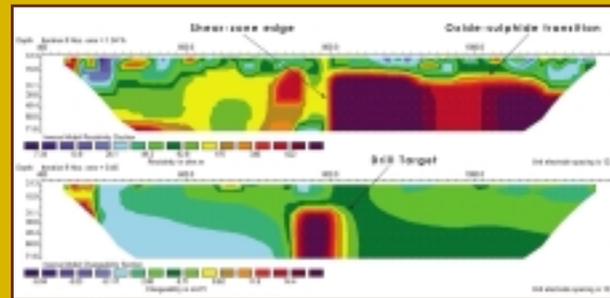
Map showing historical prospects and Manica Exploration Licence in spatial relation to the Odzi-Mutare-Manica greenstone belt (shown above)



Work completed and planned

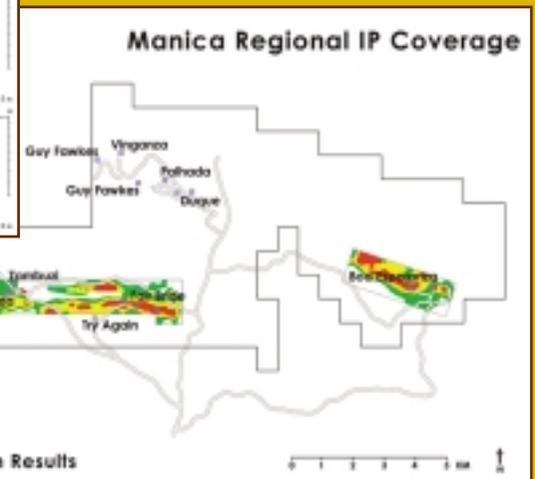


Plan view (above; figures after red bar refers to thickness and grade in g/t) and three-dimensional view (below; colour scheme relates to grade intervals in g/t as shown in legend) of Mineralised zones at Fair Bride prospect



A Dipole Pseudo-section from Fair Bride prospect

Manica Geophysical Surveys

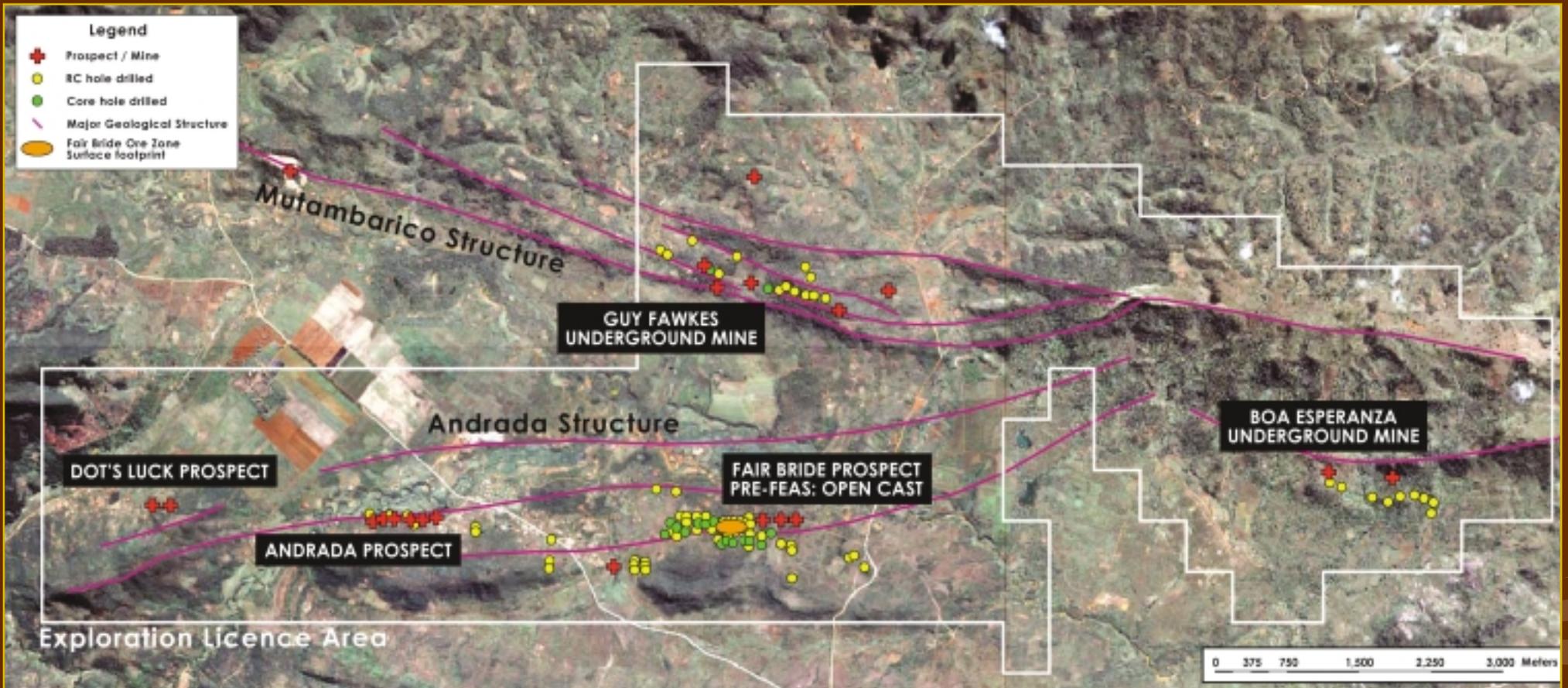


Work Completed

- Soil Geochemistry
- Surface Mapping
- IP Survey
- 8224m RC Drilling
- 1759m Diamond Drilling
- CPR by Geologix MRC & Explormine
- DP-DP Geophysical survey
- 1000m of infill drilling & bulk metallurgical sample

Work Planned — 2006

- Metallurgical test work by SGS Lakefield
- Metallurgical test work by Gold Fields Technical Division
- Open pit design & cost estimation by Turgis Mining Engineering consultants
- 8000m drilling programme — follow-up on DP-DP targets
- Completing an EIA
- Completing a pre-feasibility study at the end of the 2006 calendar year



Ikonos satellite image ('bird's eye view') of Manica concession showing major geological structures, holes drilled and some of prominent prospects



Manica Gold Project continued

Summary & Strategic Focus

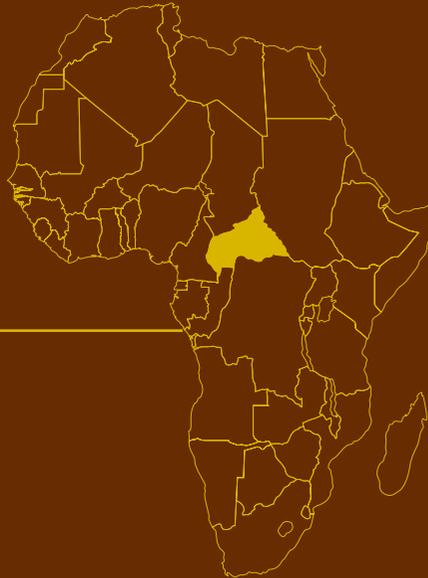
- Combined 1,311Moz resource independently verified
- Two mineralised shear zones — 12% explored
- Focus on four prospects previously mined
- Fair Bride: 1Moz @ 2.58g/t resource on surface with near term (24 to 36 months) production potential and considerable upside potential
- Guy Fawkes: 228Koz @ 9,34g/t — established underground mine: down dip and strike extent untested
- Dot's Luck & Andrada: 50Koz @ 1.66g/t — build on surface resource potential
- Boa Esperanza: 31Koz @ 2.96g/t — Open-pit and underground mine, potential untested
- Build on proving up multi-million ounce surface resource at Manica project in Mozambique
- Defined drill targets to be tested during 2006
- Complete a pre-feasibility study on surface resource





Bogoin & Dekoa Gold Projects

Central African Republic



Regional Geological Setting and Mining History

The area is characterised by metabasalts, sericite schists and banded iron-formation sequences.

Mineralisation appears to be shear-zone hosted within these lithologies.

Two project areas have been defined: the Bogoin Gold Project covering 1000km², and the Dekoa Gold Project covering 3000km².

Ownership & Title

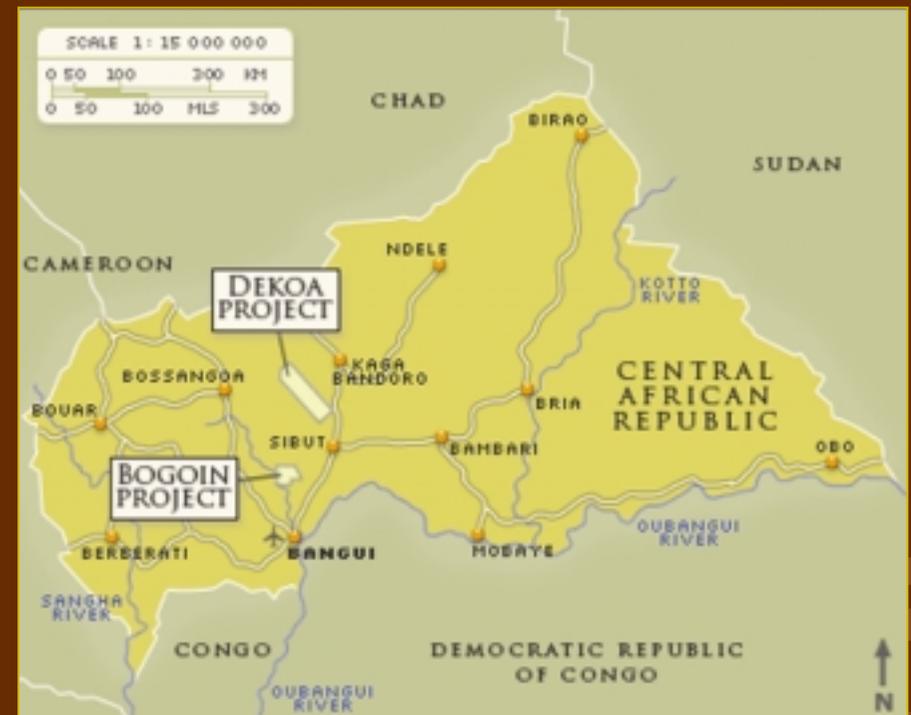
The project areas cover two of the four major known greenstone belts in the Central African Republic.

The project areas are covered by four exclusive exploration licences.

Pan African has purchased an additional 10% stake due upon project development from Goldiam SARL and its right to purchase another 10% bringing its effective stake in each gold project meeting certain development criteria to a possible 65% stake. Pan African has management control on an executive level and manages the exploration programme on the joint venture's behalf.

Gold has previously been mined in the area from a now abandoned open-pit.

Three of the best drill intercepts from exploration work carried out in the 1960s by GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) were 17.38g/t over 19m, 3.90 g/t over 28m, and 5.05g/t over 20m.



Map showing location of Bogoin and Dekoa gold projects in the Central African Republic



Bogoin and Dekoa Gold Project continued

Exploration History & Current Status

Work Completed

- Covered 60km of mineralised strike-length with soil sampling programme at Bogoin
- Identified a 12km gold-in-soil anomaly at Bogoin
- Infill soil geochem sampling
- Ground magnetic survey at Bogoin

Work Planned — 2006

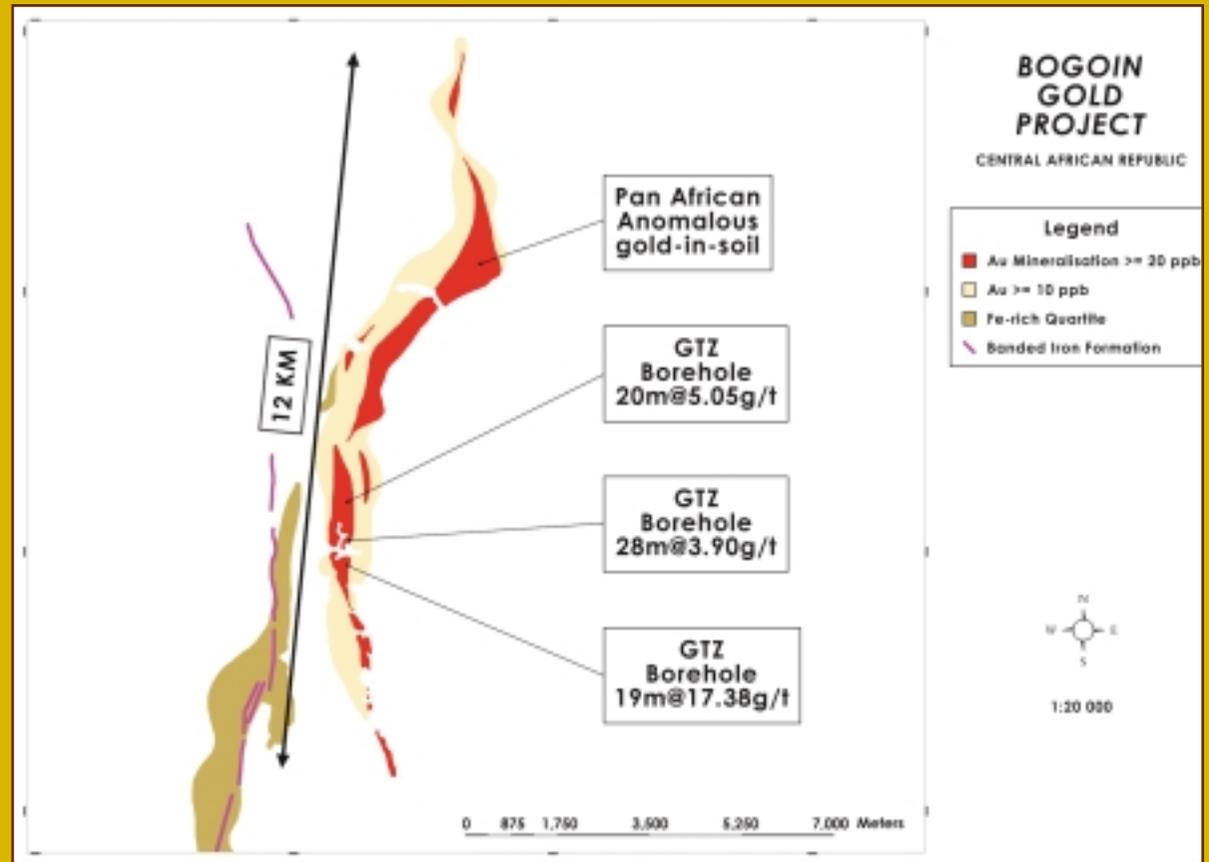
- Identify drill targets at Bogoin
- Drill one of the targets at Bogoin
- Start soil sampling programme at Dekoa

Mineral Resource Estimation

Resource Status/Geological Potential

Completion of a soil sampling programme — results identified a significant gold-in-soil, exceeding 12km in strike-length.

This could indicate the potential of a large gold deposit.



Map showing plan view of 12km gold-in-soil anomaly identified and position of historical boreholes drilled in the area



Geological team drying soil samples for dispatch to the laboratory for gold analysis at the Bogoin project

Summary & Strategic Focus

- The target: Multi-million ounce gold deposits (+2Moz)
- Fast track exploration activity to delineate large gold anomalies
- Expand land holding in CAR: one of only two known gold exploration companies active in the country
- Bogoin gold project: exclusive exploration licence covering ~1000km² — 12km gold-in-soil anomaly: identify and drill targets during 2006
- Dekoa greenstone belt: recently granted 3 exclusive exploration licences ~3000km² — Commence soil sampling Q2





Map showing Pan African and its JV partners Gold Projects at Bogoin and Dekoa in relationship to major gold discoveries within the same tectonic region

BOARD OF DIRECTORS

COLIN BIRD C.ENG, FIMMM

CHAIRMAN — NON-EXECUTIVE
CEO of Jubilee Platinum plc, Managing Director of Lion Mining Finance Ltd. Served as director on several junior exploration and mining companies.

JAN NELSON B.SC. (HONS)

CHIEF EXECUTIVE OFFICER
Geologist with extensive management experience in the mining & exploration industry with Gold Fields, Harmony & Hunter Dickenson

NATHAN STEINBERG FCA, FCCA, TEP

FINANCE DIRECTOR
Partner at Munslovs Chartered Accountants, Finance Director at Golden Prospect plc

ROB STILL B.COM (HONS), CTA, CA(SA)

NON-EXECUTIVE
CEO of Pangea Exploration. Served as CEO and Director of various junior and major exploration and mining companies.

HENNIE BLIGNAULT PH.D.

NON-EXECUTIVE
Independent Exploration Consultant Group Geologist at Gold Fields.



Directors' Report

The Directors present their annual report and the audited financial statements for the 18 month period ended 31 March 2006.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Group's principal activity during the period was that of mineral exploitation and exploration. A full review of the activity of the business and of future prospects is contained in the Executive Review which accompanies these financial statements.

RESULTS AND DIVIDENDS

The results for the period are disclosed in the profit and loss account on page 20.

The Directors do not recommend a dividend.

POLICY FOR PAYMENT OF CREDITORS

It is the Company's policy to settle all agreed transactions within the terms established with suppliers. There were no trade creditors at the balance sheet date.

GOING CONCERN

The Board confirms that the business is a going concern and has reviewed its working capital requirements in conjunction with its future funding capabilities for the next 12 months and has found them to be adequate.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 15.

The Directors who held office during the period and their interests in the Company's issued share capital are given below:

Name of Director	Ordinary shares		Share options	
	At 31/03/06	At 01/10/04	At 31/03/06	At 01/10/04
Mr C Bird	25,000,000	25,000,000	4,000,000	4,000,000
Mr H J Blignault (appointed 09/01/2006)	—	—	5,000,000	—
Mr J Nelson (appointed 01/09/2005)	—	—	18,000,000	—
Mr R G Still	—	—	4,000,000	4,000,000
Mr N A Steinberg FCA FCCA TEP	800,000	800,000	5,200,000	5,200,000
Mr R M Craddock (resigned 22/07/2005)				
Mr T Kroepelien (resigned 29/03/2005)				

In addition, Mr Rob Still is a director of Pangea Exploration (Pty) Limited which holds 6,000,000 ordinary shares and has an option over 7,500,000 ordinary shares.

A trust connected to Mr Still's family and Brait S.A., a substantial shareholder (see below) for which Mr Still acts as an adviser, both have substantial interests in Pangea Exploration (Pty) Limited.

SUBSTANTIAL SHAREHOLDERS

The Directors understand that the following are institutional shareholders as at 26 June 2006:

Ordinary shares of 1p each

	Number	Percentage
Brait S.A.	68,400,000	16.7%
Craton Capital	27,000,000	6.6%

AUDITORS

Grant Thornton UK LLP have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 29 June 2006.

C BIRD

Chairman
29 June 2006

Statement of Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Independent Auditors to the Members of Pan African Resources plc

We have audited the financial statements of Pan African Resources plc for the eighteen month period ended 31 March 2006 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the chairman's statement, review of operations and directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2006 and of the loss of the Group for the eighteen month period then ended and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP

Registered Auditors
Chartered Accountants
Southampton
29 June 2006

Consolidated Profit and Loss Account

period ended 31 March 2006

	Notes	18 months to 31/03/06 £	18 months to 30/09/04 £
Exploration costs	7	(464,575)	—
Administrative expenses		(346,827)	(178,374)
Total administrative expenses and operating loss	2	(811,402)	(178,374)
Interest receivable		30,759	14,143
Amounts written off investments		(10,650)	—
Loss on ordinary activities before taxation		(791,293)	(164,231)
Tax on loss on ordinary activities	4	—	—
Loss for the financial period	5	(791,293)	(164,231)
Loss per ordinary share — basic	6	(0.22p)	(0.09p)

There were no recognised gains or losses other than the loss for the period.

The accompanying accounting policies and notes form an integral part of these financial statements

Consolidated Balance Sheet

as at 31 March 2006

	Notes	31/03/06		30/09/04	
		£	£	£	£
Fixed assets					
Intangible assets	7		4,847,630		3,831,710
Investments	8		4,800		24,200
			4,852,430		3,855,910
Current assets					
Debtors	9	3,225		18,434	
Cash at bank		1,874,702		1,224,133	
		1,877,927		1,242,567	
Creditors: amounts falling due within one year	10	(399,455)		(107,163)	
Net current assets			1,478,472		1,135,404
Total assets less current liabilities			6,330,902		4,991,314
Capital and reserves					
Share capital	11		4,077,532		3,520,000
Share premium account	12		3,978,178		2,404,829
Merger reserve			1,485,000		1,485,000
Profit and loss account	12		(3,209,808)		(2,418,515)
Shareholders' funds			6,330,902		4,991,314

These financial statements were approved by the Board on 29 June 2006 and signed on its behalf by:

N A STEINBERG FCA FCCA TEP
Finance Director

C BIRD
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements

Company Balance Sheet

as at 31 March 2006

	Notes	31/03/06		30/09/04	
		£	£	£	£
Fixed assets					
Investments	8		3,074,505		3,093,905
Current assets					
Debtors	9	2,273,630		786,110	
Cash at bank		1,874,652		1,208,255	
		4,148,282		1,994,365	
Creditors: amounts falling due within one year	10	(380,487)		(81,352)	
Net current assets			3,767,795		1,913,013
Total assets less current liabilities			6,842,300		5,006,918
Capital and reserves					
Share capital	11		4,077,532		3,520,000
Share premium account	12		3,978,178		2,404,829
Merger reserve			1,485,000		1,485,000
Profit and loss account	12		(2,698,410)		(2,402,911)
Shareholders' funds			6,842,300		5,006,918

These financial statements were approved by the Board on 29 June 2006 and signed on its behalf by:

N A STEINBERG FCA FCCA TEP
Finance Director

C BIRD
Chairman

The accompanying accounting policies and notes form an integral part of these financial statements

Consolidated Cash Flow Statement

period ended 31 March 2006

	Notes	18 months to 31/03/06 £	18 months to 30/09/04 £
Net cash outflow from operating activities	14	(503,901)	(118,199)
Returns on investments and servicing of finance	15	30,759	14,143
Capital expenditure and financial investment	15	(697,170)	(777,405)
Acquisitions	15	—	(43,724)
Financing	15	1,820,881	1,578,674
Increase in cash	16	650,569	653,489

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the Financial Statements

period ended 31 March 2006

1 Accounting policies

Basis of accounting

The financial statements are prepared under the historical convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies, which have been reviewed by the Directors in the light of FRS 18, are set out below.

Consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 8) drawn up to 31 March 2006 under the acquisition method. The results of the subsidiary undertakings acquired are included from the date of acquisition. Profits or losses on inter-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair value reflecting their condition at that date.

Segmental analysis

The Group's exploration activities and intangible assets are in Africa although the working capital to fund these activities is held in the United Kingdom. Other segmental analysis is not material to the financial statements.

Fixed asset investments

Fixed Asset Investments are included at cost less amounts written off.

Deferred exploration costs

The Group uses the full cost method of accounting for mining operations. The cost of expenditure on licences, concessions and explorations incurred by subsidiary undertakings are carried as intangible assets until such time as it is determined that there are commercially exploitable reserves at which time such costs are transferred to tangible assets to be depreciated over the expected productive life of the asset. The Group's intangible assets are reviewed periodically by the Directors. Exploration appraisal and development costs determined as unsuccessful are written off to the profit and loss account.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Corresponding figures

Corresponding figures are shown for the 18 month period ended 30 September 2004.

2 Operating loss

	2006 £	2004 £
Operating loss is stated after charging:		
Auditors' remuneration — audit services	10,500	5,000
— non-audit services as nominated adviser	—	12,000

The operating costs largely comprise central overheads related to the management of the Group's activities.

3 Directors and employees

Staff costs, including Directors' remuneration were as follows:

	2006 £	2004 £
Wages and salaries	67,500	9,750
Social security costs	4,957	828
Directors' fees	12,250	—
	84,707	10,578

The only employees of the Company were the Directors as detailed in the directors' report. Nathan Steinberg is a partner in Munslovs, a firm of Chartered Certified Accountants. That firm charged fees of £20,000 (2004: £32,500) excluding VAT in respect of professional services. The Company incurred fees of £11,250 from Lion Mining Finance Limited, a company of which Colin Bird is a director. No payments in respect of pension contributions have been made.

4 Taxation reconciliation

	2006 £	2004 £
Loss on ordinary activities before taxation	(791,293)	(164,231)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax	(237,388)	(49,269)
Expenses not deductible for tax purposes	1,082	321
Unrelieved tax losses to be carried forward	236,306	48,948
UK corporation tax payable	—	—
Accumulated tax losses available to set against future taxable revenue		
Capital	1,255,798	1,264,548
Revenue	944,637	668,098

Notes to the Financial Statements

period ended 31 March 2006

5 Loss for the financial period

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company loss for the period was £295,499 (2004: £148,627).

6 Loss per ordinary share

The calculation of loss per ordinary share is based on losses of £791,293 (2004: £164,231) and on 354,281,542 ordinary shares (2004: 170,803,279), being the weighted average number of ordinary shares in issue during the period. There is no dilutive effect of share options.

7 Intangible fixed assets — Group

Cost	Exploration Expenditure £
At October 2004	3,831,710
Additions — exploration costs	1,480,495
Less: costs of aborted projects in Ghana written off	(464,575)
At 31 March 2006	4,847,630

Included in the above are fees of £12,500 (2004: £35,000) paid to Munslows, a firm in which N A Steinberg is a partner and fees of £9,000 (2004: £10,000) to Lion Mining Finance Limited, a company of which C Bird is a director.

8 Fixed asset investments

Group Cost		£		
At 1 October 2004				24,200
Provisions for diminution in value				(19,400)
At 31 March 2006				4,800
Company Cost		Subsidiaries	Other	Total
		£	£	£
At 1 October 2004		3,069,705	24,200	3,093,905
Provision for diminution in value		—	(19,400)	(19,400)
At 31 March 2006		3,069,705	4,800	3,074,505

At 31 March 2006 the Company held the following shares in subsidiary undertakings.

Name of undertaking	Country of incorporation	Principal activity	Proportion of capital held by country
Mistral Resource Development Corporation Limited	British Virgin Islands	Mining exploration	100%
Brampton Capital Overseas Limited	British Virgin Islands	Mining exploration	100%
Globalstrand Limited	England and Wales	Dormant	100%

Other investments include Orest plc, an investment which is traded on OFEX, at market value of £4,800 (2004: cost £24,200). The market value at 30 September 2004 was £18,932.

9 Debtors

	Group		Company	
	2006	2004	2006	2004
	£	£	£	£
Prepayments and other debtors	3,225	18,434	3,225	18,434
Amounts owed by subsidiaries	—	—	2,270,405	767,676
	3,225	18,434	2,273,630	786,110

Amounts owed by the subsidiaries are repayable on demand but are not expected to be repaid in the foreseeable future.

Notes to the Financial Statements

period ended 31 March 2006

10 Creditors: amounts falling due within one year

	Group		Company	
	2006 £	2004 £	2006 £	2004 £
Taxes and social security	—	1,424	—	1,424
Accruals and deferred income	399,455	105,739	380,487	79,927
Amounts owed to subsidiaries	—	—	—	1
	399,455	107,163	380,487	81,352

11 Share capital

	2006 £	2004 £
Authorised equity shares		
1,000,000,000 ordinary shares of £0.01 each	10,000,000	10,000,000
Allotted equity shares		
407,753,235 Allotted, called up and fully paid ordinary shares of £0.01 each	4,077,532	3,520,000

The following issues of shares were made during the period.

- On 3 October 2005, 2,750,000 ordinary shares were issued at 2p per share as consideration for exploration costs in the Central African Republic of which 1p per share has been credited to share premium account.
- On 21 December 2005, 7,000,000 ordinary shares were issued for cash at 3p per share, of which 2p per share has been credited to share premium account.
- On 26 March 2006, 6,000,000 ordinary shares were issued at 4.25p per share as consideration for the acquisition of exploration rights as set out in note 20 below, of which 3.25p per share has been credited to share premium account, and a further 40,003,235 ordinary shares were issued for cash at 4.25p per share, of which 3.25p per share has been credited to share premium account.

12 Reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £
At 1 October 2004	2,404,829	1,485,000	(2,418,515)
Issue of shares	1,662,606	—	—
Expenses of share issue	(89,257)	—	—
Loss for the period	—	—	(791,283)
At 31 March 2006	3,978,178	1,485,000	(3,209,808)
Company			
At 1 October 2004	2,404,829	1,485,000	(2,402,911)
Issue of shares	1,662,606	—	—
Expenses of share issue	(89,257)	—	—
Loss for the period	—	—	(295,499)
At 31 March 2006	3,978,178	1,485,000	2,698,410

Share issue costs include fees of £25,000 to Munslovs, a firm in which N A Steinberg, a Director, is a partner.

13 Reconciliation of movement in shareholders' funds

	2006 £	Group 2004 £
Loss for the period	(791,293)	(164,231)
Proceeds of share issue	2,220,138	4,905,000
Issue costs	(89,257)	(321,326)
	1,339,588	4,419,443
Opening shareholders' funds	4,991,314	571,871
Closing shareholders' funds	6,330,902	4,991,314

Notes to the Financial Statements

period ended 31 March 2006

14 Reconciliation of operating loss to net cash outflow from operating activities

	Group	
	2006	2004
	£	£
Operating loss	(811,402)	(178,374)
Increase in creditors	292,292	50,226
Decrease in debtors	15,209	9,949
	(503,901)	(118,199)

15 Gross cash flows

	2006	2004
	£	£
Returns on investments and servicing of finance		
Interest received	30,759	14,143
Capital expenditure and financial investment		
Sale of investment	—	5,000
Proceeds from liquidation of investment	8,750	—
Purchase of intangible fixed assets	(705,920)	(782,045)
	(697,170)	(777,405)
Acquisitions		
Payments to acquire subsidiaries	—	(64,705)
Bank balances acquired with subsidiary	—	20,981
	—	(43,724)
Financing		
Proceeds of issue of shares	1,910,138	1,900,000
Issue costs	(89,257)	(321,326)
	1,820,881	1,578,674

16 Reconciliation of net cash flow to movement in net funds

	2006 £	2004 £
Net funds at 1 October 2004	1,224,133	570,644
Increase in cash in the period	650,569	653,489
Net funds at 31 March 2006	1,874,702	1,224,133

17 Share options

The Company has share option schemes under which options have been granted to the Directors and other persons. The share options currently in existence are as follows:

Date granted	Parties	Exercise price	Number of shares	Vesting date	Final exercise date
10/5/2000	Former Director	4p	1,500,000	18/5/2003	18/5/2007
03/4/2000	Directors	4p	1,200,000	18/5/2003	18/5/2007
13/8/2004	Directors	4p	12,000,000	08/9/2004	08/09/2007
13/8/2004	Others	4p	16,300,000	08/9/2004	08/09/2007
01/09/2005	Directors	2p	23,000,000	02/09/2006	02/09/2016

At the period end the market value of the Company's shares was 5.2p per share. The highest price during the period was 5.72p and the lowest price was 1p.

Notes to the Financial Statements

period ended 31 March 2006

18 Financial instruments

The Company uses financial instruments, other than derivatives, comprising cash liquid resources and various items such as debtors, creditors and other items that arise directly from its operations. The main purpose of these financial instruments is to utilise finance in the Group's operations.

The main risks arising from the Company's financial instruments are interest risk, liquidity risk and currency risk. The Directors review and agree policies for managing these risks and these are summarised below.

Short-term debtors and creditors have been excluded from all the following disclosures.

Interest rate risk

The Company finances its operations through equity financing to alleviate the interest rate risk.

Liquidity risk

The Company seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Currency risk

The Company manages its currency risk by holding financial investments in sterling and financing the investment in overseas securities on an arising basis.

Fair values

The fair values of the Company's instruments are considered equal to the book value.

The interest rate exposure of the financial assets of the Company as at 31 March 2006 related wholly to floating interest rates in respect of cash at bank and is held in the following currencies:

	2006 £	2004 £
Sterling — Cash at bank	1,874,652	1,208,255
US Dollars	50	15,878
	1,874,702	1,224,133

19 Related party transactions

Mr R G Still is a director of Pangea Exploration (Pty) Limited which is owned as to 33% by a trust connected with his family.

Exploration expenditure of £255,476 was incurred by Pangea Exploration (Pty) Limited on behalf of the Company in respect of the Manica gold project in accordance with an agreement dated 19 November 2003, £44,735 in respect of the Bogoin project in accordance with an agreement dated 30 September 2005 and £92,755 in respect of project management. In addition, the Group has acquired rights from Pangea in the Bogoin project in Central African Republic as set out in note 20 below.

Administration expenditure includes £15,000 (excluding VAT) (2004: £10,000) incurred by Munslovs on behalf of the Company in respect of its office accommodation costs.

20 Capital Commitments

The Company agreed in January 2006 to acquire 100% of Explorator Limitada for a consideration of £150,000 to be satisfied by the issue of 7,500,000 ordinary shares in the Company. The completion of this transaction will take place when the relevant regulatory approval is received from the Mozambique authorities.

The Board has contracted to acquire rights in the joint venture in Central African Republic from Pangea Exploration (Pty) Limited. The consideration is payable over 3 years and subject to continuing of operation in Central African Republic over the period. The Company has satisfied its obligation in the balance sheet date of £255,000 satisfied by the issue of 6,000,000 shares at 4.25p. The future commitments under this agreement are estimated at £510,000 which the Company can satisfy by the issue of a further 12,000,000 ordinary shares in the Company.

The Board has contracted to acquire an additional 10% interest in the joint venture from Goldium for £112,000 of which £53,000 has been paid and £59,000 will be satisfied by the issue of 1,072,727 ordinary shares in the Company. The completion of this transaction will take place when the relevant regulatory approvals have been received from the Central African Republic authorities.

Notice of the 2006 Annual General Meeting

Notice is hereby given that the 2006 Annual General Meeting of the Company will be held at the offices of Grant Thornton, Grant Thornton House, Euston Square, Melton Street, London NW1 2EP on 27 July 2006 at 10.30 a.m. to transact the following business of the Company.

1. To receive and adopt the Directors' Report and the financial statements for the period ended 31 March 2006.
2. To re-elect Hendrik Johann Blignault as a Director, who was appointed during the period.
3. To re-elect Jan Petrus Nelson as a Director, who was appointed during the period.
4. To re-elect Robert George Still as a Director, who is retiring by rotation.
5. To reappoint Grant Thornton UK LLP as auditors and to authorise the Directors to fix their remuneration.
6. As special business, to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution.

THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act"), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount £2,922,000.00; such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2007 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

7. As special business to consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution.

THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act"), in substitution for all previous powers granted thereunder, to allot equity securities of up to an aggregate nominal amount of £2,922,000.00 (within the meaning of Section 94 of the Act) for cash pursuant to the authority granted by resolution 6 above as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2007, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

By Order of the Board dated 29 June 2006

JOHN BOTTOMLEY

Secretary
Manfield House
2nd Floor
1 Southampton Street
London WC2R 0LR

Form of Proxy

I/We, the undersigned, being a member of the above-named company, hereby appoint

.....
 or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 27 July 2006 at 10.30 a.m. and at any adjournment thereof.

The proxy will vote on the undermentioned resolutions, as indicated.

ORDINARY RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD*	DISCRETIONARY†
1. To adopt the Report and Accounts.				
2. To re-elect Hendrik Johan Blignault, a Director who was appointed during the period.				
3. To re-elect Jan Petrus Nelson, a Director who was appointed during the period.				
4. To re-elect Robert George Still, a Director who is retiring by rotation.				
5. To reappoint Grant Thornton UK LLP as auditors.				
6. To empower the Directors to allot relevant securities pursuant to Section 80 of the Companies Act 1985.				
SPECIAL RESOLUTIONS				
7. To disapply the pre-emption rights contained in Section 89(1) of the Companies Act 1985.				

If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes (and whether or not he abstains from voting).

* The "Vote Withheld" option is to enable you to abstain on the specified resolution. Please note a "Vote Withheld" has no legal effect and will not be counted in The votes "For" and "Against" a resolution.

† If you select "Discretionary" or fail to select any of the given options, the proxy is authorised to vote (or abstain from voting) at his or her discretion on the specified resolution. The proxy is also authorised to vote (or abstain from voting) on any other business, which may properly come before the meeting.

Print name Date

Signature

Notes:

- (i) This form is for use of shareholders only and will be used only in the event of a poll being directed or demanded.
- (ii) You may if you wish delete the words "the Chairman of the Meeting" and substitute the name(s) of your choice. Please initial such alteration.
- (iii) To be effective this form of proxy must be lodged at the Company's registrars, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the start of the meeting.
- (iv) In the case of a corporation the form must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- (v) In the case of joint holders the signature of any of them will suffice but the names of all joint holders should be shown. The vote of the senior joint holder who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.



Second fold

BUSINESS REPLY SERVICE
Licence No. MB122

2



Capita Registrars Limited
The Registry
34 Beckenham Road
BECKENHAM
Kent
BR3 4BR

First fold

Third fold
and tuck in flap opposite

Officers and Advisers

DIRECTORS

Colin Bird (Non-Executive Chairman)
Hendrik Johan Blignault (Non-Executive Director)
Jan Petrus Nelson (Chief Executive Officer)
Robert George Still (Non-Executive Director)
Nathan Anthony Steinberg FCA FCCA TEP (Finance Director)

COMPANY SECRETARY AND REGISTERED OFFICE

John Michael Bottomley FICS
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Company Number: 3937466

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BROKERS AND NOMINATED ADVISERS

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REGISTRARS

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THE EXPLORATION AND DEVELOPMENT COMPANY WITH ASSETS IN AFRICA



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