

Regulatory Story

Company [Pan African Resources PLC](#)
TIDM PAF
Headline ZAR703 Million Rights Offer becomes unconditional
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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

ISIN for Nil Paid Rights: GB00B85FJG40 (JSE Code: PANN)

ISIN for Fully Paid Rights: GB00B8RCBP62

("Pan African" or "Company")

PAN AFRICAN ZAR703 MILLION RIGHTS OFFER BECOMES UNCONDITIONAL

INCORPORATING:

- * RESULTS OF GENERAL MEETING
- * UPDATE REGARDING THE ACQUISITION OF EVANDER
- * RIGHTS OFFER FINALISATION ANNOUNCEMENT
- * RESULTS OF ANNUAL GENERAL MEETING

1. RESULTS OF GENERAL MEETING

Pan African is pleased to inform shareholders ("Shareholders") that at the general meeting of Shareholders held on Friday, 30 November 2012 ("General Meeting"), all the resolutions necessary for the implementation of:

- * the acquisition of all the shares in and claims against Evander Gold Mines Limited ("Evander") from Harmony Gold Mining Company Limited ("Harmony") by a wholly owned subsidiary of Pan African ("Transaction"); and
- * the related capital raising by way of a ZAR703 million (GBP51.8 million) rights offer of 370 071 902 new Pan African ordinary shares of 1p each ("Shares") at ZAR1.90 or 14 pence per share ("Rights Offer"),

were approved at the General Meeting. Furthermore, all the regulatory approvals required in relation to the Rights Offer have been obtained. Accordingly, the Rights Offer is now unconditional and shall proceed in accordance with the timetable set out in the announcement published by the Company through the Securities Exchange News Service and a Regulatory Information Service on 23 November 2012 ("Announcement").

Jan Nelson, CEO of Pan African said:

"The overwhelming support received at today's general meeting is testament to our shareholders support for the Group's rationale and strategic objective for the acquisition of Evander. I would like to thank all of them for their

continued support and engagement.

The successful completion of the rights offer will allow Pan African to sufficiently capitalise itself so as to implement the acquisition without compromising the Group's current operations or strategic momentum."

2. BACKGROUND TO EVANDER, THE TRANSACTION AND THE RIGHTS OFFER

Evander, currently, mines and produces gold and related products and its operations comprise, inter alia:

- * an operating shaft in the form of Evander 8 shaft which has an expected life of mine of more than ten years and is expected to produce approximately 100,000 ounces of gold per annum;
- * various development projects comprising Evander South, Rolspruit and Poplar;
- * surface resources comprising existing tailings dumps; and
- * metallurgical processing facilities known as the Kinross plant which uses a hybrid carbon-in-pulp/carbon-in-leach (CIP/CIL) process.

Evander meets Pan African's investment criteria of a high grade, high margin, quality asset, the acquisition of which is not only expected to be earnings accretive, but will provide Pan African with a material increase in its production profile through the doubling of its current gold production. The introduction of an additional operating asset into the Pan African group shall further the Company's strategy of reducing operational risk through the broadening of its operations.

On 30 May 2012, the Company entered into an agreement ("Agreement") to acquire 100% of the shares in and claims against Evander from Harmony for ZAR1.5 billion, subject to certain adjustments ("Purchase Consideration"). Pan African proposed to fund the acquisition from a combination of:

- * cash generated at the operations of Pan African and Evander;
- * third party debt finance; and
- * the issue of new equity to Shareholders pursuant to a rights offer.

On 17 August 2012, Pan African published a further announcement providing details of, inter alia, the conclusion of a bookbuild exercise in terms of which the Company secured approximately R702 million in capital commitments ("Capital Commitments") from, amongst others, leading institutional investors to support a capital raising for purposes of funding the payment of a portion of the Purchase Consideration.

Following the procurement of the Capital Commitments, the Pan African Board of Directors ("Board") resolved that the Company would proceed with the Rights Offer in terms of which 25.5 new Shares would be issued to Shareholders for every 100 Shares held as at the record date of the Rights Offer at an issue price of R1.90 or 14 pence per new Share. The total quantum of the Rights Offer amounts to approximately ZAR703 million and is subscribed to the extent of approximately ZAR702 million through the Capital Commitments.

3. TRANSACTION UPDATE

3.1 Conditions Precedent

Following the General Meeting, all the approvals required for the implementation of the Rights Offer have been obtained, which will enable Pan African to secure a portion of the requisite funding for the Transaction through the proceeds of the Rights Offer. The Transaction is now subject to only two remaining conditions precedent, being:

- * Evander entering into a new electricity supply agreement with Eskom on terms and conditions acceptable to Pan African ("Eskom Agreement

Condition"); and

- * the Minister of Mineral Resources granting the requisite consent for the Transaction in accordance with section 11 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002, by no later than 30 June 2013 ("Ministerial Consent Condition").

The date of fulfilment for the Eskom Agreement Condition has been extended, pursuant to an addendum ("Addendum") to the Agreement pertaining to the Transaction, to 31 January 2013 but may be waived at Pan African's election. The Ministerial Consent Condition is incapable of waiver.

3.2 Amendment to the Transaction Terms

In addition to the extension of the date of fulfilment for the Eskom Agreement Condition, certain of the payment terms set out in the Agreement have been amended.

Pan African was required to pay Harmony an amount of ZAR950 million (or such greater amount as Pan African may elect to pay) ("Deposit") by no earlier than 1 December 2012 subject to all the conditions precedent to the Transaction, other than the Ministerial Consent Condition, being fulfilled or waived and certain security arrangements being in place. In accordance with the Addendum, Pan African shall now pay Harmony no less than ZAR400 million no earlier than 14 December 2012, subject to certain security arrangements being in place. The remaining portion of the Deposit shall be payable by Pan African to Harmony by no earlier than 1 February 2013, subject to certain additional security arrangements being in place. Pan African retains the right to, in its sole discretion, pay Harmony amounts in addition to ZAR400 million, provided such further amounts are a multiple of ZAR10 million.

The Purchase Consideration shall be reduced by an amount equal to interest calculated at 5% per annum on any portion of the Deposit paid to Harmony from the date of each payment until the closing date for the Transaction, being the later of 18 January 2013 or the 10th business day after the last of the conditions precedent to the Transaction has been fulfilled ("Closing Date"). Furthermore, the Closing Date may not occur earlier than 18 January 2013 and the remaining portion of the Purchase Consideration is required to be paid within 10 business days of the Closing Date.

Following the execution of the Addendum, as security for the Deposit, Pan African may now, in addition to cessions of Evander's gold sales and mortgage bonds over Evander's properties, register a special notarial bond over Evander's property, plant and vehicles.

3.3 Funding Update

Favourable market conditions and strong operational performance have resulted in both Pan African and Evander generating substantial cash reserves since the commencement of the Transaction. As a result and because all the profits of Evander have accrued for Pan African's benefit since 1 April 2012, the Company has secured a favourable funding position.

Cash balances currently held at Evander and Pan African amount to approximately R268 million and R319 million, respectively (Pan African emphasises that these cash balances are presented as at the date of the General Meeting and have not been adjusted to account for the potential effect that future working capital fluctuations and/or taxation payments may have on them). Following receipt of the Rights Offer proceeds on or about 16 January 2013 and together with the current cash reserves, it is expected that sufficient cash resources will be available to settle the Deposit. Furthermore, Pan African's existing ZAR300 million revolving credit facility is expected to be replaced by a new ZAR600 million revolving credit facility, in respect of which the Company has executed a term sheet, on the Closing Date after which, the balance of the Purchase Consideration is required to be paid to Harmony.

4. TIMETABLE AND PUBLISHING OF RIGHTS OFFER DOCUMENT

Due to the Rights Offer becoming unconditional in accordance with the timetable

presented in the Announcement, no changes to the timetable are required.

The letters of allocation and nil paid rights to be listed on the Main Board of the JSE and quoted on the AIM market of the LSE ("AIM"), respectively, in terms of the Rights Offer have been allocated the JSE Code "PANN" and ISIN GB00B85FJG40. The fully paid rights to be quoted on AIM in terms of the Rights Offer have been allocated the ISIN GB00B8RCBP62.

Full details of the Rights Offer shall be provided in a document to Shareholders, which will comprise a prospectus in accordance with the Financial Services and Markets Act. 2000 in the United Kingdom and a pre-listing statement in terms of the JSE Listings Requirements ("Document") is expected to be published shortly. Copies of the Document shall be posted to Shareholders on or about 3 December 2012.

5. RESULTS OF ANNUAL GENERAL MEETING ("AGM")

The Board further announces that all resolutions proposed to the shareholders at the AGM of the Company held on Friday, 30 November 2012 were passed.

3 December 2012

Sole Bookrunner, Corporate Adviser and JSE Transaction Sponsor to the Rights Offer

One Capital

Independent Sponsor to the Rights Offer

Nedbank Capital

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

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