



Manufactured capital

OUR STRATEGIC INITIATIVE

Effectively develop and complement our Mineral Resources and Mineral Reserves for a sustainable future

THE PROGRESS WE HAVE MADE

Pan African contributes to sustainable settlements through investing in and exploring significant Mineral Resources and Mineral Reserves (refer to [page 90](#)). In addition, it invests in projects outside its business scope to benefit the surrounding communities, such as the agri-business venture outlined on [page 64](#).

The Group is embarking on a renewable energy project to provide affordable, reliable, sustainable and modern energy for its operations (refer to [page 78](#)).

KEY PERFORMANCE INDICATORS

Mineral Resources (Moz)



Mineral Reserves (Moz)



Capital expenditure (US\$ million)



OBSTACLES TO VALUE CREATION

- Interruption to stable electricity supply
- Illegal mining and heightened criminal activity
- Infrastructure dependency and constraints
- Health and safety incidents
- Tailings dam or mine shaft failure, fire or flooding
- Poor operational execution
- Geological variability in Mineral Resources and Mineral Reserves base
- Strategic capital allocation

MATERIAL MATTERS

-  Capital allocation
-  Geological complexity
-  Technological interconnectivity
-  Energy availability
-  Climate change
-  Environmental impact

KEY STAKEHOLDERS

-  Providers of capital
-  Customer
-  Suppliers
-  Employees
-  Communities

Sustainable mining



GOAL 11: MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE

Why the goal is material to Pan African

Pan African's strategy is to safely extract gold from our mineral deposits utilising our combined acumen and to continue investing in a manner that generates compelling returns to ensure the long-term sustainability of our operations.

To achieve the strategy, the Group has to ensure that it continuously develops and complements its Mineral Resources and Mineral Reserves so as to ensure a sustainable future. In doing so, it needs to consider all the stakeholders in its mines, including the human settlements located in close proximity. By concentrating on the safety of people on and around the mines and the protection of the environment, the Group is able to make those human settlements safer and sustainable.

Highlights

- Mineral Resources of 37.61Moz (2019: 35.97Moz)
- Mineral Reserves of 10.87Moz (2019: 10.92Moz)
- Capital expenditure of US\$34.6 million (2019: US\$55.1 million)
- Pipeline of growth projects
- Transformation targets met

Challenges

- Depleting Mineral Reserves
- Safety
- Illegal mining

How we make a difference in the short term

Pan African has purposefully repositioned itself as a sustainable high-margin producer by concentrating on sourcing more gold ounces from surface and shallow underground operations.

The Group has robust life-of-mine plans which will support this sustainability.

In addition, it has an exceptional pipeline of attractive growth opportunities.

How we make a difference in the medium to long term

- Actively pursue all legal avenues to stamp out illegal mining
- Continue exploration using modern techniques
- Consider acquisition opportunities.



Our mines protect the safety of people and the environment around them.

MINERAL RESOURCES AND MINERAL RESERVES (LIFE-OF-MINE)

We have strategically positioned ourselves as a high-margin, long-life gold producer with almost half of gold ounces sourced from the Group's production from high-margin surface tailings operations.

The Group's robust life-of-mine plans will support its sustainability in future:

• New Consort	8 years
• Fairview	20 years
• Sheba	9 years
• Royal Sheba project	18 years
• 8 Shaft pillar	3 years
• Elikhulu	12 years
• BTRP	6 years
• Egoli	9 years

Pan African has an exceptional pipeline of attractive growth opportunities within its mining right areas, both in established projects and brownfield resource definition prospects. Current exploration drilling, as well as initiatives to access and develop orebodies, were aggressively pursued at the Barberton operations during the year. The strategy of converting Mineral Resources to Mineral Reserves was progressed by moving organic projects further up the mining value chain and towards the feasibility and production stages.



Our current projects include:

Barberton Mines' sub-vertical shaft project at Fairview

The project's construction is expected to be completed over a period of two years, after which it is expected to produce an additional 7,000oz to 10,000oz per annum.

Barberton Mines' Prince Consort Shaft pillar project

The Group has taken a strategic decision to mine the PC Shaft pillar at New Consort Mine, in order to increase output from the New Consort operations. The available resource will enable the New Consort operation to supplement its production with a calculated 2,500oz to 3,000oz of recovered gold per annum. Mining the PC Shaft pillar will be conducted in a way that does not impact the stability of the shaft barrel and therefore does not sterilise any exploration targets below the shaft pillar elevation (42 Level to 44 Level). An execution plan for the safe extraction of the PC Shaft pillar is currently being prepared, with first gold production to be achieved during the last quarter of the 2020 financial year. It is expected that steady-state production from the pillar could be achieved within the first quarter of commissioning.

The additional gold production will enable the operation to focus on investigating identified exploration targets within the New Consort mining district and mining right. The aim of these exploration activities is to ensure a sustainable life-of-mine for the New Consort operation.

Evander Mines' Egoli project

The mining feasibility study (MFS) for Evander Mines' Egoli project has been completed and the results demonstrate a viable and value-enhancing project, surpassing the findings of previous technical and financial assessments. An independent confirmatory technical review of the MFS was also completed.

This underground project has an expected initial life-of-mine of approximately nine years and is expected to produce an average of 72,000oz per annum as an average over the life-of-mine.

An initial production rate of 45,000t per month is targeted, with the potential to increase production as Mineral Resources are converted into Mineral Reserves. First gold is anticipated 20 months after construction commences, with ramp-up to steady production over the following 16 months.

Ore will be treated at Evander Mines' Kinross plant which is 300m away from the 7 Shaft and has the capacity to handle ore material from the Egoli project's underground operations. The current TSFs at Elikhulu are sufficient to handle production from the Egoli project. The project falls under Evander Mines' existing mining right and all permits and licences are in place.

Additional geological and operational upside exists when the Inferred Resources and access on underground development proceeds, increasing the life-of-mine to 14 years.

Barberton Mines' Royal Sheba project

A preliminary economic assessment is being conducted on the deeper underground excavation of Royal Sheba. The 23 Level haulage continues to be developed from the Sheba ZK Shaft to access the virgin orebody at Royal Sheba previously reported as phase 2 of the project. Approximately 390m of development remains to complete the haulage. The Royal Sheba phase 2 project contains a total Mineral Resource of 13.34Mt at 1.91g/t for 819Koz (Measured: 3.70Mt at 2.35g/t for 244Koz; and Indicated: 4.27Mt at 2.33g/t for 320Koz).

EVANDER MINES’ 9 SHAFT A-BLOCK PROJECT

Background

The Evander Mines’ 9 Shaft A-block project is situated in the south-western limb of the Evander Basin. It is located directly west of the Evander Mines’ 9 Shaft A-block and is approximately 9km west-south-west of 7 Shaft. Evander Mines’ 9 Shaft A-block was operational between 1962 and 2009, mining the Kimberley Reef in the Evander goldfield as part of the Leslie Gold Mine. The A-block area on 1 Level was known as the final production section for the shaft. Production at that time was at a small scale (up to 5,000t per month from two to three panels), but with very high grades (8.3g/t up to 12.5g/t with boreholes showing up to 33.3g/t at a 1.2m stoping width) and at shallow depths

of around 300m below surface. Due to low volumes and a comparatively low gold price (ZAR230,000 to ZAR310,000/kg of gold, <https://goldprice.org/>) at the time, operations at Evander Mines’ 9 Shaft A-block were discontinued.

In 2009, Mineral Resources of approximately 0.8Mt at an in-situ gold grade averaging 12g/t over a 1m stoping width (approximately 0,32Moz) were reported for the A-block area. The majority of these were in the Inferred Resource category. Due to the depressed gold price and the resultant demobilisation of the Evander Mines’ 9 Shaft A-block headgear, the previously reported Mineral Resources were downgraded to an exploration target. The drilling programme planned by the Group at A-block aims to improve the Mineral Resources category with a

potential conversion to Mineral Reserves. Exploration of the area further to the west of the A-block towards Evander South will also be conducted during this programme.

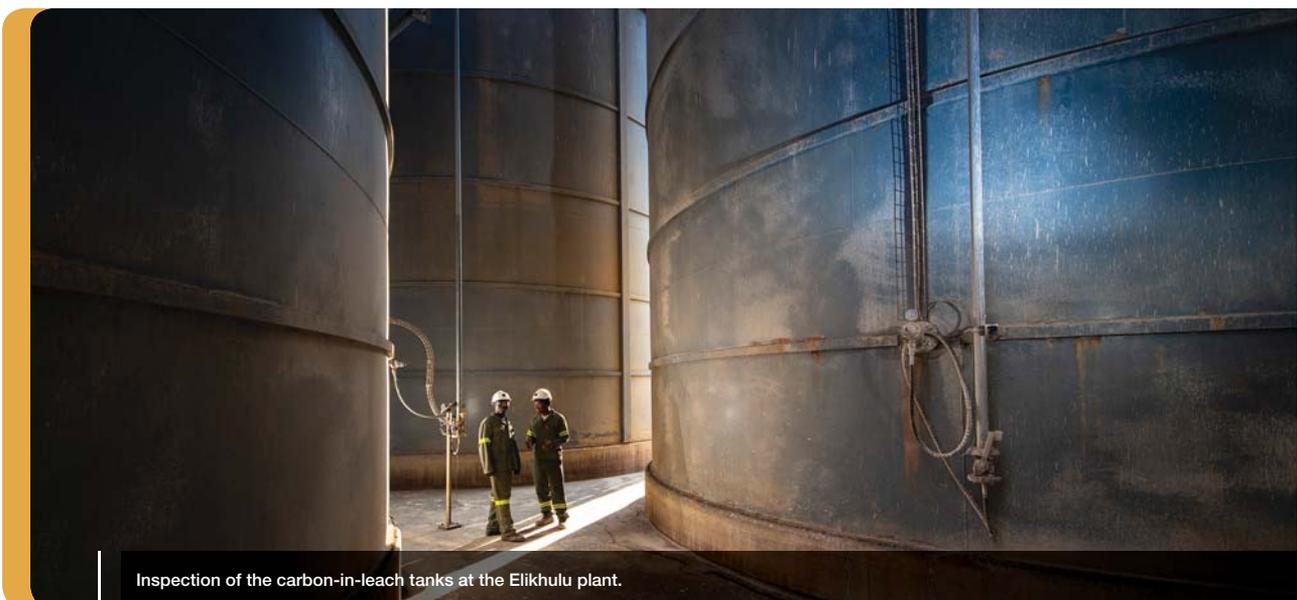
Geology

The Kimberley Reef occurs at a relatively shallow depth of between 200m in the south-west and 500m in the north-east. The reef strikes north-west-south-east, dips between six and 19 degrees and occurs as stacked half-grabens that could be accessed by a single production level. Small-scale mining occurred in close proximity to this project area prior to the discontinuation of the Evander Mines’ 9 Shaft A-block operations. All of the available historical data has been considered in the modelling of this exploration target.

Exploration target

Category	At 30 June 2020				At 30 June 2019			
	Contained gold				Contained gold			
	Tonnes million	Grade g/t	Tonnes gold	Moz	Tonnes million	Grade g/t	Tonnes gold	Moz
Minimum of expected range	0.7	8.0	5.6	0.18	-	-	-	-
Maximum of expected range	1.0	15.0	15.0	0.48	-	-	-	-

The above projects, along with the Group’s current operating mines, are expected to deliver sustainable operations for a minimum of 10 years at current rates of production.



Inspection of the carbon-in-leach tanks at the Elikhulu plant.

SUSTAINABLE MINES AND BUILDINGS

Mining companies are very aware of the significant impact of their operations on local communities. Sustainable long-life mining operations form a strategic pillar in the vision of the Group in creating value for all its stakeholders. The Group continuously invests in health and education infrastructure projects to develop and maintain the living standards in our host communities.

Refer to [page 62](#) for more information on the Group's current social projects.

SECURITY AND ILLEGAL MINING

High levels of illegal mining, especially at Barberton Mines, continue to pose a risk to the safety and security of our employees and negatively affects our gold production. During recent years, the influx of illegal immigrants from neighbouring countries to the Barberton region, especially from Lesotho, Mozambique and Zimbabwe, has led to a significant increase in the number of foreign nationals being arrested for illegal mining. In addition, due to high levels of poverty and unemployment in that area, organised crime syndicates are increasingly recruiting local youths to join the illegal miners in their illicit activities. The failure of the criminal justice system to effectively deal with this issue has also resulted in high re-arrest numbers being recorded at the Barberton operations.

The Group continuously invests in health and education infrastructure projects to develop and maintain the living standards in our host communities.

Even though some cases of illegal mining have been reported at Evander Mines over the past financial year, the proper closure of old shafts has assisted in significantly reducing this challenge.

In response to this security challenge, Pan African has developed and implemented a multi-faceted and integrated strategic and operational approach to prevent and combat illegal activities. This approach is being coordinated with relevant law enforcement and prosecution authorities on a continuous basis and is being expanded to include community-based crime prevention initiatives. In addition, the introduction and implementation of modern technology such as CCTV networks and scanners have improved the Company's ability to counter criminality.

The Group's increased focus on preventing criminal acts, such as illegal mining and internal theft, has already resulted in the Company being able to target high-risk areas more successfully.



Our underground operations are limited but safe.