

Pan African Resources PLC
(Incorporated and registered on 25 February 2000 in England and Wales under the Companies Act 1985, registration number 3937466)
Share code on AIM : PAF
Share code on JSE : PAN
ISIN : GB0004300496
("Pan African" or the "company" or "group")

OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Pan African is pleased to provide an operational update for the six months ended 31 December 2019 ("current reporting period").

Key highlights for the current reporting period

- Pan African is on track to deliver the full-year production guidance of 185,000oz.
- Group gold sales increased by 14.7% to 92,941oz (2018: 81,014oz).
- The Evander 8 Shaft Pillar project development is progressing according to plan, with steady-state production planned from March 2020.
- Pan African's operations delivered a robust operational and commendable safety performance during the period.

Pan African CEO Cobus Loots commented:

"The first six months of the year saw higher production from Pan African's high-margin operations and investment in our growth projects, with the group demonstrating its ability to reduce debt and pay dividends to our shareholders. In addition, the operational and safety performance during the current reporting period demonstrates our continued progress in positioning Pan African as a sustainable, safe, high-margin and long-life gold producer, with an attractive project pipeline.

The Evander 8 Shaft Pillar project, where all development milestones were achieved on schedule and on budget, will reach commercial production in the next few weeks, adding further high-margin production from our operations in the second half of this year.

We have successfully completed the mining feasibility study on the Evander Egoli project, which demonstrates its technical viability and compelling economic returns. The study is currently the subject of a confirmatory third-party review, which will be completed shortly. The group is exploring several non-dilutive funding options, which will enable Pan African to continue its strategy of de-gearing its balance sheet and increasing dividends. We have already engaged with several financial institutions who have expressed an interest in the continued financing of Pan African's organic growth projects.

We look forward to presenting our interim results, where we will detail plans to further optimise our current operations. We remain on track to produce at least 185,000oz of gold for the full financial year ending 30 June 2020 and we are committed to creating value for all our stakeholders."

Safety

The group maintained its excellent safety performance during the reporting period. We remain committed to and focussed on ensuring the safety of all our employees, while we strive towards a zero-harm environment.

- The group experienced no fatalities during the current reporting period (2018: no fatalities);
- The lost-time injury frequency rate improved to 1.69 (2018: 1.77); and
- The reportable injury frequency rate regressed to 0.85 (2018: 0.53), due to Evander Mines' (excluding Elikhulu) reportable injury frequency rate increasing to 3.71 (2018: 2.41). Barberton Mines achieved an excellent reportable injury frequency rate of 0.00 (2018: 0.26).

Elikhulu tailings retreatment plant ("Elikhulu")

- Gold production from Elikhulu increased by 91.6% to 29,301oz (2018: 15,292oz);
- Elikhulu processed 6.2 million tonnes in the current reporting period, at a recovered grade of

- 0.15g/t, despite operations being severely impacted by heavy rains in December 2019; and
- A new pump station, successfully commissioned during December 2019, is expected to increase plant feed grades and plant feed rates for the remainder of the financial year, which will have a favourable impact on gold production.

Barberton Mines (“Barberton”)

Barberton produced 47,356oz (2018: 50,556oz) during the current reporting period, comprising:

- Underground mining operations, which contributed 36,737oz (2018: 38,550oz); and
- Barberton tailings retreatment plant (“BTRP”) which contributed 10,619oz (2018: 12,006oz), with current year production in line with guidance.

The 6.3% reduction in Barberton’s production in the current reporting period was principally due to:

- Community unrest experienced during July 2019, which adversely impacted underground production. Barberton is pursuing legal action against instigators involved in this unrest and has experienced no major disruption to our operations in the past months. Enhanced security initiatives have also contributed to curtailing illegal mining and criminality; and
- Challenging geological conditions at Barberton’s Fairview operation, which are expected to be mitigated by increased mining flexibility in the remainder of the financial year.

Barberton remains on track to achieve the market guidance of approximately 100,000oz for the full 2020 financial year.

Evander Mines’ 8 Shaft Pillar project (“8 Shaft Pillar”)

Gold production from the Evander complex (excluding Elikhulu) increased by 7.4% to 16,284oz (2018: 15,166oz), despite experiencing electricity supply constraints in the last months of the current reporting period.

The 8 Shaft Pillar project achieved first gold in August 2019, as previously communicated. Steady-state production is forecast during March 2020, as originally anticipated. The project is forecast to contribute 30,000oz of gold or more per annum to the group’s production over a three-year period, once operational steady state is reached. The following major milestones were achieved by 31 December 2019:

- Construction and support of access in the shaft brattice wall;
- Completion of steelwork in the shaft tower;
- Completion of the holing of all critical development ends to allow the continuous mining of shaft pillars;
- Refurbishment of the Kinross plant to ensure optimised performance with pillar material feed; and
- Successful commissioning of the grout plant, which is required for pillar support.

Evander Mines’ Egoli project (“Egoli”)

The Egoli project’s mining feasibility study (“MFS”) has been finalised, with the MFS results surpassing the findings of previous technical and financial assessments.

The project has an expected initial life-of-mine of approximately nine years and is forecast to produce approximately 90,000oz of gold per annum at peak production levels, at an all-in sustaining cost of less than 1,000/oz. The existing infrastructure at 7 Shaft has made ready access to the orebody possible within a relatively short timeframe, which contributes to the project’s low execution risk. The project falls under the current Evander Gold Mining (Pty) Ltd mining right and all permits and licences are in place.

A comprehensive review of the MFS is being performed by The Mineral Corporation, an independent mining consultancy, after which the MFS findings will be communicated to the market.

Barberton Mines' sub-vertical shaft project at Fairview Mine

The development at the top and bottom access of the sub-vertical shaft is progressing as planned. Raise boring will commence once adequate ore reserves are established in the MRC (11-block). As previously communicated, the project is expected to produce an additional 7,000oz to 10,000oz per annum once the shaft is completed.

Group net debt

The company's senior, interest bearing, net bank debt comprising the RCF and Elikhulu facilities (senior debt), decreased to R1.597 billion (R1.548 billion when accounting for 71.3kg of gold delivered to Rand Refinery in December 2019, but not settled by 31 December 2019) from the R1.89 billion at 30 June 2019.

Total net debt, includes the impact of capitalised operating leases in terms of IFRS 16, decreased to R1.74bn (R1.69 billion when accounting for 71.3kg of gold delivered to Rand Refinery in December 2019, but not settled by 31 December 2019) from the R1.83 billion at 30 June 2019.

Total net debt at 31 December 2019 was impacted by:

- Net dividends of R43 million paid to shareholders in December 2019;
- The capitalisation of lease agreements of R83m (2018: R nil) in terms of IFRS 16;
- R100 million principal repayment on the Elikhulu term facility;
- R197 million paid towards the gold loan during H1 of FY20;
- Realised hedging losses of R29 million incurred during the reporting period; and
- Capital of R57 million spent on the 8 Shaft Pillar project.

In terms of the company's senior debt agreements, it is obligated to reduce the outstanding balance of these facilities as follows:

Financial year:			ZAR
Jun-20			1 550 000
Jun-21			1 300 000
Jun-22			900 000
Jun-23			700 000
Jun-24			500 000

The senior debt redemption profile can be accelerated and, in light of the prevailing robust gold prices and strong operational cash generation, the company is forecast to measurably reduce its debt during the next two financial years.

Interim results for the six months ended 31 December 2019

Pan African will announce its interim results on 18 February 2020.

Any forecast information contained in this announcement has neither been reviewed nor audited by the company's external auditors.

Rosebank
24 January 2020

Contact information	
<p>Corporate Office The Firs Office Building 2nd Floor, Office 204 Cnr. Cradock and Biermann Avenues Rosebank, Johannesburg South Africa Office: + 27 (0)11 243 2900 info@paf.co.za</p>	<p>Registered Office Suite 31 Second Floor 107 Cheapside London EC2V 6DN United Kingdom Office: + 44 (0)20 7796 8644</p>
<p>Cobus Loots Pan African Resources PLC Chief Executive Officer Office: + 27 (0)11 243 2900</p>	<p>Deon Louw Pan African Resources PLC Financial Director Office: + 27 (0)11 243 2900</p>
<p>Phil Dexter/Jane Kirton St James's Corporate Services Limited Company Secretary Office: + 44 (0)20 7796 8644</p>	<p>John Prior Numis Securities Limited Nominated Adviser and Joint Broker Office: +44 (0)20 7260 1000</p>
<p>Ciska Kloppers Questco Corporate Advisory Proprietary Limited JSE Sponsor Office: + 27 (0)11 011 9200</p>	<p>Ross Allister/David McKeown Peel Hunt LLP Joint Broker Office: +44 (0)20 7418 8900</p>
<p>Julian Gwillim Aprio Strategic Communications Public & Investor Relations SA Office: +27 (0)11 880 0037</p>	<p>Thomas Rider/Niel Elliot BMO Capital Markets Limited Joint Broker Office: +44 (0)20 7236 1010</p>
<p>Bobby Morse/Chris Judd Buchanan Public and Investor Relations UK Office: +44 (0)20 7466 5000 paf@buchanan.uk.com</p>	<p>Website: www.panafricanresources.com</p>