Pan African Resources plc – Concise Summary of Laws

Pan African Resources PLC (the **Company**) is a public company incorporated and registered in England and Wales and is subject to the requirements of the *Companies Act 2006* (of the UK) (**CA 2006**). The Company is a dual listed company and is admitted to trading on the main board of JSE Limited (**JSE**) and the Main Market of the London Stock Exchange plc (**LSE**).

As the Company is not incorporated in Australia, its general corporate activities (apart from any offering of securities in Australia) are not regulated by the *Corporations Act 2001* (Cth) (**Corporations Act**) or by the Australian Securities and Investments Commission but instead are regulated by the CA 2006, English common law, applicable English securities laws, the Company's articles of association (**Articles**), the UK Listing Rules (**UKLR**) and listings requirements of the JSE (**JSE Listings Requirements**). Upon admission to the official list of ASX Limited (**ASX**), the Company will need to comply with certain limited rules of the official listing rules of ASX, subject to any waivers granted by ASX.

This is a general summary of the laws and regulations concerning a company registered and incorporated and registered in England and Wales and admitted trading on the Main Market of the London Stock Exchange as its home exchange. This summary does not cover additional requirements under the JSE Listings Requirements and is not an exhaustive summary of all relevant laws, rules and regulations; it is intended as a general guide only. Further, this summary does not purport to be a comprehensive analysis of all consequences from acquiring, holding or disposing of shares or interests in shares. The laws, regulations, policies and procedures described are subject to change from time to time.

1 A CONCISE SUMMARY OF THE RIGHTS AND OBLIGATIONS OF SECURITY HOLDERS UNDER THE LAW OF ITS HOME JURISDICTION AND/OR THE RULES OF ITS HOME EXCHANGE

1.1 Transactions requiring security holder approval

There are two principal sets of laws or regulations that could require the Company to seek shareholder approval i.e.: (1) the CA 2006; and (2) the UKLR. Under CA 2006 certain matters (usually of a more routine or procedural nature) require the passing of an ordinary resolution (i.e. a simple majority of the total voting rights of members who, being entitled to vote, do so in person or by proxy) or other matters (usually of a less routine or more fundamental nature) which require the passing of a special resolution (i.e. a majority of not less than 75% if it is passed by members representing not less than 75% of the total voting rights of the members who (being entitled to do so) vote in person, by proxy).

The UKLR impose requirements that apply when the Company or one of its subsidiary undertakings undertakes certain significant transactions outside the ordinary course of its business, such as acquisitions and disposals of companies, shares and other assets. Transactions are classified by assessing their size relative to that of the Company using three class tests set out in Annex 1 to UKLR 7: gross assets, consideration and gross capital. A transaction is classed as a significant transaction where any of the percentage ratios is 25% or more. Certain transactions completed during the 12 months before the date of the latest transaction must be aggregated for the purposes of classification. A significant transaction does not require shareholders approval, but the UKLR sets out the requirements for the announcement that must be made about the significant transaction.

A reverse takeover for the purposes of the UKLR is an acquisition of a business, a company or assets where any percentage ratio is 100% or more or where there is a fundamental change in the business or a change in board or voting control of the listed company. The Company must in relation to a reverse takeover: make an announcements; send an explanatory circular containing certain information to its shareholders (and the Company must obtain the UK

Financial Conduct Authority's approval for the circular before it is published); and obtain the approval of its shareholders at a general meeting before the reverse takeover can be completed. On completion of the reverse takeover, the UK Financial Conduct Authority (**FCA**) will cancel the existing listing of the Company's shares unless the FCA is satisfied that cancellation is not required. Accordingly, the Company will need to re-apply for admission. As part of this process, it must publish an FCA approved prospectus and satisfy the listing requirements as if it were a new applicant.

The City Code on Takeovers and Mergers (**Takeover Code**) of the UK applies to the Company. Rule 9 of the Takeover Code Rule 9 requires a mandatory cash offer to be made to shareholders in the Company and also to the shareholders of any other class of transferable securities carrying voting rights in the Company (unless the UK Takeover Panel consents otherwise) when: (1) any person acquires an interest in shares which, together with shares in which the person or any person acting in concert with that person is interested, carry 30% or more of the voting rights of the Company; or (2) any person, together with any person acting in concert with that person, is interested in shares which carry between 30% and 50% of the voting rights of the Company, and such person, or that person's concert parties, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which that person is interested. A dispensation from the mandatory cash offer requirement in Rule 9 can be obtained in certain circumstances in relation to the issue of new shares in the Company, and the requirements for that dispensation would include the passing of an ordinary resolution at a general meeting at which the person(s) seeking the dispensation are not allowed to vote.

1.2 Right of security holders to security holders have a right to request or requisition a meeting of security holders

Under section 303 of CA 2006 Shareholders representing at least 5% of the paid-up voting share capital of a company (excluding treasury shares) can require the company to call a general meeting. The requisition must set out the general nature of the business to be dealt with at the meeting and may include the text of any resolution that may properly be proposed. On receipt of a valid requisition request, the board must: (1) call a general meeting within 21 days - the notice of meeting must include notice of the proposed resolution(s); and (2) provide for the general meeting to be held on a date not more than 28 days after the date of the notice of meeting.

If the directors fail to call the meeting in time, the members who requisitioned the meeting (or any of them representing more than half of the total voting rights of the members who requisitioned the meeting) may call the meeting themselves for a date not more than three months after the date on which the directors became subject to the requirement to call a meeting.

1.3 The right of security holders to appoint proxies to attend and vote at meetings on their behalf

The Company's Articles give shareholders the right to appoint a proxy to attend and vote instead of the shareholder at that general meeting.

1.4 How changes in the rights attaching to securities are regulated

A special resolution will be required to change the rights of the ordinary shares in the capital of the Company. Article 7 of the Articles provides, *"Whenever the capital of the Company is divided into different classes of shares or groups and either whilst the Company is a going concern or during or in contemplation of a winding up, the special rights attached to any class or group may be modified or abrogated, subject to the provisions of these Articles and unless otherwise provided by the terms of issue of the shares of that class or group, either with the* *consent in writing of the holders of three-quarters of the issued shares of the class or group, or with the sanction of any special resolution passed at a separate general meeting of the holders (but not otherwise)….”*.

1.5 The rights security holders have to seek relief for oppressive conduct

Under section 994 of the CA 2006 a member of a company may petition for relief where either: (1) the affairs of the company are being, or have been, conducted in a manner that is unfairly prejudicial to the interests of members generally, or some part of its members, in their capacity as such (including at least that member); or (2) an actual or proposed act or omission of the company is or would be so prejudicial.

Once a court is satisfied that a petition under section 994 is well founded, it may make an order to give relief in respect of the matters complained of. The most common order is for the shares of the petitioning member to be bought by other members of the company or (in rare cases) the company itself.

For the purposes of the first limb of section 994(1), the unfairly prejudicial conduct must be conduct in respect of "the company's affairs". These words are to be construed liberally by reference to commercial reality rather than legal nicety. Such conduct includes management decisions even where they do not involve the board of directors, as well as attempts by shareholders to exert greater control where this results in the disruption of management and detriment to the proper running of the company. Notwithstanding the width of the expression, some matters fall outside the scope of "affairs of the company" including: the conduct of another company's affairs; and the conduct of the affairs of directors, or indeed of anyone else involved in a company, that is sufficiently far removed from actually carrying on the affairs of the company. The unfairly prejudicial conduct must relate to members' interests as members.

1.6 The rights security holders have to bring or intervene in legal proceedings on behalf of the entity

The proper claimant when remedying wrongs committed against a company, whether by directors or third parties, is the company itself. Exceptionally however, where certain specified types of wrong are committed by company directors, the court has a discretion in appropriate circumstances to permit members to bring a claim in their own names on behalf of the company, unless those wrongs were either previously authorised or subsequently ratified by the company. Specifically, Chapter 1 of Part 11 of the CA 2006 provides an exclusive regime for derivative claims that a member of a company wishes to bring in England and Wales in respect of a cause of action vested in the company seeking relief on its behalf. Such a claim is known as a statutory derivative claim (**SDC**). Derivative claims may also be brought in pursuance of an order of the court in unfair prejudice proceedings.

An SDC may only be brought in respect of a cause of action arising from an actual or proposed act or omission involving any of the following by a director of the company: negligence; default, namely a failure to conduct oneself properly as a company director in discharge of CA 2006 obligations; breach of duty (which probably extends to a breach of duty pursuant to a contract as well as to breach of a fiduciary or tortious duty); and breach of trust. Although the cause of action must arise from an act or omission involving one of the specified wrongs on the part of a director, derivative claims may be brought in respect of causes of action against: the director; a third party; or both the director and a third party.

Leave of the court is not required to bring an SDC, but permission must be sought to continue it. The most common circumstance in which a member will seek permission to continue an SDC is where they themselves brought the claim.

1.7 Is there any equivalent to the “two strikes” rule in relation to remuneration reports?

There is no equivalent to the “two strikes” rule in relation to remuneration reports in Part 2G.2 Division 9 of the *Corporations Act 2001* (Cth).

The CA 2006 requires a “quoted company” (which includes Main Market companies and therefore includes the Company) to prepare a directors’ remuneration report (**Directors’ Remuneration Report**), and the contents of the Directors’ Remuneration Report are set out in various regulations issued by the UK government. Under those regulations the Directors’ Remuneration Report must comprise two distinct parts i.e.: (1) an annual report on remuneration (**Annual Remuneration Report**), which is a report on the directors' remuneration in the relevant financial year (the year which is being reported on), setting out actual payments to directors and presenting data on the chief executive officer’s (CEO) pay relative to measures of company performance over the last five to ten years (and also state how the company intends to implement the remuneration policy in the current financial year); and (2) directors' remuneration policy (**Remuneration Policy**), which is a future remuneration policy, which is required when a shareholder binding vote is proposed, at least every three years.

The Annual Remuneration Report is subject to an annual advisory vote so that shareholders vote, by ordinary resolution, to approve directors' remuneration in the relevant financial year and how the remuneration policy will be implemented in the following financial year (that is, the year of the vote). A person's entitlement to remuneration is not conditional on the resolution being passed because the vote on the Annual Remuneration Report is only advisory. As such, it does not require the directors to amend contractual entitlements, nor to amend their remuneration policy.

There must be a binding shareholder vote (by way of ordinary resolution) on the relevant Remuneration Policy at least every three years. Shareholder approval will be required if the directors wish to change the Remuneration Policy within that three-year period or the Annual Remuneration Report was not approved at the last shareholder meeting at which the audited accounts of the company were considered (**Accounts Meeting**). The shareholder vote on the Remuneration Policy is binding because of the consequences of making a payment without having obtained the necessary approval.

Companies must put the Remuneration Policy to a shareholder resolution at an Accounts Meeting if either: (1) at the last Accounts Meeting, the shareholder resolution on the Directors’ Remuneration Report put forward was not passed, and if, at that last Accounts Meeting or other general meeting held since; or (2) no notice to approve the Remuneration Policy was given in relation to any other general meeting held before the next Accounts Meeting.

The UK government has indicated that if a Remuneration Policy is not passed, a company has the following three options i.e.: (1) continue to operate according to the last Remuneration Policy to have been approved by shareholders; (2) continue to operate according to the last Remuneration Policy to have been approved by shareholders and seek separate shareholder approval for any specific remuneration or loss of office payments which are not consistent with policy; or (3) convene a general meeting and put forward the policy.

The CA 2006 requires that remuneration payments and payments for loss of office must be consistent with the approved directors' remuneration policy. If that is not the case, payments not consistent with a Remuneration Policy must first be approved by shareholders (instead of requiring the policy to be changed for a one-off payment), following circulation of a memorandum setting out required information about the proposed payment, including how the payment is inconsistent with the approved Remuneration Policy. This memorandum will also have to be made available on the company's website up to the date of the next Accounts Meeting. If those requirements are not met any obligation to make a non-compliant payment will have no effect.

1.8 The disclosure of material information

The Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (**UK MAR**) establishes a regulatory framework with regard to the civil laws of insider dealing, the unlawful disclosure of inside information and market manipulation (Articles 14 and 15, UK MAR) (together, market abuse). It also governs the disclosure and control by the Company of inside information (Articles 17 and 18, UK MAR) and transactions in shares or debt instruments of the Company by persons discharging managerial responsibilities (**PDMRs**, which includes directors) and others (Article 19, UK MAR).

The Company must inform the public as soon as possible of inside information that directly concerns it (Article 17(1), UK MAR), unless disclosure can be legitimately delayed. The information must be notified via a Regulatory Information Service (**RIS**).

"Inside information" includes information of a precise nature, which has not been made public, relating directly or indirectly to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of either those instruments or related derivative financial instruments (Article 7(1)(a), UK MAR). Information is of "a precise nature" if it indicates a set of circumstances that exists or may reasonably be expected to come into existence, or an event that has occurred or may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to its possible effect on the price of the relevant instrument (Article 7(2), UK MAR). Under Article 7(4) of UK MAR, inside information is not only information that, were it to be made public, would have a significant effect on price, but is also information that a reasonable investor would be likely to use as part of the basis for investment decisions, which is known as the “reasonable investor test”.

1.9 The disclosure of periodic financial information and the accounting and auditing standards that apply

The Company is also subject to The Disclosure Guidance and Transparency Rules of the FCA (**DTRs**). As a Main Market company, the Company is required under DTR 4.1.3 to make its annual financial report public at the latest four months after the end of the financial year and under DTR 4.2.2(1) it is required to prepare and make public a half-yearly financial report covering the first six months of the financial year.

As the Company prepares consolidated accounts, then DTR 4.1.6 requires that the audited financial statements must comprise consolidated accounts prepared in accordance with UK-adopted IFRS and the parent company's accounts should be prepared in accordance with the law of the UK.

1.10 The requirements for information to be sent to security holders

The Company must inform the public as soon as possible of inside information that directly concerns it (Article 17(1), UK MAR), unless disclosure can be legitimately delayed. It is deemed that shareholders (and others) have been aware of the inside information by its announcement on an RIS. There are therefore very few occasions under UK MAR or the UKLR where the Company will be required to send information to shareholders. Shareholder approval is required for a reverse takeover under the UKLR.

The CA 2006 requires shareholder approval for certain matters and, in those cases, the Company will have to send a circular to its shareholders. Those matters include certain transactions with directors, and in some cases with persons connected with them, including: the Company entering into a director's service contract under which the guaranteed term of employment is or may be for a term of longer than two years; the Company entering into an arrangement with a director, or a person connected with a director, for the acquisition of a noncash asset if the value of the asset exceeds £100,000; (except in certain circumstances) the Company making loans or quasi-loans, acting as creditor or giving security to its directors or persons connected with them; and the Company making a remuneration or loss of office payment to any current, future or past director unless that is inconsistent with the most recently approved directors' remuneration policy.

1.11 Regulation of dealings with directors and controlling holders of equity securities

In addition to the CA 2006 rules requiring the approval of substantial property transactions with directors and persons connected with them, UKLR 8 imposes additional requirements which apply if the Company, or one of its subsidiary undertakings, proposes to enter into a related party transaction.

A related party is: (1) a person who is, or was within the preceding 12 months, a substantial shareholder (broadly speaking, someone who is entitled to exercise, or to control the exercise of, 20% or more of the votes able to be cast at general meetings of the Company or of any other company which is its subsidiary undertaking or parent undertaking or a fellow subsidiary of its parent undertaking); (2) a person who is, or was within the preceding 12 months, a director or shadow director of the Company or of any other company which is its subsidiary undertaking or parent undertaking or a fellow subsidiary of its parent undertaking; (3) a person which exercises significant influence over the Company; or (4) an associate of any such person.

A related party transaction is: (1) a transaction, other than in the ordinary course of business, between the Company and a related party; (2) an arrangement, other than in the ordinary course of business, pursuant to which the Company and a related party each invests in, or provides finance to, another undertaking or asset; or (3) any other similar transaction or arrangement, other than in the ordinary course of business, between the Company and any other person the purpose and effect of which is to benefit a related party.

For a related party transaction where any percentage ratio under a class test is 5% or more, the Company must obtain board approval for the transaction before it is entered into (ensuring that any director who is, or an associate of whom is, the related party or a director of the related party does not take part in the board's consideration or vote), notify an RIS as soon as possible after the terms of the transaction or arrangement are agreed and appoint a sponsor and confirm that the Company's sponsor considers the terms to be fair and reasonable as far as the security holders of the Company are concerned.

2 A CONCISE SUMMARY OF HOW THE DISCLOSURE OF SUBSTANTIAL HOLDINGS AND TAKEOVERS ARE REGULATED UNDER THE LAW OF ITS HOME JURISDICTION

2.1 Substantial holdings

Under DTR 5, because the Company is a UK issuer, a person must notify the issuer of the percentage of voting rights that it holds as shareholder (or holds or is deemed to hold through its direct or indirect holding of financial instruments) if, as a result of an acquisition or disposal of shares or financial instruments, the percentage of those voting rights reaches, exceeds or falls below certain thresholds the following thresholds: 3% and each 1% threshold above 3% up to 100%.

Although a notification obligation most commonly arises where there is an acquisition or disposal of shares or financial instruments, a person is also obliged to make a notification where: (1) there is a change in the issuer's total voting rights which results in a person's holding crossing a percentage threshold set out above, even though the person has not acquired or disposed of any shares or financial instruments (e.g. if the Company acquires its own shares) - and to enable holders to determine whether there has been a change in the Company’s total voting rights, the Company must announce such changes to the public; and (2) a person has made a notification under the DTRs of a combination of holdings and there is a notifiable change in one or more categories of voting rights, even if the overall percentage level of voting rights stays the same.

2.2 Takeovers

The Takeover Code applies to the Company. The conduct of takeovers and mergers of UK public companies is regulated principally by the Code. The Takeover Code is designed to ensure that target shareholders are treated fairly and not denied the opportunity to decide on the merits of a bid, and that they are afforded equivalent treatment by a bidder. The Takeover Code is issued and enforced by the Panel on Takeovers and Mergers (**Panel**). The Panel has been designated as the supervisory authority to carry out various regulatory functions in relation to takeovers pursuant to Part 28 of the Companies Act 2006 (CA 2006) (section 942). The Panel and the Takeover Code rules have a statutory basis for all offers and other transactions to which the Takeover Code rules apply.

Through its Executive (headed by a director general who is usually a director of an investment bank seconded for a two-year period), the Panel oversees the day-to-day application of the Takeover Code. The Takeover Code is not concerned with the financial or commercial advantages or disadvantages of a particular takeover, on the basis these are matters for the target company and its shareholders.

To assist companies and their advisers, the Executive issues informal guidance (in the form of Practice Statements) as to how the Executive normally interprets and applies the relevant provisions of the Takeover Code in certain circumstances. Practice Statements do not form part of the Code and are not binding on the Executive or the Panel. Practice Statements should not be used by parties to a bid as a substitute for consulting the Executive to establish how the Takeover Code applies in a particular case.

3 A SUMMARY OF ANY TRANSACTION TAXES OR DUTIES PAYABLE UNDER THE LAW OF THE COMPANY'S HOME JURISDICTION BY AN INVESTOR IN RELATION TO THE ACQUISITION OR DISPOSAL OF SECURITIES IN THE COMPANY.

Neither stamp duty nor stamp duty reserve tax (**SDRT**) is charged on the issue of new shares by the Company. Where existing ordinary shares of 1 pence each in the capital of the Company (**Ordinary Shares**) are transferred using a paper instrument (i.e. non-electronic settlement), stamp duty at 0.5% of the amount or value of the consideration given for the transfer (rounded up to the nearest £5) will become payable by no later than 30 days after the transfer. However, an exemption from UK stamp duty will be available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. The purchaser normally pays the stamp duty.

Investors may purchase existing Ordinary Shares using the paperless CREST clearance system. Paperless transfers of existing Ordinary Shares within the CREST system will generally be subject to SDRT, rather than stamp duty, at a rate of 0.5% of the amount or value of the consideration payable (rounding up to the nearest £5 does not apply to SDRT). CREST is responsible for collecting SDRT on relevant transactions settled within the CREST system (though in practice, the cost will typically be passed on to the purchaser). Deposits of Ordinary Shares into CREST are generally not subject to SDRT, unless the transfer into CREST is for consideration in the form of money or money's worth or there is a transfer of beneficial ownership. In certain circumstances, the transfer of the Ordinary Shares may be liable to either stamp duty or SDRT, based on the value of the shares transferred, rather than the amount or value of the consideration given.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer. However, if a duly stamped or exempted transfer instrument in respect of the agreement is produced to HMRC within six years of the date on which the agreement is made (or if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, or otherwise the SDRT charge is cancelled on payment of the stamp duty on the instrument. SDRT is in general payable by the purchaser.

The government has confirmed its intention to replace the current dual stamp duties with a single, digital, self-assessment tax on share transfers in 2027.