

Pan African Resources PLC

(Incorporated and registered in England and Wales under Companies Act 1985 with registered number 3937466 on 25 February 2000)

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("Pan African Resources" or "the Company" or "the Group")

## **UPDATE ON OPERATIONS AMID COVID-19 NATIONAL LOCKDOWN REGULATIONS, NEW FY2020 PRODUCTION GUIDANCE AND UPDATE ON GROUP DEBT REDUCTION**

### **Update on Group Operations and COVID-19 National Lockdown Regulations**

As previously communicated to shareholders, on 9 April 2020, the South African government announced an extension of the National Lockdown period ("Lockdown Extension"), enacted in terms of the South African Disaster Management Act ("the Regulations") from 16 April 2020 to 30 April 2020, in an ongoing effort to curtail the spread of the COVID-19 (coronavirus) pandemic.

The Regulations pertaining to the Lockdown Extension provided for a phased ramp-up of mining capacity to 50% of normalised production during the lockdown period, provided that all the preventative and mitigating controls were in place to curtail the spread of the COVID-19 virus. In response to these amendments, the Group implemented plans to recall 50% of its employees at the Company's Barberton Mines and Evander Mines surface and underground operations ("Group Operations").

On 23 April 2020, the South African government announced that the country would be entering a period of phased lifting of the lockdown restrictions from 1 May 2020, resulting in the previous Level-five hard lockdown, that commenced on 27 March 2020, being reduced to a Level-four lockdown. Level-four lockdown restrictions require a risk-based and gradual approach to recalling employees. It enables open cast mines and surface operations to operate at up to 100% of normal capacity, and all other mines at 50% capacity.

In response to this announcement, the Group commenced the recall of permitted employees for the phased recommencing of Group Operations in compliance with legal requirements, with all the required safety protocols and procedures in place.

The recall of employees at the Group's Operations in terms of these Level-four lockdown regulations is now well advanced, with the surface operations at the Elikhulu Tailings Retreatment Plant and the Barberton Tailings Retreatment Plant producing at close to full capacity from early May 2020.

### **Revised FY2020 Production Guidance**

As announced on 30 March 2020, the Group suspended its original FY2020 production guidance of 185,000oz as a result of the anticipated COVID-19 impact on the Group's mining operations.

As expected, production at the Group's operations was severely affected during the lockdown months of March and April 2020. The Group was however able to mitigate some of the impact through continued mining activities at its surface operations, which was staffed by a materially reduced employee complement, and also with limited high-grade underground mining at Barberton Mines.

The Group is now in a position to advise shareholders that it expects the revised gold production for the 2020 financial year to be approximately 176,000oz, including capitalised production from the #8 Shaft Pillar operation.

The revised production guidance is a decrease of only 5% from the previous guided production of 185,000oz, due to the Group's ability to increase output from surface toll treatment and low grade surface stockpile processing initiatives, in substitution of underground production. The substituted production was however at a reduced margin, when compared to normal margins earned on ounces produced from underground.

The revised production guidance is based, *inter-alia*, on the assumptions that the Group can continue surface operations at close to maximum capacity for the remainder of the 2020 financial year and underground operations continuing at 50% of personnel capacity, consistent with current Level-four restrictions.

The approximate split of expected full year gold production between operations is as follows:

	Full Year
<b>Production ounce profile:</b>	
Barberton Mines – Underground:	<b>64,000</b>
Barberton Tailings Retreatment Plant:	<b>21,000</b>
Evander Mines – Underground and tolling:	<b>31,000</b>
Elikhulu:	<b>59,000</b>
<b>Total ounces produced:</b>	<b>175,000</b>

### Statement of Financial Position

The Group remained cashflow positive during the lockdown period. Assuming that the prevailing ZAR gold price of approximately ZAR1 million/kg (approximately USD1,680/oz) can be sustained for the remainder of the 2020 financial year, the Group is expected to reduce its senior interest-bearing debt (including the outstanding gold loan balance), net of projected available cash, to approximately ZAR1.3 billion (USD70 million) assuming an exchange rate of ZAR/USD:18.50 from ZAR1.8 billion (USD129 million) at 30 June 2019. This represents a reduction in senior interest-bearing debt of 23% and 28% relative to the debt levels at 31 December 2019 and 30 June 2019, respectively.

In light of the Group's elevated senior debt levels at inception of the 2020 financial year, a number of short-term zero-cost collar hedges were entered into during the course of the 2020 financial year to underpin the Group's cashflows and its ability to redeem its senior debt. The remaining hedges for the 2020 and 2021 financial year are detailed hereunder:

	2 Months	6 Months
	1 May 2020 – 30 June 2020	1 July 2020 – 31 Dec 2020
Ounces hedged:	<b>21,820</b>	<b>50,000</b>
Average floor price – R/Kg:	<b>683,226</b>	<b>708,000</b>
Average ceiling price – R/Kg:	<b>847,109</b>	<b>925,829</b>

Importantly, the Group is unhedged post 31 December 2020.

### COVID-19 Programme of Relief and Assistance (CPR)

As previously communicated, the Group initiated a CPR programme to assist with alleviating the adverse impact of the COVID-19 pandemic in its host communities and for its employees. The

programme commenced at the end of April 2020 with the distribution of food and hygiene hampers to its employees, contractors and vulnerable families in communities in close proximity to the Group's operations. The programme's rollout will continue during May 2020 and approximately 5,400 hampers will be provided with a total value of almost R5 million during the current phase of the programme.

In the light of the ongoing pandemic, the Group will continue its initiatives to assist some of its most vulnerable stakeholders in the months ahead.

"It is crucial for the country's economy to be restarted and the phased approach adopted by the government to achieve this is practical in fighting the pandemic and enabling businesses and communities to survive during this tumultuous period. We have implemented preventative and precautionary measures at our operations to ensure the health and well-being of employees as they return to work, and we look forward to working with all stakeholders in the operational ramp-up. We expect that we still have a long battle ahead against COVID-19, however, I wish to commend all of our employees for the manner in which they have worked together during this period. The strategic repositioning of our Group some years ago, as a safe and high-margin producer with multiple operations and the flexibility to withstand short-term external shocks, should continue to serve all stakeholders well." commented Cobus Loots, CEO of Pan African Resources.

Pan African Resources will continue to provide shareholders with updates on progress at its operations as further information becomes available.

Rosebank

11 May 2020

For further information on Pan African Resources, please visit the Company's website at

[www.panafricanresources.com](http://www.panafricanresources.com)

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