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

OPERATIONAL UPDATE FOR THE YEAR ENDED 30 JUNE 2020

Pan African is pleased to provide shareholders with the final production results, as well as an operational update, for the financial year ended 30 June 2020 ("reporting period").

Despite the challenges presented by COVID-19, the Group delivered a robust performance, with the salient features being:

- Gold production increased by 4.1% to 179,575oz, compared with 172,442oz for the financial year ended 30 June 2019 ("prior reporting period") and 2% higher than the revised production guidance of 176,000oz.
- The Group maintained an industry leading safety performance, despite a slight regression in lost-time injury frequency rate ("LTIFR") and reportable injury frequency rate ("RIFR"), with the regression largely attributable to reduced man hours worked due to COVID-19, when compared to the prior reporting period. Additionally, Barberton Mines achieved 3 million fatality-free shifts during June 2020, a record for the past decade.
- Operations have implemented stringent policies and protocols to deal with the ongoing COVID-19 pandemic.
- Group net debt decreased by 49% to USD62.5 million from USD123.7 million at December 2019. Net debt at the 2020 year-end was lower than the previously guided USD70 million as a result of better than anticipated production, depreciation in the ZAR/USD exchange rate and disciplined working capital management.
- Steady state production was achieved at Evander's 8 Shaft pillar during June 2020, with expected production of 30,000oz per year for the next three years.
- Development into the first target block on 42 level of Barberton's New Consort Mine - Prince Consort ("PC") Shaft was completed during June 2020, with highly prospective grades recovered during the last month.
- The Pan African board has approved the construction of a 10MW solar power plant at Elikhulu, with the plant expected to materially reduce electricity costs, post its 12-month construction period.
- The independent feasibility study review for Evander's Egoli project was completed, with detailed scheduling now underway, and the Group exploring funding options for its development. The project is expected to contribute incremental annual production of between 60,000oz to 80,000oz for the Group, over its minimum life of 9 years. The feasibility study projects steady state annual production of 72,000oz in year 2, at an all-in sustaining cost ("AISC") of under USD1,000/oz. This life of mine excludes the Inferred Mineral Resources of 6,26Mt at 9,68 g/t (1.95 Moz), which will be accessed once underground development is in place.

Production guidance for the 2021 financial year has increased to approximately 190,000oz.

Pan African CEO Cobus Loots commented:

"*Pan African has demonstrated the resilience of its operations with an improved performance for the year, especially when taking into account the challenges posed by the COVID-19 pandemic. The flexibility inherent in our operations confirms the quality of these mines and their ability to withstand short term disruptions and still deliver on our targets.*

We expect that we still have a long battle ahead against COVID-19 and will do our part to mitigate the impact as far as possible. Pan African will continue to rigorously implement preventative and precautionary measures at our operations to ensure the health and well-being of our employees. We will respond rapidly and in a considered manner where occurrences of COVID-19 are identified. We will also continue our relief efforts to assist the most vulnerable in our areas of operation.

The Group's safety performance is commendable, and I wish to thank all of my fellow employees and contractors for ensuring that each and every one of us returned home safely during the past year. We need to remain unrelented in the pursuit of our ultimate goal of "Zero Harm" in the year ahead.".

The Group has further prioritised its focus on our Environment, Social and Governance ("ESG") initiatives, with increased rehabilitation spend and board approval for sustainable development projects, including the renewable energy solar plant at Elikhulu and large scale agriculture projects at Barberton Mines. A feasibility study for a solar plant has also been initiated at Barberton Mines.

Our strategic focus for the year ahead remains on optimising our operations and degearing our balance sheet, with the intent of increasing dividends in the years ahead. We are especially pleased to report that the rate of degearing has exceeded previous guidance and, at prevailing Rand gold prices and guided production levels, we expect to be debt free within the next twelve months.

During our 2020 interim results presentation, we outlined detailed plans to reduce the costs of our lower margin operations. Despite COVID-19 delays, we have delivered on these plans with our annual production profile bolstered by the pillar mining at Evander's 8 Shaft, which reached steady state during June 2020, while the accelerated development at Barberton Mines' Consort operation has exceeded our expectations in terms of recovered grades and gold production. The positive feasibility study for Evander's Egoli Project demonstrates that this project can add considerably to the Group's production profile and firmly entrench Pan African as an established mid-tier gold producer.

We look forward to presenting our year-end financial results and demonstrating the value we have created for our shareholders and our other stakeholders, amidst the challenges faced in the last half of the financial year as a result of COVID-19."

Group annual production

Group annual gold production for the 2020 financial year increased by 4.1% to 179,575oz (2019: 172,442oz), exceeding the revised production guidance of 176,000oz, as announced to shareholders on 11 May 2020 by means of SENS/RNS. Gold production, especially at Barberton Mines, was severely affected during March and April 2020 as a result of the COVID-19 pandemic and resultant lockdown restrictions imposed. The gold production split per operation is as follows:

	Year ended 30 June 2020*	Year ended 30 June 2019
Production ounce profile:		
Barberton Mines – underground	**68,302**	**75,356**
Barberton Tailings Retreatment Plant	**20,153**	**24,007**
Evander Mines – underground and tolling	**31,541**	**26,878**
Elikhulu	**59,579**	**46,201**
Total ounces produced:	**179,575**	**172,442**

* Values subject to final refinery adjustments

Safety achievements

The Group maintained an industry leading safety performance following a number of safety initiatives and interventions:

- The Group reported a marginal regression in the RIFR from 0.51 per million man hours for the year ended 30 June 2019 to 0.8 per million man hours for the year ended 30 June 2020;
- Group LTIFR rate regressed marginally from 1.62 per million man hours for the prior reporting period to 1.70 per million man hours for the reporting period;
- The regression in the RIFR and LTFR rates are principally due to a reduction in the man hours worked in the reporting period relative to the prior reporting period. Reduced hours, as a result of the COVID-19 pandemic, during the reporting period, and completion of Elikhulu's construction in the prior reporting period contributed to the decrease in hours worked. The Group's safety performance however still exceeds industry norms;
- Barberton Mines achieved 3 million fatality-free shifts in June 2020 – a record for the mine in the past decade;
- Fairview Mine achieved 2 million fatality free shifts in April 2020; and
- Elikhulu experienced no lost-time injuries during the past 11 months, contributing to the Group's commendable safety performance.

Pan African will continue to pursue further improvements to its safety performance in the years ahead.

Statement of financial position

The Group materially reduced its senior interest-bearing debt (including the outstanding gold loan balance of 5,000 ounces), net of available cash, to ZAR1.1 billion (USD62.5 million at an exchange rate of ZAR/USD:17.33) from ZAR1.8 billion (USD129.0 million at an exchange rate of ZAR/USD:14.08) at 30 June 2019.

In USD terms, senior interest-bearing debt reduced by 49% relative to the debt levels at 31 December 2019 of ZAR 1.7 billion (USD123.7 million at an exchange rate of ZAR/USD:14.08).

Operational improvements and cost reductions

The Group has undertaken a number of initiatives to improve production and reduce unit costs at its higher cost operations. These initiatives include:

Evander Mine's 8 shaft pillar project ('8 shaft pillar')

Despite a delay, as a result of the COVID-19 pandemic and subsequent national lockdown restrictions impacting underground mining operations, the Group is pleased to report that steady state production at the 8 shaft pillar was attained during June 2020, when the shaft tower construction was completed between 14 and 16 level at this shaft.

The 8 shaft pillar is expected to produce 30,000oz of gold per year for the next 3 years, at an AISC of below USD1,000 per ounce. Mining of the 8 shaft pillar significantly reduces the risk profile of Evander's underground operations, with simplified logistics, modern underground mining support and reduced travelling times to the workplace expected to contribute to improved production costs.

Barberton's New Consort Operation

In the Group's interim results presentation, detailed plans were provided on the development into new stoping areas around the PC Shaft. Development into the first target block on 42 level of this shaft has been completed, with a proved mineral reserve of 5,000 tons at an average grade of 25g/t delineated. The ore body was intersected in early May 2020, following delays due to COVID-19 disruptions, and initial sampling revealed grades in certain areas in excess of 300g/t, containing large amounts of visible gold. Production from this resource block at the New Consort Mine is expected to reduce the mine's AISC and ensure the operation's future profitability. The Group's on-site exploration team has identified a number of additional potential targets using advanced exploration techniques, which will be further explored and developed, if viable, in the next year.

A presentation containing technical details of the abovementioned PC shaft project is available on the Group's website at www.panafricanresources.com

Barberton's Fairview operation

Improved flexibility, resulting from accelerated underground development programs implemented during the past year, has resulted in increased face length availability (over 130m of high-grade face length), which will assist the Group in delivering into its production guidance for the next financial year. Geological complexity, as experienced on the 256 platform of the MRC ore body at Fairview Mine, has been mitigated with increased mineral reserve delineation drilling, increasing the confidence and predictability of geological models. Mining has now also commenced on the 257 platform of the MRC ore body.

Elikhulu Solar Plant

The Group's board has approved the development of a 10MW solar photovoltaic ("PV") project (the "Project") at Elikhulu's operation in Evander, following the finalisation of a positive bankable feasibility study undertaken by independent consultants ARUP. The Project will initially provide up to 30% of Elikhulu's annual power requirements and aims to reduce the operation's dependency on the national grid, whilst also reducing exposure to above inflation annual power cost increases. Additionally, the Project will promote a more sustainable renewable energy solution for the green economy of the country and reduce Elikhulu's carbon footprint.

The Project, with an expected minimum life of at least 20 years, is expected to generate electricity at a cost lower than Eskom power, which also makes this investment economically compelling. Additional positive environmental and social aspects include the generation of carbon credits and job creation within the local communities. This investment in renewable energy by the Group will result in improved efficiencies, a further reduction in operating costs and the long term sustainability of the Elikhulu operations.

The EPC (Engineering, Procurement, Construction) contract for the Project has been awarded to an independent contractor and the Group is now in the process of finalising the necessary legal and contractual agreements, as well raising dedicated funding for the project.

Evander's Egoli Project

During the reporting period, DRA Global completed a feasibility study on the Egoli Project, which was subject to an independent review by The Mineral Corporation. The study concluded that the project has a life of 9 years with potential upside, through the conversion of inferred mineral resources, as underground development proceeds. The Egoli Project is expected to contribute average annual gold production of 72,000oz, with 20 months to first gold from commencement of development, at an expected AISC of under USD1,000/oz.

The project initially requires approximately 560 meters of underground development and will benefit from existing infrastructure such as vertical shafts, hoisting capacity and an operating metallurgical processing plant, as well as the existing experienced management team.

The Group has mandated DRA Global as consultants to complete the detailed project scheduling and planning as the next phase in the development of the project. Non-dilutive funding options are currently being explored for the finance of the project.

Production guidance for the 2021 financial year

The Group is pleased to be in a position to increase its production guidance for the 2021 financial year to approximately 190,000oz. This increase is attributable to the abovementioned operational optimisation initiatives and resumption of full scale mining activities, following the lifting of COVID-19 restrictions, and assumes that the Group will not experience material COVID-19 disruptions in the coming year.

The financial information on which this operational update has been based has not been reviewed or reported on by the Company's external auditors.

Hendrik Pretorius reviewed and approved the information contained in this document as it pertains to Mineral Resources and Mineral Reserves. He is Pan African's Mineral Resource Manager, a member of the South African Council for Natural Scientific Professions as well as a member in good standing of the Geological Society of South Africa.

Rosebank
10 July 2020

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

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