

Regulatory Story

Company [Pan African Resources PLC](#)
TIDM PAF
Headline Acquisition of Evander Gold Mine
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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

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ISIN: GB0004300496

("Pan African")

PAN AFRICAN AND WITS GOLD TO ACQUIRE 100% OF EVANDER GOLD MINES LIMITED, AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

HIGHLIGHTS:

- * Pan African and Witwatersrand Consolidated Gold Resources Limited ("Wits Gold") (together the "Consortium"), form a 50:50 partnership to acquire 100% of gold producer, Evander Gold Mines Limited ("Evander") from Harmony Gold Mining Company Limited ("Harmony") for ZAR1.7 billion (approximately GBP139 million) less any distributions made by Evander to Harmony prior to the Closing Date (defined in section 2.1.1 below headed 'The Acquisition Agreement') ("Transaction Consideration")
- * Additional attributable gold resources and reserves for Pan African
- * Increase in mined gold production for Pan African
- * Upside potential in the advanced Evander development projects that contain additional gold reserve and resource ounces
- * Evander is cash-flow positive

1. INTRODUCTION

Pan African is pleased to announce that it has today, Monday, 30 January 2012 ("Signature Date"), together with Wits Gold, entered into a Sale of Shares and Claims Agreement (the "Acquisition Agreement") with Harmony, to acquire 100% of Harmony's interest in Evander, for a total consideration of ZAR1.7 billion (approximately GBP139 million) less any distributions made by Evander to Harmony prior to the Closing Date (defined in section 2.1.1 below headed 'The Acquisition Agreement'), hereinafter the "Transaction", and the Consortium and Harmony hereinafter collectively the "Parties".

The Evander operations are located in Mpumalanga, South Africa, and comprise the operating Evander 8 shaft, and several potential development projects namely Rolspruit, Poplar, Evander South, Libra (surface tailings resource) and the Kinross metallurgical processing plant, and a tailings facility (Project Libra). The total underground resource represents 32.5Moz (147Mt @ 6.88g/t) and a reserve of 7.6Moz (29.5Mt @ 8.02g/t). The Evander 8 shaft currently has an expected life of mine of more than ten years. Evander is expected to produce between 85,000 and 95,000 ounces per annum. The Transaction adds significantly to Pan African's reserve and resource base, and provides an annual attributable share of approximately 45,000 ounces in production per annum to Pan African.

Evander has recently experienced a vast improvement in performance through the closure of unprofitable shafts, plants and additional investments in its infrastructure. More information on Evander is provided in section 3, headed 'Background to Evander'. For more information on the members of the Consortium, refer to the notes at the end of this announcement.

This Transaction enables Pan African to fulfil on its investment criteria of acquiring high grade, high margin, and quality assets. The Transaction will provide Pan African with a material increase in production profile, contributing to its current gold production at Barberton mines and paving the way to becoming a mid-tier mining company.

Pan African's CEO, Jan Nelson, commented: "Evander meets our investment criteria in all aspects and has the same ability to yield high margins as our Barberton Mining Operations. The Evander 8 Shaft orebody has gold grades in excess of 14g/t in the measured and indicated resource category, an extremely experienced management team and workforce, as well as good infrastructure. Together with Barberton, Evander will respectively increase our resource by 304% to 22.9Moz and our reserve by 390% or 4.9Moz. In addition, we will also increase our production by at least 45,000 ounces per annum. Many of our management team have been involved with the asset in the past and so we know it well. The smart solution of a partnership with Wits Gold gives us the necessary momentum to continue to deliver profitable sustainable stakeholder growth and returns and represents a first in the junior gold sector in South Africa" .

2. THE TRANSACTION

1. Terms of the Transaction

1. The Acquisition Agreement

Under the terms of Acquisition Agreement the Consortium will, on the Closing Date (as defined below), acquire in equal proportions:

- * 100% of the entire issued share capital of Evander ("Sale Shares"); and
- * the Evander loan account due to Harmony ("Sale Claims").

The closing date of the Transaction will be the later of 2 July 2012 and the fifth business day after the last of the conditions precedent is fulfilled or waived as the case may be (the "Closing Date"). The conditions precedents are disclosed in greater detail below, and include, amongst others, shareholder, relevant exchange (JSE and AIM) and other regulatory approvals.

1. Sale of Business Agreement

Harmony and Evander have entered into a Sale of Business Agreement whereby on and with effect from the Closing Date, Harmony undertakes to sell its business of procuring for or providing for reward, its employees to Evander for a purchase consideration of ZAR1.00 (approximately GBP0.08). Consequently, all employees employed by Harmony, and who render services to or perform work for Evander, will be directly employed by Evander with effect from the Closing Date.

2. Shared Services Agreement

A shared services agreement has been entered into between Harmony and Evander ("Shared Services Agreement") whereby Harmony has agreed to continue providing the services currently rendered by it, or any of its group companies, to Evander, and Evander has similarly agreed to continue providing the services currently rendered by it to Harmony ("Services") from the Signature Date until the first anniversary of the Closing Date ("Shared Services Period").

Evander shall have the right to extend the Shared Services Period for an additional six months ("Extended Period").

1. The Transaction Consideration

The Transaction Consideration is a total amount of ZAR1.7 billion (approximately GBP139 million), less any distributions made by Evander to Harmony by way of dividends, capital reduction of share repurchases, prior to the Closing Date, and is firstly attributable to the face value of the Sale Claims and the balance to the Sale Shares.

The Transaction Consideration will be paid by the Consortium to Harmony as follows:

- * ZAR1.4 billion (approximately GBP115 million) in cash payable on the Closing Date;
- * Four equal cash instalments of ZAR25 million (approximately GBP2 million) payable on a quarterly basis, the first quarter commencing immediately following the month in which the Closing Date occurs;
- * ZAR100 million (approximately GBP8 million) payable 19 months after the month during which the Closing Date falls, subject to the average rand gold price* for the preceding 12 month period being greater than ZAR410,000 per kilogram (US\$1,700 per ounce) ("First Tranche"); and
- * ZAR100million (approximately GBP8 million) payable 31 months after the Closing Date, subject to the average rand gold price* for the preceding 12 month period being greater than ZAR450,000 per kilogram (US\$1,865 per ounce) ("Second Tranche").

*The average rand gold price will be calculated by multiplying the average of the daily London gold price quoted in US\$ and the average daily ZAR/US\$ exchange rate quoted by Reuters for the relevant period.

The First Tranche and the Second Tranche are payable in cash or through the issue of Pan African and Wits Gold shares, in equal rand value proportions, or a combination of cash and shares, at the election of the Consortium ("Consideration Shares"). Should the Consortium elect to settle a tranche through the issue of shares to Harmony then each of Pan African and Wits Gold will be required to issue the number of shares arrived at by dividing ZAR50 million (approximately GBP4 million) by the 30-day volume weighted average traded price of their respective securities on the JSE. The Consortium must procure that the Consideration Shares issued to Harmony (if any) does not result in Harmony having to make a mandatory offer to acquire all or any of the remaining Pan African or Wits Gold ordinary shares, as the case may be.

The Consortium intends utilising a combination of debt and equity to settle the Transaction Consideration.

3. BACKGROUND TO EVANDER

Evander, a wholly owned subsidiary of Harmony, conducts the business of exploring, prospecting, mining, recovery, treatment and commercial production of gold and related products. The Evander operations comprise:

- * operating shafts: currently only the Evander 8 shaft area is being mined while Evander 7 shaft is utilised for rock hoisting;
- * development projects: Evander South, Rolspruit, Poplar, Twistdraai and 6 shaft. Harmony has already entered into a joint venture agreement with Taung Gold Limited with respect to Twistdraai and 6 shaft and these two development projects do not form part of the Transaction;
- * surface sources: the potential for processing the existing tailings dumps (Project Libra) will be considered;
- * closed operations: Evander 2 shaft, 5 shaft and 9 shaft;
- * metallurgical processing facilities: the Kinross plant; and
- * associated infrastructure and buildings.

Ore from the mine is milled and processed at the Kinross plant using a hybrid carbon-in-pulp/carbon-in-leach (CIP/CIL) process.

4. TRANSACTION RATIONALE

The Transaction represents an attractive value proposition to the Consortium and will provide Pan African with an immediate increase in attributable gold resources and reserves. Undertaking this Transaction as a Consortium created the opportunity for Pan African to bid for a better quality asset, at lower risk and financial exposure to the company. This will result in the combination of both Pan African's and Wits Gold's specialist mining and exploration skill sets to extract maximum value from the acquisition.

The Evander operations are well known and understood by both the Pan African and the Wits Gold management teams, and given its location, could provide potential synergies with Pan African's Barberton Mine operations. Evander has experienced a vast improvement in performance recently as stated in Harmony's most recent report published for the quarter ended 30 September 2011.

5. CONDITIONS PRECEDENT

The implementation of the Transaction is subject to the fulfilment of a number of conditions precedent common to a transaction of this nature including, amongst others:

- * written consent being obtained from the South African Minister of the Department of Mineral Resources ("DMR") in terms of section 11 of the South African Mineral and Petroleum Resources Development Act 28 of 2002 ("MPRDA") for the transfer of the controlling interest in Evander to the Consortium, by 31 October 2012. Either of the Parties will be entitled to extend the date for fulfilment of this condition on written notice given provided that each such extension agreed will not be for longer than 90 days in the aggregate;
- * each of the Consortium members obtaining the relevant shareholder approval for the Transaction by 31 May 2012;
- * the Consortium entering into financing arrangements with a suitable financial institution/s by 31 May 2012; and
- * all relevant regulatory approvals being obtained, including from the Financial Surveillance Department of the South African Reserve Bank (SARB), each of the exchanges on which the Consortium members are listed, and the South African Competition Authorities, by 31 May 2012.

Each of the Parties must use its reasonable endeavours to procure the fulfilment of the conditions precedent as soon as possible after the Signature Date.

6. PRO FORMA FINANCIAL EFFECTS AND SALIENT DATES

The pro forma financial effects of the Transaction on the reported financial information of Pan African, as well as the salient dates relating to the implementation of the Transaction will be announced to shareholders in due course.

7. CATEGORISATION AND RELATED PARTY TRANSACTION

The Transaction constitutes a category I transaction for Pan African under the provisions of section 9 of the Listings Requirements of the JSE.

8. CIRCULAR

A circular containing full details of the Transaction and incorporating a notice of general meeting of shareholders will be posted to Pan African shareholders, in due course.

9. RENEWAL OF CAUTIONARY ANNOUNCEMENT

Pan African shareholders are referred to the cautionary announcements released by Pan African on the Securities Exchange News Service of the JSE on Thursday, 29 December 2011 and Thursday, 17 November 2011, and are advised that the pro forma financial effects of the Transaction are still being determined, and they may have a material effect on the price of Pan African shares. Accordingly, shareholders are advised to continue to exercise caution when dealing in Pan African's securities until a further announcement is made.

Note:

All amounts converted at ZAR12.1187:GBP1, and ZAR7.7559:US\$1.

Johannesburg

30 January 2012

JSE Sponsor to Pan African

Macquarie First South Capital (Pty) Limited

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RBC Capital Markets

Company Secretary

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NOTES:

THE CONSORTIUM

Pan African is a precious metals producer dual primary listed on the Main Board of JSE Limited ("JSE"), and the Alternative Investment Market of the London Stock Exchange, and operates in South Africa and Mozambique.

Wits Gold is a gold and uranium exploration company with assets located in the Witwatersrand Basin in South Africa. Wits Gold has a primary listing on the Main Board of the JSE, and a secondary listing on the Toronto Stock Exchange and has an American Depository Receipt (ADR) programme through the Bank of New York.