

# OUR VALUE-CREATING BUSINESS MODEL

## OUR CAPITALS

We utilise six capitals in executing our business activities. The trade-offs between these capitals are carefully considered to create and preserve sustainable stakeholder value.



Financial capital



Manufactured capital



Intellectual capital



Human capital



Social and relationship capital



Natural capital

For more information on each of the capitals and the relevant material matters refer to **pages 40 to 75**.

## BUSINESS ACTIVITIES

We are committed to producing high-margin gold ounces in a safe and efficient manner, while investing in local communities and minimising the environmental impact of our operations.

### Explore

On-mine growth projects contribute to our Mineral Resources, which potentially extend the life of our underground mining operations

### Develop

Successful development of our orebodies and execution of our capital projects improves our costs and production profile and increases the economic life of our operations

### Mine

We extract gold-bearing ore through underground mining and vamping and process gold-bearing tailings through hydro-mining. Gold is extracted from concentrate after being processed by our plants at Elikhulu and BTRP

### Process

Refractory gold-bearing ore is treated by our BIOX<sup>®</sup> plant at Barberton Mines and chemically processed at the cyanide circuit at Fairview Mine. Non-refractory gold-bearing ore is processed at our Fairview, New Consort, Sheba, BTRP, Elikhulu or Kinross plants

### Sales

Gold sales to financial institutions, Rand Refinery Limited, Gold Exchange Traded Funds and makers of bullion bars, coins and gold jewellery

### Care for communities

The local economic development (LED) projects in our SLPs and additional 'beyond compliance' sustainable development initiatives aim to create parallel economies that will not rely solely on mines

### End of life

At the end of the life-of-mine, we ensure minimal disruption to the natural resources post mine closure. Ongoing rehabilitation programmes while mining and our closure liabilities are fully funded

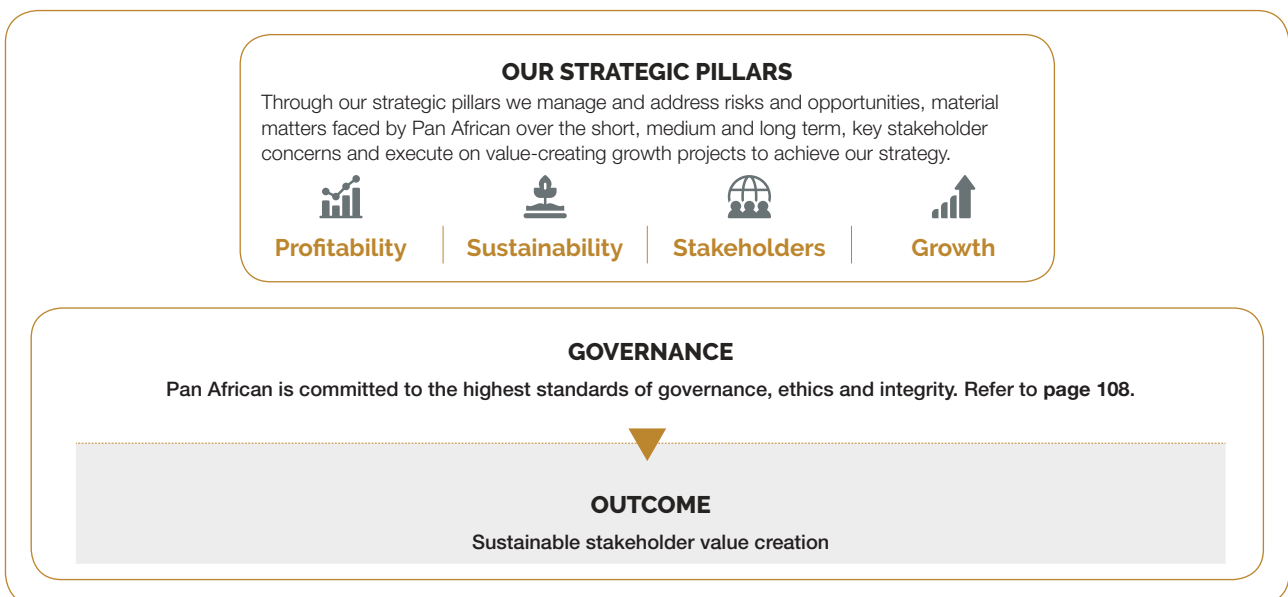
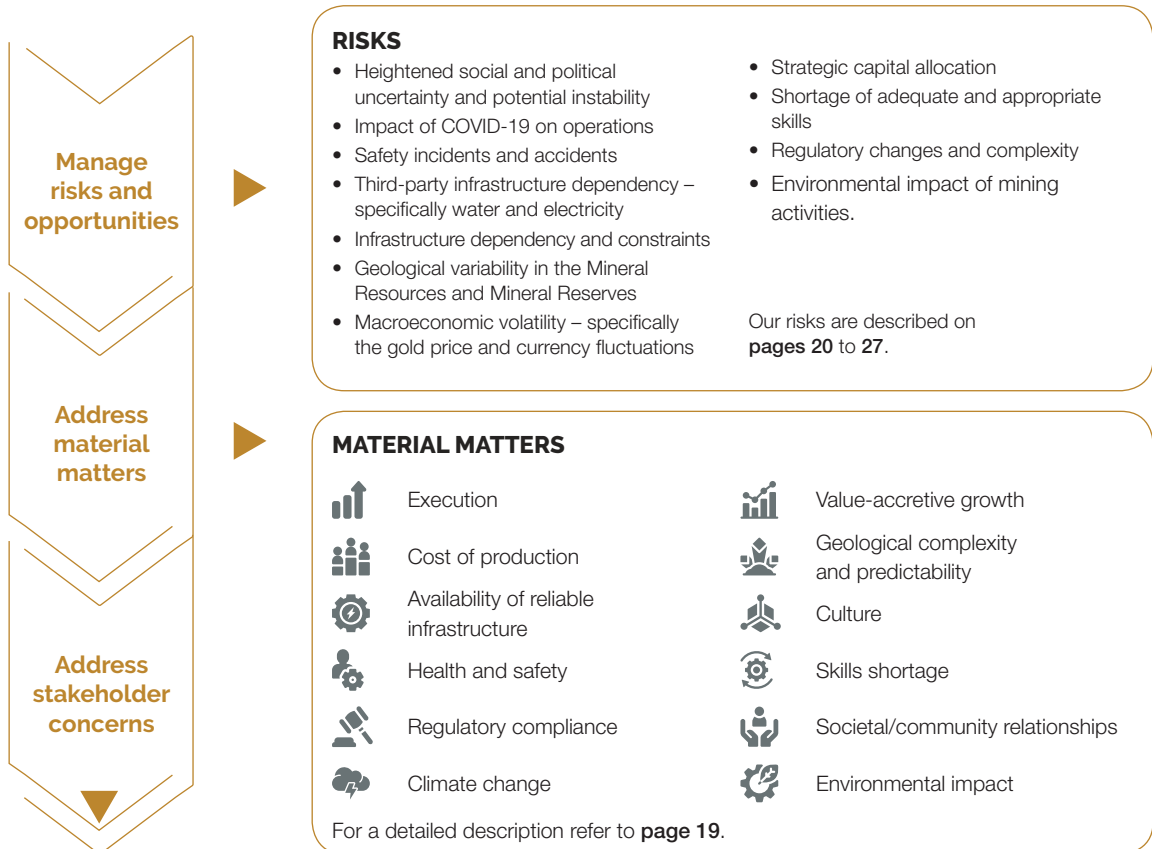
## OUR OPERATING ENVIRONMENT

Our operating environment has a material impact on our business activities and strategy. We expand on the following aspects thereof on **pages 34 and 35**:

COVID-19 pandemic

Gold price

US\$/ZAR exchange rate






Fragile South African economy

Organised crime and corruption

Activism, special interest groups and regulatory uncertainty

# OUR VALUE-CREATING BUSINESS MODEL continued

	 <b>FINANCIAL CAPITAL</b>	 <b>MANUFACTURED CAPITAL</b>	 <b>INTELLECTUAL CAPITAL</b>								
<b>INPUTS</b> Our capital resources	<p><b>Shareholder equity</b>  <b>US\$283.6 million</b>                      (2020: US\$183.6 million)</p> <p><b>Available debt facilities</b>  <b>Revolving credit</b>  <b>US\$32.2 million</b>                      (2020: US\$nil)</p> <p><b>General banking</b>  <b>US\$9.8 million</b>                      (2020: US\$8.1 million)</p>	<p><b>Mineral Resources</b>  <b>39.2Moz gold</b>                      (2020: 37.6Moz)</p> <p><b>Mineral Reserves</b>  <b>10.8Moz gold</b>                      (2020: 10.9Moz)</p> <p><b>Investment in infrastructure</b>  <b>US\$44.4 million</b>                      (2020: US\$34.6 million)</p> <p><b>Mining depreciation and amortisation</b>  <b>US\$32.1 million</b>                      (2020: US\$21.5 million)</p>	<ul style="list-style-type: none"> <li>• Mining and prospecting rights</li> <li>• Technical know-how</li> <li>• Key personnel for managing the complex processes</li> <li>• Management and the board's combined expertise</li> <li>• Expansion and integration of technologies at our operations</li> <li>• Evaluating external opportunities to grow reserves and producing assets</li> <li>• Increasing our investor outreach to new markets</li> </ul>								
<b>OUTCOMES</b> What we ultimately wish to achieve	<ul style="list-style-type: none"> <li>• Managing operational costs</li> <li>• Achieving production targets and optimising performance</li> <li>• Stability of our mining operations</li> <li>• Meeting the expectations of our stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Safety performance</li> <li>• Cost-effectiveness</li> <li>• Moving pipeline of projects up the value curve</li> <li>• Freeing up land for rehabilitation</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive advantage</li> <li>• Efficient extraction of gold from ore</li> <li>• Increased production portfolio</li> <li>• Improved valuation and widening our shareholder base</li> </ul>								
<b>OUTPUTS</b> Results of our business operations and the value created for our stakeholders	<p><b>Revenue</b>  <b>US\$368.9 million</b>                      (2020: US\$274.1 million)</p> <p><b>Profit after taxation</b>  <b>US\$74.7 million</b>                      (2020: US\$44.3 million)</p> <p><b>Cash from operating activities</b>  <b>US\$82.2 million</b>                      (2020: US\$53.8 million)</p>	<p><b>Gold produced</b>  <b>201,777oz</b>                      (2020: 179,457oz) per annum</p> <p><b>AISC</b>  <b>US\$1,261/oz</b>                      (2020: US\$1,147/oz)</p> <p><b>Tonnes milled and processed</b>  <b>14,761,344t</b>                      (2020: 14,728,762t)</p> <p><b>Life-of-mine in years</b></p> <table border="0"> <tr> <td><b>Barberton Mines</b></td> <td><b>BTRP<sup>1</sup></b></td> </tr> <tr> <td><b>20</b> (2020: 20)</td> <td><b>3</b> (2020: 6)</td> </tr> <tr> <td><b>Elikhulu</b></td> <td><b>Evander Mines' underground operations</b></td> </tr> <tr> <td><b>12</b> (2020: 12)</td> <td><b>5</b> (2020: 3)</td> </tr> </table>	<b>Barberton Mines</b>	<b>BTRP<sup>1</sup></b>	<b>20</b> (2020: 20)	<b>3</b> (2020: 6)	<b>Elikhulu</b>	<b>Evander Mines' underground operations</b>	<b>12</b> (2020: 12)	<b>5</b> (2020: 3)	<ul style="list-style-type: none"> <li>• Maximised resource utilisation</li> <li>• Increased annual production ounces to improve ratings</li> <li>• Effective and efficient technology at Elikhulu</li> <li>• More international marketing opportunities</li> </ul>
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<b>TRADE-OFFS MADE</b>	<p>We have no control over the US\$ gold price or the US\$/ZAR exchange rate. We mitigate their potentially adverse impacts through strict cost management, strategic currency and commodity price hedging and disciplined financial capital management</p>	<p>Ongoing investment in our mining assets for long-term sustainability:</p> <ul style="list-style-type: none"> <li>• 8 Shaft pillar project reached commercial production</li> <li>• Feasibility study on Egoli project</li> <li>• Commenced construction of a solar photovoltaic renewable energy plant at Evander Mines</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in technology and processes</li> <li>• Growing tailings processing expertise</li> </ul>								

<sup>1</sup> The life of BTRP decreased from six years to three years due to mining depletions, a decrease in the recoveries achieved at the operation, as well as bringing forward processing of feedstock to maintain current production levels.

 <b>HUMAN CAPITAL</b>	 <b>SOCIAL AND RELATIONSHIP CAPITAL</b>	 <b>NATURAL CAPITAL</b>
<p><b>Employees</b> <b>2,104</b> (2020: 2,126 employees)</p> <p><b>Women employed</b> <b>290</b> (2020: 255)</p> <p><b>Skills development and training</b> <b>US\$1.1 million</b> (2020: US\$1.7 million)</p>	<p><b>Corporate social investment (CSI), LED projects and bursaries</b> <b>US\$1.8 million</b> (2020: US\$1.3 million)</p> <ul style="list-style-type: none"> <li>• Continue with 'beyond compliance' initiatives</li> <li>• Create awareness of the contribution made by Pan African to community development through strategic communication programmes and social media outreach</li> </ul>	<p><b>Electricity consumption</b> <b>1,404,383GJ</b> (2020: 1,334,249GJ)</p> <p><b>Water consumption</b> <b>14,398m<sup>3</sup></b> (2020: 13,417m<sup>3</sup>)</p>
<ul style="list-style-type: none"> <li>• A safer working environment built on operational excellence and innovation</li> <li>• Employment opportunities created through local supplier development initiatives, geotourism, renewable energy and large-scale agri-projects</li> </ul>	<ul style="list-style-type: none"> <li>• Building trust with local communities and other stakeholders</li> <li>• Improve livelihoods in host communities and reduce reliance on mining jobs</li> <li>• Securing our social licence to operate</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing our environmental footprint</li> <li>• Responsible extraction and rehabilitation</li> <li>• Land being made available for housing and agriculture to sustain communities</li> </ul>
<p><b>Fatalities</b> <b>One</b> (2020: none)</p> <p><b>Reportable injury frequency rate (RIFR)</b> (per million man hours) <b>7.36</b> (2020: 9.12)</p> <p><b>Employee remuneration</b> <b>US\$62.1 million</b> (2020: US\$52.5 million)</p> <p><b>COVID-19 support</b> <b>US\$0.4 million</b> (2020: US\$0.6 million)</p> <p><b>Positive COVID-19 cases reported</b> <b>242</b> (2020: 2)</p>	<p><b>South African government taxes paid</b> excluding value-added tax (VAT) but including employee taxes <b>US\$33.1 million</b> (2020: US\$16.1 million)</p> <p><b>Preferential procurement</b> <b>US\$104.6 million</b> (2020: US\$62.8 million)</p>	<p><b>Carbon emissions</b> <b>1.23CO<sub>2</sub> e/t milled</b> (2020: 1.47CO<sub>2</sub> e/t milled)</p> <p><b>Independent rehabilitation closure cost assessments</b></p> <ul style="list-style-type: none"> <li>• Conducted at all operations</li> </ul>
<ul style="list-style-type: none"> <li>• Tailings retreatment is less labour-intensive and safer</li> <li>• Employee earnings stimulate income for local communities</li> <li>• Multi-year wage agreements concluded at Barberton Mines which allow for human capital stability</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in socio-economic development secures our social licence to operate</li> <li>• It enables stable long-term operations</li> </ul>	<ul style="list-style-type: none"> <li>• Our environmental footprint reduces as tailings retreatment initiatives are expanded</li> <li>• Rehabilitation programmes bring local supplier development and job creation opportunities</li> </ul>