

Financial capital

Manufactured capital

Human capital



ORIEL SHIKWAMBANA
General manager

Elikhulu

HIGHLIGHTS

Safety

TRIFR (per million man hours) improved to 5.14 (2020: 5.29)

LTIFR (per million man hours) regressed slightly to 1.71 (2020: 0.88)

No fatalities were reported for the year under review

Sales and production

Gold sales decreased by 13.7% to 51,459oz (2020: 59,616oz)

Cost of production

AISC per ounce increased by 37.8% to US\$846/oz (2020: US\$614/oz)

Cost of production increased 15.8% to US\$38.2 million (2020: US\$33.0 million)

Capital expenditure

Total capital expenditure was US\$4.1 million (2020: US\$0.6 million) comprising:

- sustaining capital expenditure of US\$0.5 million (2020: US\$0.6 million)
- expansion capital expenditure of US\$3.6 million (2020: US\$nil)

Gold sold

(oz)

2021		51,459
2020		59,616
2019		45,465

Tonnes milled and processed

2021		13,054,767
2020		13,093,574
2019		10,848,209

Overall recovered grade

(g/t)

2021		0.1
2020		0.1
2019		0.1

AISC

(US\$/oz)

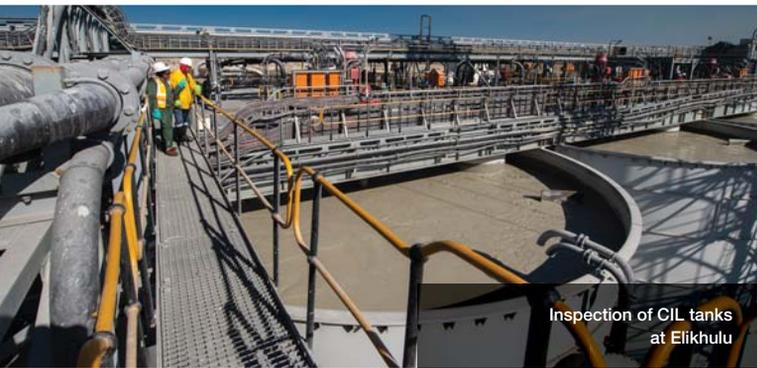
2021		846
2020		614
2019		587

Capital expenditure¹

(US\$ million)

2021		4.1
2020		0.6
2019		37.7
2018		97.8
2017		12.9

¹ Converted to US\$ at the average exchange rate prevailing for the respective period.



Inspection of CIL tanks at Elikhulu



Hydraulic mining at the Elikhulu TSF

OVERVIEW OF OPERATIONS

Elikhulu is one of the lowest-cost operations in Southern Africa, producing 51,459oz at an AISC of US\$846/oz, with a remaining operational life of 12 years. The plant processes up to 1.2Mt of historical tailings per month from the three existing slimes dams at Kinross, Leslie/Bracken and Winkelhaak. Reprocessing will result in the residues being re-deposited to a single TSF site reducing our ecological footprint. Elikhulu's enlarged Kinross TSF extension is lined to prevent and limit possible underground seepage and pollution. This demonstrates our commitment to addressing the environmental legacy of historical tailings deposits. As the TSFs are located in close proximity to residential areas, specialist independent contractors were appointed to build and operate the TSF. In addition, tailings dam management for the Group is overseen by an appointed competent person at each TSF site to ensure monitoring and compliance with legislation as well as the Group's own internal code of practice. Recent high-profile incidents of TSF failure within the global mining industry demonstrate the potentially severe effects of tailings facility failures and have resulted in increased demands for regulatory action. In August 2020, the International Council on Mining and Metals, the United Nations Environment Programme and the Principles for Responsible Investment launched the GISTM. The standard places strong emphasis on improving the safe management of tailings facilities, community engagement, governance and independent review requirements.

As the majority of Pan African's TSFs were constructed and operated before the introduction of the GISTM, the Group has implemented ongoing assessments on its TSFs and has initiated the appropriate actions required to narrow any gaps towards compliance. In July 2021, an executive responsible for TSFs for the Group, as it relates to the GISTM requirement, was appointed by the chief executive officer of Pan African.

The Elikhulu operation consists of a technologically advanced, automated plant with a reduced labour requirement. The plant's numerous innovations, in addition to its high throughput and short pumping distances, include its modern extraction process, which does not require regrind mills and thickeners, has low reagent consumption and uses mostly non-potable water supply from adjacent underground operations.

THE GROUP DESIGNS ITS TAILINGS PLANTS TO INCORPORATE A PRE-OXIDATION METHODOLOGY TO ENHANCE GOLD EXTRACTION SUCCESSFULLY. THE REMINING ACTIVITIES ARE ALSO AUTOMATED TO A LARGE DEGREE, WITH THE LATEST IN HYDRO-MINING TECHNOLOGY. THESE FACTORS ALLOW PRODUCTION COSTS TO REMAIN REMARKABLY LOW.

Elikhulu is testament to Pan African's ability to conceptualise, plan and complete substantial growth projects ahead of time and within budget, and the Company has successfully delivered four such projects to date.

RENEWABLE ENERGY PROJECTS

The board has approved the development of a 9.975MW solar photovoltaic renewable energy plant at Evander Mines to supply part of Elikhulu's power requirements, following the finalisation of a positive bankable feasibility study undertaken by independent consultants. In December 2020, the Group entered into an engineering, procurement and construction agreement with juwi Renewable Energies Proprietary Limited (juwi South Africa) to complete and commission the plant. Civil works and the procurement of major components have commenced, and commissioning is anticipated in the third calendar quarter of 2021.

Part of the international juwi Group, juwi South Africa is one of the world's leading renewable energy companies. To date, juwi South Africa has built six utility-scale solar plants totalling 207MW under the South African government's Renewable Energy Independent Power Producers Programme. The juwi Group, headquartered in Germany, and its international subsidiaries, have completed over 1,700 solar plants globally with cumulative power of more than 3,000MW.

The Evander Mines solar photovoltaic renewable energy plant will be one of the first utility-scale solar photovoltaic renewable energy facilities to be commissioned in the South African mining industry. The plant will utilise bifacial module technology to maximise its yield and will provide an estimated 30% of Elikhulu's power requirements

Slurry sampling
at ElikhuluElikhulu
at dusk

during daylight hours. It is expected to materially reduce future electricity costs at this operation while also reducing dependency on the national grid. Furthermore, the Evander Mines solar photovoltaic renewable energy plant is expected to result in CO₂ emissions savings of more than 26,000t in its first year of operation.

The total cost of the Evander Mines solar photovoltaic renewable energy plant is US\$9.9 million, with a calculated payback on this investment of less than five years.

This solar photovoltaic renewable energy plant further reduces Elikhulu's environmental impact and is just one of a number of initiatives in the Group's commitment to producing high-margin ounces in a safe and efficient manner, while investing in local communities and minimising the environmental impact of operations.

Following the announcement by the South African government, whereby private consumers have been granted approval to generate up to 100MW of electricity without requiring a licence from the National Energy Regulator of South Africa, the Group is assessing the merits of further expanding the plant in the coming years to provide an increased clean energy feed to its expanding underground organic growth projects.

CHALLENGES

Production in the second half of the financial year was impacted by remedial work required on the original drains installed in the enlarged Kinross TSF expansion. This resulted in the Group having to install elevated drains on the south-western edge of the lower compartment to facilitate the removal of excess water from the TSF and to ensure the sustainable operation of this long-life TSF.

Unstable supply of electricity from the national grid has, at times, led to disruptions of operations and interrupted process flows, leading to delays in resuming production. Unplanned power cuts and failure of aged electrical infrastructure of the national grid on an ongoing basis exacerbates the situation, resulting in production loss that cannot be recouped immediately, leading to missed production targets. The installation of the solar photovoltaic renewable energy plant at Evander Mines (as described above) will mitigate this situation to a large extent.

While Elikhulu processed the tonnes and grade during the second half of the financial year, as per the mining plan, the lower benches of the Kinross TSF were found to contain higher than expected concentrations of historical process fine carbon which negatively

impacted the metallurgical recoveries. In addition, this excess carbon, combined with the mining of the outer wall of the Kinross TSF where material is coarser, resulted in lower recoveries, negatively impacting the production of Elikhulu during the financial year. Remedial work on the Elikhulu TSF's lower compartment also restricted tonnage throughputs, resulting in lower gold production overall for the financial year. This remedial work is complete and Elikhulu is expected to produce approximately 55,000oz of gold in the 2022 financial year, with improved tonnage throughput and higher recoveries from the planned remaining area.

FOCUS FOR 2022

Our goal for the year ahead is to achieve improved performance at our surface operations. Our focus areas for the year ahead include:

- continued optimisation of the mining plan for low-risk, high-margin performance from Elikhulu
- commissioning the solar photovoltaic renewable energy plant to reduce electricity costs and reduce the risk of power supply disruptions
- investigating the expansion of the allowable plant size following revised legislation
- continuing with rehabilitation of historical TSF sites
- investigating alternative land-use projects on the newly rehabilitated areas for socio-economic development opportunities
- designing and preparing for the construction of the Leslie/Bracken pumping infrastructure
- starting construction for the re-deposition of tailings on the Kinross TSF dams 1 and 2.