

## **Pan African Resources PLC**

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

AIM Code: PAF

JSE Code: PAN

ISIN: GB0004300496

(“Pan African Resources” or the “Company” or the “Group”)

---

### **FINALISATION OF EVANDER MINES RESTRUCTURE AND OPERATIONAL UPDATE**

---

Further to the operational update released on 28 March 2018, Pan African Resources advises shareholders of the conclusion of the Evander Gold Mining Proprietary Limited (“**Evander Mines**” or “**Evander**”) section 189 of the South African Labour Relations Act, 66 of 1995, process (“**Section 189 Process**”) and progress made on the Group’s operations and growth projects.

#### **FINALISATION OF THE EVANDER MINES SECTION 189 PROCESS**

Pan African Resources has concluded the consultation process with the relevant Evander Mines’ stakeholders as determined by the Section 189 Process, under the auspices of the South African Committee for Conciliation, Mediation and Arbitration. The Section 189 Process was initiated following continued operational losses, which have been exacerbated by the prevailing weak rand gold price. An internal and external review of the existing Evander 8 Shaft underground operation concluded that there is no realistic prospect of mining on a sustainable and profitable basis from this operation in the current weak rand gold price environment. The outcome of this process is regrettably that the current underground mining at Evander 8 Shaft will cease and the affected employees will be retrenched.

The cessation of the existing underground operations at Evander Mines will result in approximately 1,700 employees being retrenched by the end of May 2018, at a cost of approximately R160 million that will be funded from the Group’s existing debt facilities.

To ensure that the Group has adequate working capital and continuation of funding for operations and growth projects, Pan African Resources is also in the process of finalising an additional standby facility of approximately R100 million.

Retrenched employees will be provided with opportunities for reskilling and the Group is in the process of identifying employment opportunities for retrenched employees in new, lower-cost operations at Evander, such as the new Elikhulu Tailings Retreatment Plant (“**Elikhulu**”), and also in post-closure environmental rehabilitation works. The Evander rehabilitation provision is fully funded by means of a R311 million rehabilitation trust and these funds will be used to fund Evander’s underground closure costs and associated rehabilitation.

The impact of the cessation of underground mining at Evander’s 8 Shaft is the following:

- The Group is reviewing the merits of mining the Evander 8 Shaft pillar, which may extend the final closure date of the shaft, generate positive cash flows and assist with further employment opportunities for those affected by the Section 189 Process. Further information on this initiative will be communicated in the near future;
- The Group will continue to assess the technical and economic merits of its Egoli underground project at Evander’s 7 Shaft and is in the process of updating the feasibility study on a project stand-alone basis, post cessation of the underground operations at Evander 8 Shaft;
- The Evander Mines’ Kinross metallurgical plant, which houses the run-of-mine and Evander Tailing Retreatment Plant (“**ETRP**”) circuits, will continue to operate until material from surface sources, tolling and underground mining operations tonnages have been exhausted or become uneconomical; and
- In order for the current ETRP throughput to benefit from the Elikhulu economies of scale and improved recoveries, Elikhulu’s capacity will be increased by 200,000 tonnes per month with effect from December 2018 to incorporate the existing ETRP through-put. The additional construction associated with this increased capacity of the Elikhulu plant will not delay the initial gold production in August and the full commissioning in September 2018. The cost of the increased processing capacity is R65 million and will be funded from existing debt facilities.

Pan African Resources CEO Cobus Loots commented:

“The decision to cease mining from Evander Mines’ underground operations was not taken lightly, particularly given the socio-economic conditions prevailing in the country and the impact on a large number of our employees. All South African gold producers have been adversely affected by the recent strengthening of the rand, and it is imperative that we act decisively to ensure the future of our Group and stakeholders that rely on our operations. During the past five years, Pan African Resources invested capital of R1.76 billion in our current mining operations in South Africa plus a further R1.74 billion which is being invested in our Elikhulu growth project. Pan African Resources remains highly committed to investing in our assets in South Africa and building a long term, sustainable platform for growth. The Elikhulu project has created approximately 250 new employment opportunities and we are confident that the Group’s future growth projects will create further long term employment opportunities. Post the cessation of Evander’s current underground mining operations, the balance of the Group’s production ounces will be low cost and cash flow positive, which will ensure the sustainability and profitability of the Group in the prevailing low rand gold price environment”.

## OPERATIONAL UPDATE

As previously communicated, Pan African Resources’ strategy is to prioritise lower cost, high margin ounces both in its current operations and also in its future growth projects. The cessation of the current underground mining operations at Evander will cease production from all loss making ounces generated by the Group, resulting in improved positive cash flow and profitability from the Group’s remaining operations. These operations are summarised as follows:

- Barberton Mines is expected to produce 50,000oz of gold in the second half of the 2018 financial year, which is an increase of 23% relative to the first half year’s production. The improved gold production is primarily as a result of improved production sequencing of the high grade 272 and 358 platforms at Barberton’s Fairview mine;
- The construction of the regrind mill at the Barberton Tailings Retreatment Plant (“BTRP”) remains on schedule and on budget, with expected annual production of 21,000oz per annum from this operation. The mill is now in the process of commissioning;
- Construction of Elikhulu remains ahead of schedule, with first gold production expected in August 2018 and full commissioning at the end of September 2018. In conjunction with the ETRP through-put, these two surface operations are expected to produce more than 70,000oz per annum at an all-in sustaining cost of production of below US\$700/oz at the prevailing ZAR/\$ exchange rate.
- As previously communicated, the Royal Sheba Project’s mineral resource increased to 0.72moz from 0.36moz following a reassessment of this orebody’s geology. Pan African Resources has mandated DRA Global to complete a feasibility study during the 2018 calendar year on the viability of this project and the market will be updated in due course on the study’s findings.

## IMPACT OF CESSATION OF EVANDER’S UNDERGROUND PRODUCTION ON GROUP CASH FLOWS AND PRODUCTION GUIDANCE

The Group’s net cash flows before finance costs and taxation (defined as earnings before depreciation, interest and taxation less capital expenditure) for the past 4.5 years has been summarised in a table below to illustrate the various operation’s profitability and sustainability.

Group net cash per operation	31 Dec '17	30 June '17	30 June '16	30 June '15	30 June '14	Total
	6 months	12 months	12 months	12 months	12 months	
Evander underground	(70.7)	(556.2)	50.5	(110.7)	(3.0)	(690.1)
ETRP	54.7	276.4	153.3	(80.1)*	(79.2)*	325.1
Barberton underground	13.0	241.5	290.8	192.5	310.6	1,048.4
BTRP	38.3	241.2	299.3	200.4	152.4	931.6
<b>Total</b>	<b>35.3</b>	<b>202.9</b>	<b>793.9</b>	<b>202.1</b>	<b>380.8</b>	<b>1,615.0</b>

*\*Includes the ETRP construction capital expenditure incurred during 2015/2014 financial years.*

The Evander Mines' underground operational cash outflow of R690.1 million over the past 4.5 years demonstrates the adverse impact that this high cost mining operation had on the Group's cash flow generation during this period.

The Group previously guided production of 177,000oz -181,000oz of gold for the 2018 financial year. The cessation of underground mining at Evander Mines' 8 Shaft will adversely impact gold production for the year, however Barberton Mines and the surface operations at Evander, which are the Group's primary cash generative units, are performing consistent with prior guidance. The revised production guidance for the 2018 financial year is expected to be between 156,000oz and 158,000oz broken down as follows:

- Evander Mines' annual gold production is expected to be approximately 46,000oz compared to the initial target of 67,000oz to 69,000oz;
- ETRP remains on target to produce between 20,000oz - 21,000oz; and
- Barberton Mines (including the BTRP) remains on target to produce between 90,000oz - 91,000oz.

The information contained in this announcement has not been reviewed or reported on by Pan African Resource's auditors and is the responsibility of the Directors of Pan African Resources.

For further information on Pan African Resources, please visit the Company's website at [www.panafricanresources.com](http://www.panafricanresources.com)

2 May 2018

<b>Contact information</b>	
Corporate Office The Firs Office Building 1st Floor, Office 101 Cnr. Cradock and Biermann Avenues Rosebank, Johannesburg South Africa Office: + 27 (0) 11 243 2900 Facsimile: + 27 (0) 11 880 1240	Registered Office Suite 31 Second Floor 107 Cheapside London EC2V 6DN United Kingdom Office: + 44 (0) 207 796 8644 Facsimile: + 44 (0) 207 796 8645
Cobus Loots Pan African Resources PLC Chief Executive Officer Office: + 27 (0) 11 243 2900	Deon Louw Pan African Resources PLC Financial Director Office: + 27 (0) 11 243 2900
Phil Dexter St James's Corporate Services Limited Company Secretary Office: + 44 (0) 207 796 8644	John Prior / Paul Gillam Numis Securities Limited Nominated Adviser and Joint Broker Office: +44 (0) 20 7260 1000
Sholto Simpson One Capital JSE Sponsor Office: + 27 (0) 11 550 5009	Ross Allister/James Bavister/David McKeown Peel Hunt LLP Joint Broker Office: +44 (0) 207 418 8900
Julian Gwillim Aprio Strategic Communications Public & Investor Relations SA Office: +27 (0)11 880 0037	Jeffrey Couch/Neil Haycock/Thomas Rider BMO Capital Markets Limited Joint Broker Office: +44 (0) 207 236 1010
Bobby Morse Buchanan Public & Investor Relations UK	

Office: +44 (0)20 7466 5000

Email: [PAF@buchanan.uk.com](mailto:PAF@buchanan.uk.com)

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