

## Regulatory Story

**Company** [Pan African Resources PLC](#)  
**TIDM** PAF  
**Headline** Pan African to Acquire 100% of Evander  
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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)

AIM Code: PAF

JSE Code: PAN

ISIN: GB0004300496

("Pan African" or "Company")

PAN AFRICAN TO ACQUIRE 100% OF EVANDER GOLD MINES LIMITED ("EVANDER") AND  
FURTHER CAUTIONARY ANNOUNCEMENT

### 1. INTRODUCTION

Pan African is pleased to advise its shareholders ("Shareholders") that today, 30 May 2012, ("Signature Date") it entered into an agreement ("Acquisition Agreement") with Harmony Gold Mining Company Limited ("Harmony") in terms of which a wholly-owned subsidiary of Pan African ("Purchaser") will acquire the entire issued share capital of and claims against Evander from Harmony ("Transaction") for a total purchase consideration of R1.5 billion, subject to certain terms and conditions more fully described below. The Transaction follows the termination of the transaction regarding the proposed acquisition of Evander from Harmony by a consortium, which included Pan African, as referred to in an announcement released by Harmony on the Securities Exchange News Service of the JSE Limited earlier today.

Jan Nelson, CEO of Pan African, said:

"The Transaction meets Pan African's strategic objective of acquiring a high grade, high margin, quality asset on the low end of the cost curve from which the Company will achieve profitable, sustainable, stakeholder growth. In addition to acquiring an earnings accretive asset, the Transaction will double Pan African's annual gold production, to approximately 200 000 ounces per year, and increases the Company's resources and reserves significantly."

### BACKGROUND TO EVANDER AND RATIONALE FOR THE TRANSACTION

Evander, currently a wholly owned subsidiary of Harmony, mines and produces gold and related products and is located in Mpumalanga, South Africa. Evander's total underground resource represents 32.5Moz (147Mt @ 6.88g/t) and a reserve of 7.6Moz (29.5Mt @ 8.02g/t) and its operations comprise, inter alia:

- \* an operating shaft in the form of Evander 8 shaft which has an expected life of mine of more than ten years and is expected to produce approximately 100,000 ounces of gold per annum;
- \* various development projects comprising Evander South, Rolspruit and Poplar;
- \* surface resources comprising existing tailings dumps, the processing of which is currently being considered in terms of a project named Project

Libra;

- \* metallurgical processing facilities known as the Kinross plant which uses a hybrid carbon-in-pulp/carbon-in-leach (CIP/CIL) process; and
- \* associated infrastructure and buildings.

Evander has recently experienced a vast improvement in performance through the closure of unprofitable shafts, plants and additional investments in its infrastructure and reported a net profit of R269 million for the 6 months ended 31 December 2011 with a net asset value of R1 276 million as at 31 December 2011.

Evander meets Pan African's investment criteria of a high grade, high margin, quality asset, the acquisition of which is not only expected to be earnings accretive, but will provide Pan African with a material increase in its production profile through the doubling of its current gold production. The introduction of an additional operating asset into the Pan African group shall further the Company's strategy of reducing operational risk through the broadening of its operations.

Pan African recognises the opportunity to further unlock value from the Transaction through the potential orderly disposal of those assets held by Evander which Pan African does not view as being core to its operations.

## 2. TRANSACTION TERMS AND CONDITIONS

### 1. CONDITIONS PRECEDENT

The Transaction remains subject to, inter alia, the fulfilment, or where possible, waiver of the following conditions precedent ("Conditions"):

- \* the Transaction being unconditionally approved by the South African competition authorities by no later than 31 July 2012;
- \* Evander entering into a new electricity supply agreement with Eskom by no later than 31 July 2012, on terms and conditions acceptable to Pan African;
- \* Pan African obtaining irrevocable undertakings from Shareholders controlling no less than 50% of Pan African's issued share capital, to vote in favour of the Transaction ("Irrevocable Undertakings") by no later than 31 July 2012;
- \* Pan African obtaining all the requisite approvals for the Transaction from the stock exchanges upon which it is listed by no later than 31 October 2012;
- \* Pan African obtaining approval from Shareholders for the Transaction and all resolutions ancillary to the implementation of the Transaction, by no later than 31 October 2012 ("Shareholder Approval"); and
- \* the parties to the Transaction ("Parties") obtaining the necessary consent for the Transaction from the Department of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002 ("Consent") by no later than 30 June 2013.

In terms of the Acquisition Agreement, the Purchaser is entitled to waive the Condition pertaining to Irrevocable Undertakings and each of Harmony and the Purchaser is entitled to extend the relevant date for fulfilment of the Condition pertaining to Shareholder Approval for a period of 30 days.

The closing date for the Transaction ("Closing Date") shall be the later of 1 October 2012 or the tenth business day after which all the conditions precedent to the Transaction are fulfilled or waived, as the case may be. The intention of the Parties is that the Closing Date shall be 31 October 2012.

### 1. BREAK FEE

The Parties have agreed to a break fee arrangement in terms of which Pan

African shall pay to Harmony a break fee of R50 million ("Full Break Fee"). The Full Break Fee is payable in two separate tranches and shall be deducted from the Purchase Consideration in the event that the Transaction is successfully implemented.

The first tranche of the Full Break Fee is an amount of R20 million ("First Tranche Break Fee") and is payable within 5 business days of the Signature Date.

The second tranche of the Full Break Fee is an amount of R30 million which shall become payable within 5 business days from the date upon which the Condition pertaining to Irrevocable Undertakings is fulfilled or waived, as the case may be.

If the Condition pertaining to Irrevocable Undertakings is not fulfilled or waived, the First Tranche Break Fee shall be non-refundable.

The Full Break Fee shall be non-refundable in the event that the Transaction is not concluded as a result of the Condition pertaining to Shareholder Approval not being fulfilled. In all other instances, the Full Break Fee shall be refundable to Pan African.

## 2. PURCHASE CONSIDERATION

In terms of the Acquisition Agreement, Pan African shall acquire the entire issued share capital of and claims against Evander for a total consideration of R1.5 billion to be settled in cash ("Purchase Consideration") in the following manner:

- \* Pan African shall pay to Harmony an amount of no less than R1 billion ("Deposit") upon the fulfilment or waiver of all the Conditions, other than Consent ("Deposit Date"); and
- \* Pan African shall pay to Harmony the remainder of the Purchase Consideration, being no more than R500 million, in cash, upon fulfilment of the Consent Condition.

In the event that the Consent Condition is not fulfilled and the Transaction is not implemented, Harmony shall be required to repay the Deposit to Pan African, with interest, calculated at 5% per annum, thereon. The Deposit shall be secured by various security cessions and mortgage bonds over the assets of Evander and the gold proceeds earned by Evander.

All cash and profits generated by Evander from 1 April 2012 ("Effective Date") onwards are for the benefit of Pan African ("Interim Period Profits").

## 3. FUNDING THE TRANSACTION

When considering the funding of the Transaction, Pan African has formulated an approach consistent with its philosophy of ensuring that its business provides profitable, sustainable stakeholder growth.

With this in mind, Pan African intends funding the Transaction through a combination of:

- \* third party debt financing ("Debt Financing");
- \* its current cash reserves and cash generated through the operations of and potential strategic disposals of non-core assets by Pan African and Evander until the Closing Date ("Cash Reserves"); and
- \* to the extent necessary, through the issue of new ordinary shares in the share capital of Pan African for cash.

## 1. DEBT FINANCING

Pan African has, in principle, secured Debt Financing from third party lenders upon terms and conditions acceptable to Pan African.

These terms reflect Pan African's philosophy of ensuring the continued sustainability of its and Evander's operations following the successful implementation of the Transaction.

The salient information pertaining to the Debt Financing are:

- \* the total amount of Debt Financing is not expected to exceed R600 million, comprising a R500 million single draw-down facility and a further R100 million revolving credit facility;
- \* Evander shall not be required to hedge in excess of 25% of its projected gold production for purposes of any Debt Financing; and
- \* the Debt Financing facilities shall be ring-fenced within Evander.

#### 1. CASH RESERVES

Pan African currently has available cash resources in the amount of approximately R250 million, a portion of which may be utilised for purposes of partially settling the Purchase Consideration. Furthermore, cash generated from Pan African's Barberton Mines and Phoenix Platinum operations up until the Closing Date may be utilised for purposes of partially settling the Purchase Consideration.

In addition, Pan African, in-line with its stated strategy, is currently considering the disposal of certain non-core assets ("Strategic Disposals"), such as its interest in the Manica Gold Project in Mozambique, through which additional cash resources are expected to be received. To the extent that any cash is received by Pan African through the successful execution of any Strategic Disposals, Pan African intends to apply such cash proceeds towards the partial settlement of the Purchase Consideration.

Furthermore, the Purchase Consideration shall be reduced by, inter alia, any distributions made by Evander from Interim Period Profits ("Interim Distributions").

In light of the above, Pan African is confident that a considerable contribution towards the partial settlement of the Purchase Consideration may arise from a combination of Cash Reserves, Strategic Disposals and Interim Distributions. Shareholders are encouraged to consider the information relating to the historical financial performance of Pan African's operations and Evander which is available on the websites of Pan African and Harmony, respectively, in terms of the potential impact of the aforesaid.

#### 2. EQUITY CAPITAL RAISING

Upon finalisation of the quantum of the Debt Financing and reasonable determination of projected Cash Reserves to be utilised for purposes of partially settling the Purchase Consideration, Pan African may potentially elect to raise additional funds through the issue of new ordinary shares in the share capital of Pan African for cash ("Equity Capital Raising").

The quantum and terms of the Equity Capital Raising remain to be determined. Pan African shall, to the extent possible, endeavour to ensure that Shareholders be granted an opportunity to participate in an Equity Capital Raising on an equitable basis, thereby providing Shareholders with an opportunity to participate in the value accretion which is expected to result from the successful implementation of the Transaction.

Shareholders shall be timeously informed of any further developments in regard to the Equity Capital Raising.

#### 4. 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 and times relating to the implementation of the Transaction will be announced by Pan African as soon as they have been determined.

## 5. CATEGORISATION AND CIRCULAR

The Transaction is classified as a category 1 transaction for Pan African in accordance with Section 9 of the JSE Limited Listings Requirements. A circular containing further information pertaining to the Transaction will be posted, together with a notice of general meeting, to Shareholders in due course.

## 6. RENEWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders 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 securities. Accordingly, Shareholders are advised to continue to exercise caution when dealing in Pan African's securities until a further announcement is made.

30 May 2012

Johannesburg

Lead Corporate Advisor, Transaction Sponsor and JSE Sponsor

One Capital

Joint Corporate Advisor

Nedbank Capital

Attorneys

Werksmans Inc.

Enquiries

UK

South Africa

Pan African Resources

Canaccord Genuity Limited - Nomad and  
Joint Broker

Jan Nelson, Chief Executive Officer

John Prior / Sebastian Jones / Joe Weaving

+27 (0) 11 243 2900

+44 (0) 20 7523 8350

One Capital

finnCap Limited - Joint Broker

Sholto Simpson / Megan Young /  
Nicholas Tyler

Elizabeth Johnson / Joanna Weaving

+27 (0) 11 550 5000

+44 (0) 20 7220 0500

Vestor Investor Relations

St James's Corporate Services Limited

Louise Brugman

Phil Dexter

+27 (0) 11 787 3015

+44 (0) 20 7499 3916

Gable Communications

Justine James

+44 (0) 20 7193 7463 / +44 (0) 7525 324431

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