Pan African Resources PLC
("Pan African" or "the company" or "the group")
(Incorporated and registered in England and Wales under Companies Act 1985 with registered number 3937466 on 25 February 2000)
Share code on AIM: PAF
Share code on JSE: PAN
ISIN: GB0004300496

TRADING STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018, PRODUCTION UPDATE FOR 2019 FINANCIAL YEAR AND ELIKHULU COMMISSIONING

Pan African CEO Cobus Loots commented:

"The group results for the 2018 financial year are reflective of both the incredibly challenging operational environment and the specific issues that confronted the group over the past year. These issues, as well as the definitive remedial actions we implemented, were well disseminated to the market. The operational update and the commissioning of the Elikhulu plant demonstrates that we are well on track to deliver into our 2019 targets and look forward to the year ahead".

TRADING STATEMENT

In terms of paragraph 3.4(b) of the Listings Requirements of the JSE Limited, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported upon next, will differ by at least 20% from those of the previous corresponding period.

Pan African is incorporated in England and Wales and, accordingly, its presentation currency is Pounds Sterling ("GBP") with a functional currency in South African Rands ("ZAR" or "R").

The ZAR:GBP exchange rate affects the reporting of results in GBP. For the reporting period ended 30 June 2018 ("current reporting period"), the average prevailing ZAR:GBP exchange rate is used, and, in the event of material transactions, the exchange rate on the date of the material transaction is used to translate earnings from ZAR to GBP.

For the reporting period ended 30 June 2017 ("prior reporting period"), the average ZAR:GBP exchange rate was ZAR17.25:1. For the current reporting period, the ZAR marginally depreciated against the GBP to an average exchange rate of ZAR17.27:1. This 0.1% year-on-year depreciation in the average exchange rate should be taken into account for the purposes of a comparison with the prior reporting period.

The group records its revenue from precious metals sales in ZAR. The strength in the value of the ZAR/USD exchange rate during the current reporting period had an adverse impact on the USD revenue received when translated into ZAR. In the current reporting period, the average ZAR/USD exchange rate appreciated by 5.4% to R12.86:1 (2017: R13.59:1).

Due to the cessation of mining at Evander Gold Mining Proprietary Limited ("Evander Mines") underground operations which includes 8 Shaft, 7 Shaft and the run-of-mine circuit in the Kinross metallurgical plant, the financial results from the Evander Mines' underground operations were classified as discontinued operations ("discontinued operations") during the current reporting period. The prior reporting period's figures have been re-presented to differentiate between the discontinued operations and the results from the remainder of the operational portfolio comprising the continuing operations ("continuing operations"). The combined results comprise the results of the continuing operations and discontinued operations ("combined operations"). As result of the cessation of Evander Mines' underground operations, the group recognised a once-off impairment charge of R1.78 billion (GBP106.3 million) and incurred retrenchments costs of R161 million (GBP9.3 million).

In the current reporting period, the group's weighted average number of shares in issue increased by 15.7% to 1,809,726,739 shares (2017: 1,564,346,115 shares). The increase in the weighted average number of shares in issue is predominantly due to the full-year impact of the issuance of new shares to fund the equity component of the Elikhulu tailings retreatment project's ("Elikhulu") construction late in the prior reporting period. The disposal of 130-million Pan African shares held by PAR Gold Proprietary Limited, which had a commensurate increase in the weighted average number of shares in issue, as these shares had previously been treated as treasury shares. The proceeds from the disposal were partly utilised to fund the incorporation of existing Evander tailing retreatment plant ("ETRP") throughput into Elikhulu's processing capacity, which will result in an increased capacity of 1.2-million tonnes per month from December 2018.

Pan African advises shareholders that its headline earnings per share ("HEPS") and earnings per share ("EPS") in ZAR terms from its continuing operations for the current reporting period are expected to be between:

- HEPS: 57% to 47% lower than the 38.72 cents for the prior reporting period. Therefore the expected HEPS range is between 16.77 cents to 20.65 cents.
- EPS: 80% to 70% lower than the 44.78 cents for the prior reporting period. Therefore the expected EPS range is between 8.92 cents to 13.40 cents.

The group's combined operations, EPS and HEPS in ZAR terms for the current reporting period are expected to be between:

- HEPS: 42% to 32% lower than the 20.17 cents for the prior reporting period. Therefore the expected HEPS range is between 11.65 cents to 13.67 cents.
- EPS is expected to decrease from 19.81 cents for the prior reporting period, to between (87.02) cents to (85.04) cents.

The HEPS and EPS in GBP terms from its continuing operations for the current reporting period are expected to be between:

- HEPS: 56% to 46% lower than the 2.24 pence for the prior reporting period. Therefore the expected HEPS range is between 0.97 pence to 1.20 pence.
- EPS: 81% to 71% lower than the 2.60 pence for the prior reporting period. Therefore the expected EPS range is between 0.50 pence to 0.76 pence.

The group's combined operations HEPS and EPS in GBP terms for the current reporting period are expected to be between:

- HEPS: 43% to 33% lower than the 1.17 pence for the prior reporting period. Therefore the expected HEPS range is between 0.67 pence to 0.79 pence.
- EPS is expected to decrease from 1.14 pence for the prior reporting period, to between (5.21) pence to (5.10) pence.

PRODUCTION UPDATE FOR THE 2019 FINANCIAL YEAR

Following the operational updates released during July 2018, Pan African is pleased to provide a production update and guidance for quarter one of the 2019 financial year ("quarter one"), and further information on the group's prospects for the remainder of the new financial year.

Barberton Mines Proprietary Limited ("Barberton Mines")

- Barberton Mines is benefitting from increased underground mining flexibility due to, *inter alia*, both the high-grade 272 and 358 platforms being available at Barberton Mines' Fairview operation. The Barberton tailings retreatment plant ("BTRP") is also benefiting from the installation of the regrind mill at the end of the 2018 financial year.
- Barberton Mines is forecast to produce approximately 26,000oz for quarter one, with underground mining operations contributing more than 20,500oz, and the BTRP more than 5,000oz. Barberton Mines is therefore on track to deliver its annual production guidance of approximately 100,000oz for the 2019 financial year.
- Fairview commendably achieved one-million fatality free shifts during July 2018.

- The conclusion of a three-year wage agreement with the National Union of Mineworkers and the United Association of South Africa, which was announced on 7 September 2018, is expected to assist with operational stability and productivity at Barberton Mines.
- As per the announcement of 6 September 2018, phase one and two of the Royal Sheba drilling campaign, comprising 20 drill holes, has been completed with excellent results confirming the extension of the Sheba orebody to surface. An updated mineral reserve's report on Royal Sheba is expected by November 2018, and a definitive feasibility study by February 2019.

Evander Mines

- The ETRP and surface-source operations are expected to produce approximately 4,000oz the first quarter. The ETRP and surface-source production remains on track, despite production being impacted by lower-quality surface sources being treated during the quarter.
- The group is reviewing the merits of mining Evander Mines' 8 Shaft pillar. Further information on this initiative will be communicated in the near future.

ELIKHULU COMMISSIONING

- The Elikhulu Project is progressing according to schedule with all phases of the five-phase technical commissioning processes now successfully completed. This commissioning includes the successful completion of the "C5" or final contractual certificate dealing with production requirements, in that the plant's tonnage throughput was achieved and the dissolved gold content in the final leach tank has been met for a continuous period of 72 hours. In line with previous guidance, Elikhulu is expected to produce at steady-state from October 2018.
- The incorporation of the existing ETRP's throughput into Elikhulu's processing capacity, which will result in an increased capacity totalling 1.2-million tonnes per month, is in progress as previously communicated.

The financial information contained in this announcement has neither been reviewed nor audited by the company's auditors. The group's audited year-end results for the year ended 30 June 2018 will be released on 19 September 2018.

For further information on Pan African, please visit the company's website at www.panafricanresources.com

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