



**Pan African Resources PLC**

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("Pan African" or the "Company" or the "Group")

**UPDATE ON BARBERTON MINE'S ROYAL SHEBA PROJECT ("ROYAL SHEBA")**

Shareholders are referred to previous announcements pertaining to Royal Sheba, specifically, the information included in the operational update of 28 March 2018. The Group has continued the Royal Sheba exploration drilling programme and is now able to provide feedback on the updated Mineral Resource Estimate ("MRE") and the surface exploration drilling results. The results, thus far, have exceeded expectations. Salient features of the MRE and drilling results are as follows:

- 150% increase in Royal Sheba's Mineral Resources from 0.36Moz (2.60Mt at 4.32g/t) to 0.9Moz (8.56Mt at 3.27g/t);
- Near surface resource being 0.35Moz (2.84Mt at 3.81g/t) while the underground resource is delineated at 0.55Moz (5.72Mt at 3.0g/t);
- The near surface resource of 0.35Moz conducive to open pit mining;
- The Royal Sheba Project's surface drilling programme (Phase 1 and 2 - 1,645m of drilling) confirms robust mineralisation extending from the surface along an 850m strike and 150m down dip of the Royal Sheba deposit;
- Summarised drilling results confirms the mineralisation ranges in a width from 5m to 25m with *in-situ* gold grades ranging between 0.5g/t to 174g/t and averaging 3.27g/t; and
- Phase 3 drilling of the Royal Sheba deposit has commenced to test a further 600m strike length, within the Sheba Mine's mining right.

The Company has also embarked on an extended exploration programme within Barberton Mines' mining right at both Sheba and New Consort Mines around historic workings and for potential new satellite deposits.

**Pan African CEO Cobus Loots commented:**

*"The exploration results from the drilling on Royal Sheba have exceeded our expectations, reaffirming the grades historically mined at depth. Significantly, the drilling programme has indicated the orebody extends to surface, with the potential to establish a new open pit mining operation in the short term, transitioning to an underground mining operation only after a number of years. In conjunction with the ongoing exploration programme, we will finalise a definitive feasibility study, with the view of commencing project development in the near term. I am also excited at the prospectivity of our mining lease namely; New Consort and Sheba Hills and proving similar near-surface resources from this extended exploration programme.*

*Royal Sheba's opencast orebody has the potential to increase production from our flagship Barberton operations at a very competitive cost, aligned with our strategic positioning as a low cost gold producer. We look forward to working with all stakeholders in advancing this project, to the benefit of not only shareholders, but also the Mpumalanga province and the Barberton area.*

*We anticipate updating the market with a further MRE in November 2018 and a definitive feasibility study in February 2019."*

**The history of Barberton Mine's Royal Sheba Project**

In 1885, Edwin Bray found gold in the Sheba Hills, which eventually led him to the famous discovery of the Golden Quarry orebody. This triggered a gold rush that culminated in the establishment of a number of mines along the Sheba Fault Shear Zone, within the Barberton Mountain area. The Sheba Fault Shear Zone has been a prolific gold-bearing geological structure, producing numerous gold deposits and mines within the Pan African stable, notably the existing underground Sheba Mine and, more recently, the re-emergence of the Royal Sheba Project.

The Royal Sheba orebody was mined underground on a small scale until 1996, producing 3,000 tonnes of ore per month from the central high grade zone of the deposit. A compound shaft was sunk in 1964 from surface to the 12<sup>th</sup> level, approximately 340m below surface, and was used as the main access to the Royal Sheba orebody. The ore was treated at the Sheba metallurgical plant and found to be free milling and non-refractory. A total of approximately 280,000 tonnes of ore was mined at a grade of more than 4g/t, resulting in over 37,000 ounces of gold being produced from this orebody. Due to the prevailing economic conditions in the 1990's and very constrained underground infrastructure, mining at the Royal Sheba section was suspended in 1996.

**MRE results**

## Project geology

The Royal Sheba orebody is associated and aligned along the prominent regional shear zone of the Sheba Fault, within the north-western quadrant of the Archaean aged Barberton Greenstone Belt. The Sheba Fault juxtaposes the Fig Tree Group's deep marine sediments, namely the greywacke and banded chert and carbonatised shale in the Ulundi Syncline, adjacent to the shallow marine sediments of the Moodies Group in the Eureka Syncline.

The mineralisation of the Royal Sheba orebody is encapsulated in a shear envelope of the Sheba Fault, ranging in width from 5m to 25m. The gold mineralisation occurs predominantly in sulphide minerals and as native gold. *In-situ* gold grades range between 0.5g/t to 174g/t averaging 3.27g/t. The Royal Sheba orebody has a potential strike length of 1,450m and extends down dip to a depth of 600m. The Royal Sheba orebody is open ended along strike and dip.

## Mineral Resource

The Company has reviewed the Mineral Resource of the Royal Sheba orebody, focussing on the geology and mineralisation of the deposit, incorporating a full 3D geological modelling exercise on the structural, lithological and mineralisation components of the deposit. The combination of the three components resulted in a robust and fit-for-purpose 3D geological model.

The following new Mineral Resource tabulation has been reported from the 3D geological model and resource block model, using a 0.5g/t cut-off grade for near surface ore and 1.87g/t for down-dip extensions.

As at 30 June 2018	Category	Contained gold			
		Tonnes (Million)	Grade (g/t)	Tonnes (Gold)	Ounces (Koz)
Open pit Mineral Resource (0.5g/t cut-off)	Measured	1.46	3.88	5.66	182
	Indicated	1.38	3.73	5.14	165
	Inferred	0.00	-	0.00	0.00
	<b>Total</b>	<b>2.84</b>	<b>3.81</b>	<b>10.80</b>	<b>347</b>
Underground Mineral Resource (1.87g/t cut-off)	Measured	2.65	2.97	7.87	253
	Indicated	1.76	2.89	5.08	163
	Inferred	1.31	3.22	4.20	135
	<b>Total</b>	<b>5.72</b>	<b>3.00</b>	<b>17.15</b>	<b>552</b>
Resources	<b>Total</b>	<b>8.56</b>	<b>3.27</b>	<b>27.96</b>	<b>899</b>

Mineral Resources are reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016. Mineral Resources would be the same if reported according to the guidelines of the Canadian Institute of Mining's National Instrument 43-101. Cut-off values are calculated at 0.5g/t for open pit and 1.87g/t for underground, applying a gold price of ZAR 600 000/kg (USD 1 435/oz and ZAR 13.00/1 USD). Mineral Resources are reported inclusive of Mineral Reserves. All Mineral Resources reported exclude geological structures. Mineral Resources are reported as *in-situ* tonnes. Any discrepancies in totals are due to rounding.

The following tonnage discount factors have been applied to the Mineral Resource:

- Geological loss of 5% for the Measured category;
- Geological loss of 10% for the Indicated category; and
- Geological loss of 15% for the Inferred category.

Additional effects of mining and recovery losses have been considered in the cut-off grade calculations.

The competent person for the Mineral Resource is Mr Hendrik Pretorius, the Group Project Geologist of Pan African. Mr Hendrik Pretorius has reviewed and approved the information contained in this announcement as it pertains to Mineral Resources. Mr Pretorius holds a BSc (Hons) in the field of geology and a Graduate Diploma in Mining Engineering focussing on mineral resource management. He has more than 15 years' relevant experience, is registered with the South African Council for Natural Scientific Professionals (400051/11) and is a member in good standing with the Geological Society of South Africa.

This sizeable Mineral Resource prompted an in-fill drilling campaign to define any near surface Mineral Resource to a depth of 100m. The Phase one and two drilling comprised of 20 drillholes on grid spacing of 50m. The available results (80% of the drilling campaign) of these drillholes are presented below and do not form part of this Mineral Resource tabulation. An updated Mineral Resource statement will be released in November 2018.

## Exploration

The Company has embarked on a three-phase exploration programme. Phases one and two comprise 20 drill holes, totalling 1,645m, and is 95% complete. This announcement contains the results of 80% of the completed drill holes.

A further 15 drill holes, totalling 2,280m, is planned for phase three, which will test the easterly strike and dip extension of the Royal Sheba deposit.

An exploration team headed by Mr Walter Seymore (Exploration Manager), has been based in Barberton since May 2018, managing the Royal Sheba surface drilling. A regional exploration strategy over the Company's mining right lease areas is in place to define new and historic satellite deposits around the Royal Sheba Project. Several historic satellite deposits have been targeted in

the Sheba Hills namely Golden Quarry, Oriental Quarry, Eureka, Margaret and Sheba West for resource definition drilling.

In addition to the exploration in the Sheba Hills, the Company is exploring the Jamestown Shear Zone, within the New Consort mining right for near-surface Mineral Resources. Initial desktop studies indicate high prospectivity in the Consort Bar and an exploration drilling programme will commence in November 2018.

#### *Drilling Results*

Drillhole Number	Intersection Depth (m) Downhole	Intersection Depth (m) Below Collar	Full Composite		Significant Intersection	
			Corrected	Average	Corrected	Average
			Intersected Width (m)	Grade Intersected (g/t)	Intersected Width (m)	Grade Intersected (g/t)
RSPE001	34.75	31.49	11.50	3.38	0.65	19.16
RSPE002	56.63	51.32	9.89	2.53	3.28	5.10
RSPE003	24.34	22.06	12.94	0.91	1.36	2.31
RSPE004	47.32	42.89	6.28	1.36	0.62	5.96
RSPE005	26.34	23.87	15.59	1.91	0.34	9.96
RSPE006	35.02	31.74	8.77	1.41	3.5	2.98
RSPE007	26.73	24.23	14.17	1.38	2.13	5.45
RSPE008	6.97	6.32	13.60	3.17	1.81	12.79
RSPE009	69.56	63.04	11.48	6.10	1.73	30.43
RSPE010	25.54	23.15	8.01	0.63	1.00	2.12
RSPE011	38.70	35.07	8.33	0.72	1.05	1.83
RSPE012	24.05	19.70	24.05	1.53	2.42	6.35
RSPE013			Awaiting results			
RSPE014	42.88	35.13	7.83	1.50	3.8	2.51
RSPE015	60.23	13.55	8.51	0.62	1.6	2.32
RSPE016			Awaiting results			
RSPE017			Awaiting results			
RSPE018*			Awaiting results			
RSPE019*	56.96	18.54	18.60	0.47	0.30	4.97
RSPE020*	92.54	67.68	8.84	0.33	1.23	1.71

*\*Holes drilled to test the westerly extent of the mineralisation. Results indicate zones of economical grade within the envelope of the shear zone.*

The in-fill drilling programme of 1,645m (Phase 1&2) comprising 20 drill holes will complete in September 2018. The drill hole results presented in the table above confirm robust mineralisation extending from surface over a strike length in excess of 850m at grades above economic break-even concentrations (0.5g/t).

Based on these positive drill hole results and the prospectivity of drill holes RSPE 001, 002 and 004, an additional 15 holes (Phase 3) have been planned to test a further 600m easterly strike extension within the Sheba Mine's mining right. This drilling will provide data of an indicated Mineral Resource category.

#### *Next steps*

An update to the MRE is expected to be completed by November 2018. This will include all of the results from the in-fill drilling programme. SRK Consulting Proprietary Limited (South Africa) has been appointed as the independent third party consultant to review and sign-off on the updated MRE and tabulation.

Following the update to the MRE, a definitive feasibility study will be undertaken by DRA Global (Pty) Ltd. and is expected to be completed in February 2019. The Company has proceeded with metallurgical test-work and geotechnical studies for the Royal Sheba open pit operation in support of a definitive feasibility study. All regulatory permitting will be pursued during the feasibility study.

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

Mr Hendrik Pretorius, the Group Project Geologist of Pan African, has reviewed and approved the information contained in this announcement. Mr Pretorius holds a BSc (Hons) in the field of geology and a Graduate Diploma in Mining Engineering focussing on mineral resource management. He has more than 15 years' relevant experience, is registered with the South African Council for Natural Scientific Professionals (400051/11) and is a member in good standing with the Geological Society of South Africa.

For further information on Pan African, please visit the Company's website at <http://www.panafricanresources.com/>

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#### Glossary of technical terms:

Au	Chemical symbol for gold
Cut-off Grade	The lowest grade value that is included in a resource statement
Grade	The proportion of a mineral within a rock or other material. For gold mineralisation this is usually reported as grams of gold per tonne of rock (g/t)
g/t	Grams per tonne

Indicated Mineral Resource	That part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
Inferred Mineral Resource	That part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited, or of uncertain quality and reliability
Life of Mine	The time in which, through the employment of the available capital, the ore reserves--or such reasonable extension of the ore reserves as conservative geological analysis may justify--will be extracted.
M	Metre
Mineral Resource	A concentration or occurrence of material of economic interest in or on the Earth's crust in such a form, quality, and quantity that there are reasonable and realistic prospects for eventual economic extraction. The location, quantity, grade, continuity and other geological characteristics of a Mineral Resource are known, estimated from specific geological knowledge, or interpreted from a well constrained and portrayed geological model
Measured Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity
Moz	Million troy ounces
Orebody	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions. "Ore" a mineral deposit that can be extracted and marketed profitably
Ore Reserves	The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined
Ounce / oz	Troy ounce, equivalent to 31.103477 grams
Probable Mineral Reserve	The economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified
Proven Mineral Reserve	The economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must

include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified

Tonne (1-million grams)