

## Regulatory Story

**Company** [Pan African Resources PLC](#)  
**TIDM** PAF  
**Headline** Update re the Acquisition of Evander Gold Mines Limited  
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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")

UPDATE REGARDING THE ACQUISITION OF EVANDER GOLD MINES LIMITED ("EVANDER") AND FURTHER CAUTIONARY ANNOUNCEMENT

### HIGHLIGHTS:

- \* CIRCULAR POSTED TO SHAREHOLDERS AND AVAILABLE ON PAN AFRICAN'S WEBSITE TODAY
- \* PRO FORMA FINANCIAL EFFECTS PERTAINING TO THE ACQUISITION OF EVANDER FINALISED
- \* RIGHTS OFFER OF 25.5 NEW SHARES FOR EVERY 100 SHARES HELD TO RAISE R700 MILLION
- \* EXTENSION OF FULFILMENT DATE OR RIGHT TO WAIVE CERTAIN CONDITIONS PRECEDENT
- \* NEW DEBT FACILITY EXPECTED TO BE AVAILABLE BY CLOSING DATE

Commenting on the successful developments on the Evander acquisition, Jan Nelson, CEO of Pan African Resources said: "Evander continues to prove its worth as a quality asset and game changer for Pan African. The pro forma financial effects highlight the impressive fundamentals of the project and the significant benefit the project will contribute improving Pan African's current earnings per share by 163% to 5.32 pence per share after the rights offer from 2.02 per share as reported for Pan African's financial year ended 30 June 2012.

Production improvements at Evander were also highlighted in Harmony's quarterly results reported today. The Evander operations reported an 18% increase in gold production and a 14% improvement in cash operating costs at R259 613/kg, which resulted in an operating profit of R141 million. Gold production for the quarter at Evander increased to 817kg, due to a net increase of 8% in tonnes milled at 159 000t as well as an increased grade to 5.14g/t.

The Rights Offer is expected to open to all entitled shareholders in early December and will run until mid-January 2013, pending shareholder and regulatory approval. We are in a strong cash position of some R500 million, including a R200 million contribution from Evander since 1 April 2012 and a further available R270 million as documented at 31 October 2012.

We are excited at the prospect of the imminent conclusion of this deal and are of the opinion that the Company has secured a combination of sufficient funding to settle the purchase price in full.

The Board would like to thank shareholders for their ongoing support and we look forward to a successful outcome at the general meeting on 30 November 2012."

## 1. INTRODUCTION

Pan African shareholders ("Shareholders") are referred to the announcements published on 30 May 2012 and 17 August 2012 ("Announcements"), wherein they were advised and provided details of the agreement entered into by the Company ("Agreement") with, inter alia, Harmony Gold Mining Company Limited ("Harmony") in terms of which Pan African (via a wholly-owned subsidiary) will acquire Evander ("Transaction") for a total purchase consideration of R1.5 billion ("Purchase Consideration"), subject to certain terms and conditions.

Significant progress has been made to date with regard to the implementation of the Transaction with the following key milestones achieved since 17 August 2012:

- \* the requisite circular ("Circular"), providing details of the Transaction and incorporating a notice of general meeting ("General Meeting") to be held on Friday, 30 November 2012, was posted today;
- \* the rights offer, in the ratio of 25.5 new shares for every 100 ordinary shares held ("Rights Offer"), to raise approximately R703 million to fund (in part) payment of the Purchase Consideration, is expected to open in early December 2012 to all Shareholders, save for those in certain excluded territories, subject to regulatory approvals and the requisite approvals being obtained at the General Meeting;
- \* the unaudited pro forma financial effects of the Transaction and the Rights Offer have been finalised and are set out in paragraph 2 below and detailed in the Circular;
- \* the date for fulfilment of certain of the conditions precedent to the Transaction has been extended; and
- \* a new debt facility is expected to be available upon the closing date of the Transaction.

Further details of these events are set out below.

## 2. UNAUDITED PRO FORMA FINANCIAL EFFECTS OF THE TRANSACTION AND THE RIGHTS OFFER

The table below sets out the unaudited pro forma financial effects of the Transaction and the Rights Offer ("Financial Effects"). The Financial Effects have been prepared for illustrative purposes only, in order to provide information about how the Transaction and the Rights Offer might have affected Shareholders had the Transaction and Rights Offer been implemented on the dates indicated in the notes below.

The Financial Effects have been prepared using accounting policies that comply with International Financial Reporting Standards ("IFRS") and are consistent with those applied in the published audited results of Pan African for the year ended 30 June 2012.

	Before the Transaction and the Rights Offer  (1)	After the Transaction and before the Rights Offer  (2)	After the Rights Offer  (2)	Percentage Change
Basic earnings per share (pence)	2.02	6.69	5.32	163.4%
Diluted earnings per share (pence)	2.01	6.65	5.30	163.7%
Headline earnings per share (pence)	2.03	2.98	2.37	16.7%
Diluted headline earnings per share (pence)	2.02	2.96	2.36	16.8%
Net asset value per share (pence)	7.09	9.01	10.02	41.3%
Tangible net asset value per share (pence)	4.73	6.65	8.14	72.1%
Weighted average number of shares in issue	1 445 202 485	1 445 202 485	1 815 274 388	25.6%
Diluted number of shares in issue	1 453 287 941	1 453 287 941	1 823 359 844	25.5%
Number of shares in Issue	1 448 262 361	1 448 262 361	1 818 334 263	25.6%

Notes and assumptions:

1. Extracted from the audited annual financial statements of Pan African for the financial year ended 30 June 2012.
2. Prepared on the assumption that the Transaction and Rights Offer took place on 1 July 2011 for purposes of the pro forma statement of comprehensive income and on 30 June 2012 for purposes of the pro forma statement of financial position utilising the audited financial statements of Evander for the year ended 30 June 2012.
3. The Financial Effects have been prepared on the assumption that 370 071 902 Rights Offer Shares are issued at a price of R1.90 per share.
4. The Financial Effects incorporate the adjustments pertaining to a purchase price allocation exercise which has been completed in terms of IFRS 3.
5. An exchange rate as at 30 June 2012 of 12.91 ZAR/£ was utilised for purposes of the statement of financial position and an average exchange rate for the financial year ended 30 June 2012 of 12.27 ZAR/£ for purposes of the statement of comprehensive income.
6. The unaudited pro forma statement of comprehensive income and statement of financial position incorporating the pro forma financial effects of the Transaction and the Rights Offer are included in Annexure 5 of the Circular.
7. Due to their nature, the Financial Effects may not fairly present the financial position or the effect on earnings of Pan African after the Transaction and the Rights Offer. The preparation of the Financial Effects is the responsibility of the directors of Pan African.

3. FUNDING THE TRANSACTION

Payment of the Purchase Consideration, as reduced by the R50 million break fee which has been paid in full, shall be effected in two parts:

- \* first, through the payment of a deposit of R950 million ("Deposit") within 10 business days of the fulfilment or waiver of all the conditions precedent to the Transaction other than the condition relating to 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 No.28 of 2002 ("Ministerial Consent") by no later than 30 June 2013; and
- \* secondly, through the payment of R500 million on the date that the Ministerial Consent is obtained ("Closing Date").

In accordance with the Agreement, all the profits generated by Evander from 1 April 2012 have accrued for the benefit of Pan African.

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

- \* the Rights Offer;
- \* 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
- \* third party debt financing ("Debt Financing").

### 3.1 Rights Offer

Following a detailed financial review of the various sources of financing available to Pan African for purposes of the acquisition, the board of directors of Pan African ("Board") has resolved to raise approximately R703 million through the issue of new Pan African ordinary shares ("Rights Offer Shares") by way of a Rights Offer.

The Rights Offer will be effected in the ratio of 25.5 Rights Offer Shares for every 100 Pan African ordinary shares held at a price of R1.90 per Rights Offer Share. To the extent permitted, Shareholders recorded on the Company's UK register of members will be required to subscribe for Rights Offer Shares in Pound Sterling ("GBP"). The GBP price will be finalised closer to the Rights Offer opening date and shall be calculated using prevailing and forward Rand/GBP exchange rates.

All ordinary Shareholders recorded on Pan African's register of members on the record date of the Rights Offer, save for those in certain excluded territories, will be entitled to participate in the Rights Offer and to apply for excess shares (being Rights Offer Shares in excess of a Shareholder's pro rata entitlement to Rights Offer Shares).

The opening of the Rights Offer is subject to Shareholders voting in favour of the requisite resolutions to implement the Transaction and the Rights Offer at the General Meeting as well as regulatory approval of documentation relating to the Rights Offer. At the time of finalising the Circular, Pan African had received irrevocable undertakings (representing 54.1% of Pan African shares in issue) from certain Shareholders to vote in favour of the resolutions to be proposed at the General Meeting, in respect of Pan African shares under their control at the date of the General Meeting. It is important for Shareholders to note that all the resolutions pertaining to the Transaction and the Rights Offer are required to be approved in order to allow the Company to fulfil the conditions precedent to the Transaction. Therefore, in the event that the resolutions pertaining to the implementation of the Rights Offer are not passed, the Company shall be unable to proceed with the implementation of the Transaction and vice versa.

Subject to the requisite Shareholder and regulatory approvals being obtained, it is intended that the Rights Offer will open in early December 2012 and close in mid-January 2013. The principal dates and times of the Rights Offer, which may be adjusted if required, are expected to be as follows:

Event	2012/2013
Finalisation announcement confirming the dates of the Rights Offer published	30 November
Prospectus relating to the Rights Offer published on or after	30 November
Record date to participate in the Rights Offer	14 December
Last day to participate in the Rights Offer	11 January
Rights Offer Shares issued to Shareholders	14 January

As more fully detailed in the Announcements, Pan African has obtained commitments from various Shareholders to subscribe for Rights Offer Shares in the approximate amount of R700 million ("Subscription Undertakings") thereby ensuring its full subscription and securing the equity funding necessary for the implementation of the Transaction.

Further details pertaining to the Rights Offer, including the salient dates and times, will be published by the Company by the end of November 2012.

### 3.2 Cash Reserves

As at 31 October 2012, Pan African had available cash resources in the amount of approximately R270 million, a portion of which may be utilised for purposes of partially settling the Purchase Consideration. Cash generated from Pan African's Barberton Mines and Phoenix Platinum operations up until the Closing Date may also be utilised to partially settle the Purchase Consideration.

The Purchase Consideration and the Deposit shall be reduced by, inter alia, any distributions made by Evander before the Closing Date thereby potentially allowing for the cash resources of Evander to also be utilised to settle a portion of the Purchase Consideration and / or the Deposit. Evander currently has available cash resources of approximately R200 million.

The Group therefore has close to R500 million in cash to fund part of the Transaction.

### 3.3 Debt Financing

Pan African currently has an unutilised R300 million revolving credit facility with Nedbank Limited in place ("Current Facility") at Barberton Mines. Furthermore, Pan African has executed a term sheet pursuant to which a new R600 million revolving credit facility ("New Facility") is being arranged for the Pan African group to replace the Current Facility. It is intended that the New Facility shall be available for draw-down from the Closing Date. The terms of the New Facility are considered usual for facilities of this nature.

The amount to be drawn down from the New Facility to contribute to settling a portion of the Purchase Consideration will vary according to the timing of the Closing Date. Based on the current projections the amount to be drawn from the New Facility is estimated to be approximately between R200 million and R300 million.

### 3.4 Sufficiency of Funding

The Company is of the opinion that further to the Rights Offer, Cash Reserves and the Debt Financing, the Pan African group will have sufficient funding available to it for purposes of settling the Purchase Consideration in full.

## 4. CONDITIONS PRECEDENT

As previously announced, the Transaction remains subject to the following conditions precedent:

- \* Evander entering into a new electricity supply agreement with Eskom on terms and conditions acceptable to Pan African ("Eskom Agreement");
- \* Shareholder and regulatory approval ("Shareholder and Regulatory Approval") by no later than 30 November 2012; and
- \* the Ministerial Consent which is required to be obtained by no later than 30 June 2013.

The parties to the Agreement have agreed to extend the date for fulfilment of the conditions precedent pertaining to the Eskom Agreement (with an additional right for Pan African to waive this condition precedent) and Shareholder and Regulatory Approval to 30 November 2012.

## 5. FURTHER CAUTIONARY ANNOUNCEMENT

Shareholders are advised that certain information pertaining to the disposal of the Manica Gold Project by Pan African remains unpublished and 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 in this regard is published.

7 November 2012

Johannesburg

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