

# 'We are mining for a future'

## The aim is to balance financial and business goals with human ones

By LYNETTE DICEY

● Quality assets, a focus on delivery and a track record of successful project execution have positioned Pan African Resources, a mid-tier African miner with a production capacity of up to 200,000 ounces of gold a year, as one of SA's high-margin gold miners.

The company's assets include the Barberton Mines complex, one of the oldest and richest working gold mines globally, as well as modern, highly automated tailings re-treatment plants, the flagship being Elikhulu, ("The Big One" in Zulu) at Evander Gold Mine. Pan African Resources owns and operates a portfolio of high-quality, low-cost operations and projects in SA.

Its gold production is evenly weighted between surface and underground operations, providing a diversified portfolio with production agility and flexibility. Its assets also have significant organic growth and value-appreciation potential.

The company recently announced another strong set of year-end results despite the Covid-19 lockdown, which it estimates cost it about R300m in lost revenue.

The group significantly reduced its net debt by more than 41% and generated after-tax profit and headline earnings of \$44.3m and \$44.2m respectively over the year to June 30. While earnings for the most recent reporting period were adversely affected by the pandemic and lockdown, this impact was largely offset by the increase in the price of gold and the group's ability to ramp up gold production when lockdown restrictions ended.

Conceding that the rise in the gold price was fortuitous and that it certainly bolstered the company's performance, Pan African Resources CEO Cobus Loots says increased and safe production – well above earlier revised estimates – was the real achievement.

At a time when many businesses have restricted further capital projects, Pan African Resources is one of the few groups forging ahead



Pan African Resources CEO Cobus Loots.

with local investments, which include development of its brownfield, low-cost Egoli project at Evander Mines. The project's payback time is estimated to be at less than five years from the beginning of construction, according to an independent feasibility study.

The group recently announced the discovery of a high-grade zone of gold mineralisation at its New Consort underground mine near Barberton, as a result of its continuing exploration activities.

Other investments related to environmental, social and governance (ESG) issues include a 10MW renewable energy solar photovoltaic plant at Elikhulu, which will further reduce production costs, as well as a large-scale agriculture project at Barberton Mines to create employment opportunities for local communities.

There is growing acknowledgement of the importance of ESG issues both from mining companies and investors.

The PwC "SA Mine 2020" report identifies four key ESG areas that should be top of mind for any company: supply chain re-

silience, measuring impact, climate-related risks and resource efficiency.

Luyanda Mngadi, "SA Mine 2020" project leader, says that while mining companies are often at the forefront of ESG efforts they are weak on their reporting when it comes to setting targets and measuring themselves.

Loots says ESG is a big focus area for Pan African Resources, as it is for most mining companies, but agrees that the industry needs to articulate its achievements in this area to better demonstrate its sustainability to investors.

"We're doing our best to go beyond the required regulation to make our business more sustainable," he says.

"Mining is sometimes still perceived as an archaic industry, which is not the case. At Pan African, we are 'Mining for a Future'."

The company very quickly put protocols and procedures in place to deal with the regulations required as a result of the Covid-19 pandemic, which allowed it to keep operating. Loots points out that the mining industry is geared towards dealing with communicable diseases and has a history of treating health and safety as top priorities.

The company's success, he maintains, is a combination of quality assets, a committed team of people, a culture of accountability, and agility. "We're not a traditional mining house, but rather a group of people united around a common purpose and values, balancing financial and business goals with human goals," he says.

"Efficiencies will never be at the cost of communities or the environment. And while we strive for profits and returns to shareholders, this will never compromise on the safety of our people."

The company recently revealed its new logo. It features a honey badger – chosen, says Loots, because of its resilience and its hard-working and aggressive character despite its relatively small stature, which personifies the company's pan-African character while also giving a nod to its forward-focused approach.

Loots is optimistic about the future for the company: it plans to be debt-free by the end of the 2021 year. And, with a unique value proposition that includes surface re-mining with underground operations, long-life assets, a highly cash-generative business and near-term growth potential, it is well positioned for the years ahead.

9

## Business Times TOP 100 COMPANIES

### Pan African Resources

Share price, daily (cents)

September 2015: R10,000

August 2020: R42,619



Graphic: Ruby-Gay Martin