

Pan African Resources PLC

(Incorporated and registered in England and Wales under Companies Act 1985 with registered number 3937466 on 25 February 2000)

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(Pan African or the Company)

PAN AFRICAN ENTERS INTO CONDITIONAL AGREEMENTS TO ACQUIRE TAILINGS RETREATMENT PROJECTS

1. INTRODUCTION AND STRATEGIC RATIONALE

Pan African is pleased to announce that the Company has entered into conditional sale-of-shares agreements (Sale Agreements) to acquire the total share capital and associated shareholder loans and other claims of Mogale Gold Proprietary Limited (Mogale Gold) and Mintails SA Soweto Cluster Proprietary Limited (MSC), (collectively, the Proposed Transactions). Both Mogale Gold and MSC are 100% owned by Mintails Mining SA Proprietary Limited (Mintails SA), which was placed in provisional liquidation during 2018.

The aggregate cash consideration for the Proposed Transactions will be a maximum of ZAR50.0 million (approximately \$3.1 million).

The combined Mineral Resources of Mogale Gold and MSC comprise historic tailings storage facilities (TSFs) that contain an estimated 243Mt of tailings with an in-situ grade of 0.30g/t gold, for an estimated gold content of 2.36Moz of gold, constituted as follows:

- The Mogale Gold TSFs, which comprise various individual dams, containing an estimated 123Mt of re-mineable material at a head grade of 0.29g/t, for an estimated content of 1.16Moz of gold; and
- The MSC TSFs which comprise nine separate facilities with resources of 119Mt at 0.31g/t, containing an estimated gold content of 1.20Moz.

Pan African has successfully executed on its strategy of producing gold safely from low-cost operations and diversifying its operations to include both underground and low-risk surface operations.

Pan African and its subsidiaries have a proven track record of successfully commissioning and operating tailings retreatment projects, as demonstrated by the Barberton tailings re-treatment plant, the Evander tailings re-treatment plant and most recently its flagship Elikhulu operation.

The Proposed Transactions are conditional on due diligence and feasibility studies over a period of six to nine months (to Pan African's sole and absolute satisfaction) and other conditions precedent typical for a transaction of this nature, including, *inter-alia*, consent for the transfer of the mining right by the Department of Mineral Resources and Energy (DMRE), approval from the South African Competition Commission authorities if applicable, and approval for the provisional liquidators to implement the Proposed Transactions.

Cobus Loots, Pan African's CEO, commented: *"The opportunity to acquire these surface resources complements our strategy of focusing on safe, low cost gold mining opportunities, with the potential to further grow our business by developing projects that meet our stringent investment criteria"*.

2. BACKGROUND AND HISTORY OF THE ENTITIES TO BE ACQUIRED

The provisional liquidation of Mintails SA has resulted in an opportunity for Pan African to acquire gold tailings Mineral Resources not previously retreated. As part of the due diligence examination and planned feasibility work, Pan African will evaluate the merits of constructing a large-scale tailings retreatment operation, similar to its Elikhulu operation at Evander.

Details of the legal entities to be acquired under the Proposed Transactions are as follows:

- Mogale Gold - the holding company of the TSFs located on the West Rand in South Africa; and
- MSC – the holding company of the TSFs located within the Soweto cluster in South Africa.

The Mineral Resources of Mogale Gold and MSC were declared as at 7 February 2013 and reported according to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) of 2004 by Mr Peter Camden-Smith, a South African Council for Natural Scientific Professions registered geologist (Registration No. 400078/94 – Management Enterprise Building, Mark Shuttleworth Street, Innovation Hub, Pretoria, South Africa), who acted as the Competent Person for this declaration. Mr Peter Camden-Smith is the owner of an independent geological consultancy firm, Camden Geoserve, based in Boksburg, Gauteng province, South Africa (www.geoserveafrica.com) and was appointed as an independent consultant by Mintails SA for the declaration of the Mineral Resources at the time. Mintails SA has publicly reported these Mineral Resources in its annual Mineral Resources and Mineral Reserves declaration. It is assumed that no significant mining has taken place on these TSF dams since the time of that report due to the effective date of the provisional liquidation. The due diligence will aim to confirm and update the 7 February 2013 Mineral Resource declaration.

3. DETAILS OF THE PROPOSED TRANSACTIONS

Key commercial terms and conditions of the Sale Agreements include the following:

- The acquisition of Mogale Gold, inclusive of the assets, surface rights permits, deposition rights, mining right, water use licence, rehabilitation liabilities and shareholder loans for a cash consideration of ZAR37.5 million (approximately \$2.3 million at an exchange rate of US\$/ZAR:16.25);
- The acquisition of MSC, inclusive of its assets, rehabilitation liabilities and shareholder loans for a cash consideration of ZAR12.5 million (approximately \$0.8 million at an exchange rate of US\$/ZAR:16.25);
- Pan African is afforded a six-month period (with a three-month extension option) for purposes of conducting a due diligence to its sole and absolute satisfaction;
- The Mogale Gold transaction is subject to an approval by the DMRE in terms of Section 11 of the South African Mineral and Petroleum Resources Development Act for the transfer of the issued share capital of Mogale Gold to Pan African; and
- The Proposed Transactions are subject to other regulatory approvals typical for a transaction of this nature and of South African companies in provisional liquidation, including that the provisional liquidators of Mintails SA obtain the necessary approval from the Master of the South African High Court to implement the Proposed Transactions.

The Sale Agreements are not inter-conditional, and Pan African can accordingly acquire either Mogale Gold and/or MSC, at its sole discretion.

The Proposed Transactions are subject to the fulfilment and/or waiver, where appropriate, of the relevant conditions precedent which are to be fulfilled by no later than 5 November 2021, failing which, the Proposed Transactions will be terminated.

The effective date of the Proposed Transactions is expected to be the date by which all conditions precedent have been fulfilled.

4. CATEGORISATION OF PROPOSED TRANSACTIONS

The Proposed Transactions are, separately and collectively, uncategorised transactions and do not involve any related parties in terms of the JSE Listings Requirements or the AIM Rules for Companies and are therefore not subject to shareholder approval.

Rosebank

6 November 2020

Certain information communicated in this announcement was, prior to its publication, inside information for the purposes of Article 7 of Regulation 596/2014.

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

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