

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

Pan African Resources Funding Company Limited  
Incorporated in the Republic of South Africa with limited liability  
Registration number: 2012/021237/06  
Alpha code: PARI

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## PROPOSED CAPITAL REDUCTION AND NOTICE OF GENERAL MEETING

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### **Notice of general meeting**

Notice is hereby given that a General Meeting of Shareholders (General Meeting) will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on Monday, 10 June 2024 at 10:00 (all references to time in this notice is United Kingdom time, unless otherwise stated).

Shareholders are advised that the notice of General Meeting and circular will be distributed to shareholders on Friday, 24 May 2024.

The circular provides information, in respect of a capital reduction to enable the Company to pay future dividends, address the payment of certain past distributions by the Company by way of dividends, and in respect of certain share buy backs as well as the resultant related party transactions. The Company now understands that these past distributions have apparently been paid otherwise than in accordance with the Companies Act 2006. A copy of the notice of General Meeting and circular are also available at: <https://www.panafricanresources.com/investors/shareholder-announcements/>

The chairman's letter has been extracted from the circular and is set out at the end of this announcement. The defined terms used in the chairman's letter shall have the same meaning as set out in the circular.

### **Salient dates relevant to the General Meeting**

Record date for receipt of the Circular	Tuesday, 21 May 2024
Last day to trade on the JSE in order to vote at the General Meeting	Monday, 3 June 2024
Last day to trade on the LSE in order to vote at the General Meeting	Tuesday, 4 June 2024
Record date for purposes of voting at the General Meeting	Thursday, 6 June 2024
Latest time and date for receipt of Forms of Proxy for the General Meeting	10.00 (London time) a.m. on Thursday, 6 June 2024
General Meeting	10.00 (London time) a.m. on Monday, 10 June 2024

Expected date of initial directions hearing of the Court	Friday, 21 June 2024
Expected date of Court Hearing to confirm the Capital Reduction	Tuesday, 2 July 2024
Expected effective date for the Capital Reduction	Wednesday, 3 July 2024

## Notes

1. The expected dates for the confirmation of the Capital Reduction by the Court and the Capital Reduction becoming effective are based on provisional dates that have been obtained for the required Court hearings of the Company's application. These provisional hearing dates are subject to change and dependent on the Court's timetable.
2. The timetable assumes that there is no adjournment of the General Meeting. If there is an adjournment, all subsequent dates are likely to be adjusted accordingly.

Johannesburg  
24 May 2024

For further information on Pan African, please visit the Company's website at:  
[www.panafricanresources.com](http://www.panafricanresources.com)

<b>Corporate information</b>	
<b>Corporate office</b> The Firs Building 2nd Floor, Office 204 Cnr. Cradock and Biermann Avenues Rosebank, Johannesburg South Africa Office: + 27 (0)11 243 2900 <a href="mailto:info@paf.co.za">info@paf.co.za</a>	<b>Registered office</b> 2 <sup>nd</sup> Floor 107 Cheapside London EC2V 6DN United Kingdom Office: + 44 (0)20 7796 8644 <a href="mailto:info@paf.co.za">info@paf.co.za</a>
<b>Chief executive officer</b> Cobus Loots Office: + 27 (0)11 243 2900	<b>Financial director and debt officer</b> Deon Louw Office: + 27 (0)11 243 2900
<b>Head: Investor relations</b> Hethen Hira Tel: + 27 (0)11 243 2900 E-mail: <a href="mailto:hhira@paf.co.za">hhira@paf.co.za</a>	Website: <a href="http://www.panafricanresources.com">www.panafricanresources.com</a>
<b>Company secretary</b> Jane Kirton <b>St James's Corporate Services Limited</b> Office: + 44 (0)20 7796 8644	<b>Nominated adviser and joint broker</b> Ross Allister/Georgia Langoulant <b>Peel Hunt LLP</b>

	Office: +44 (0)20 7418 8900
<b>JSE Sponsor and JSE debt sponsor</b> Ciska Kloppers <b>Questco Corporate Advisory Proprietary Limited</b> Office: + 27 (0) <a href="tel:+270110119200">11 011 9200</a>	<b>Joint broker</b> Thomas Rider/Nick Macann <b>BMO Capital Markets Limited</b> Office: +44 (0)20 7236 1010
	<b>Joint broker</b> Matthew Armitt/Jennifer Lee <b>Joh. Berenberg, Gossler &amp; Co KG</b> Office: +44 (0)20 3207 7800

The chairman's letter (which is dated 24 May 2024) extracted from the circular reads as follows:

"Dear Shareholder,

**PROPOSED CAPITAL REDUCTION**  
**and**  
**PROPOSED RECTIFICATION OF RELEVANT DIVIDENDS**  
**and**  
**RELATED PARTY TRANSACTIONS**  
**and**  
**NOTICE OF GENERAL MEETING**

**1. Introduction**

I am writing to provide you with details of a proposal to maintain the Company's ability to return value to Shareholders in the future by way of dividends and to address the payment of certain past distributions made by the Company by way of dividend and payments in respect of certain share buy backs, that have now understood to have been paid otherwise than in accordance with the Companies Act 2006.

This document also provides the details of a General Meeting that will be held at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG at 10.00 a.m. (London time) on Monday, 10 June 2024 to consider the Resolution that will be put to Shareholders for approval.

The purpose of this document is to provide you with information about the Capital Reduction, the proposed rectification of Relevant Distributions and the related party transactions and to explain why the Board considers the Resolution to be in the best interests of the Company and its Shareholders as a whole and unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting.

Given the interests of the Board in the Directors' Deed of Release (and therefore the Resolution), and as required by the AIM Rules, the Board are not considered to be independent in relation to the Directors' Deed of Release or the Resolution and the Board therefore cannot provide the opinion required by Rule 13 of the AIM Rules as to the fairness and reasonableness of the Directors' Deed of Release and the Resolution. Accordingly, Peel Hunt (as the nominated adviser of the Company) has confirmed that the Directors' Deed of Release and the Resolution are fair and reasonable insofar as the Shareholders are concerned and recommends that Shareholders vote in favour of the Resolution.

For the avoidance of doubt, the Proposals do not constitute a related party transaction in accordance with the JSE Listings Requirements.

Shareholders should note that, unless the Resolution is approved at the General Meeting and the Court subsequently confirms the Capital Reduction:

- A) the Capital Reduction will not take effect; and
- B) the declaration and making of distributions otherwise than in accordance with the Act will not be rectified.

**If the Resolution is not approved, then the Company will retain a potential right to make claims against the Recipient Shareholders for recovery of the payment of the Relevant Distributions. There is no certainty that judgment would be successfully obtained by the Company against the Recipient Shareholders or that any amount could be recovered if the Company sought to pursue these potential claims.**

**If the Resolution is not approved, then the Company has a potential right to bring claims against the Relevant Directors in relation to the payment of the Relevant Distributions. There is no certainty that judgment would be successfully obtained by the Company against the Relevant Directors or that any amount could be recovered if the Company sought to pursue these potential claims.**

Part II of this document contains definitions of words and terms that have been used throughout it. Please refer to Part II as you review this document.

## **2. Background to, and reasons for, the Capital Reduction**

The Group is an African-focused gold producer with a production capacity in excess of 200,000 ounces of gold per annum. It owns and operates a portfolio of high-quality, low-cost operations and projects, which are located in South Africa. Accordingly, all of the Group's revenue arises from trading in South Africa, and so the day to day accounting of the Company and the Group is recorded in ZAR. In other words, the Functional Currency of the Company and the Group is ZAR. The trading of the Group in the years ended 30 June 2019, 2020, 2021, 2022 and 2023 were profitable in ZAR terms.

The Board considers the Group to be mid-tier gold producer. The Presentation Currency of other similar gold-producing groups is US\$ and so, in order to ensure that the Group can easily be compared to those other similar gold-producing groups, US\$ was chosen to be the Presentation Currency of the Company and the Group. The first audited accounts of the Company and the Group where the Presentation Currency was US\$ was the audited accounts for the year ended 30 June 2019.

The Act requires that a public limited company must satisfy certain criteria in order to be able to declare and pay a dividend. Not only must a public limited company have distributable profits, but the Act also provides that a public limited company may only pay a dividend if it can satisfy the Net Assets Test. The Company paid the dividends set out in paragraph 3 below in respect of the years ended 30 June 2019, 2020, 2021, 2022 and 2023. Those dividends amount, in aggregate, to US\$93,384,863 (the "**Relevant Dividends**").

A company may only acquire its own shares when the purchase price for such acquisition is paid out of profits available for distribution (as determined in accordance with the Act) or out of the proceeds of a fresh issue of shares for that purpose. The determination of the level of distributable profits for the purchase of an own share acquisition engages the same principles as dividends, including a need to satisfy the Net Assets Test. With the Buy Backs, the Company acquired its own shares in the period 1 April and 9 May 2022. Insofar as there were not profits available for distribution, the payments made for those shares would be characterised as distributions made by the Company to the benefit of those shareholders. The total sums paid out by the Company in respect of the Buy Backs were ZAR 50.3 million. Further details of the Buy Backs are set out in paragraph 4 of Part IV of this document.

It has come to the attention of the Company that the Technical Release clarifies that the Net Assets Test is required to be performed on the Presentation Currency amounts (not the Functional Currency amounts). Since 2019, when the presentation currency was changed to the US Dollar, the Rand has depreciated by 34% over the five years ending 30 June 2023. The translation of the Company's accounts from the Functional Currency to the Presentation Currency resulted in the Foreign Currency Translation Reserve which, as at 30 June 2023 stood at US\$171,045,970 and exceeded the Company's retained income of US\$ 47,238,936. It has also come to the attention of the Company that the Foreign Currency Translation Reserve does not form part of the Company's undistributable reserves, despite it being unrealised in nature, and so cannot be included as undistributable reserves when carrying out the Net Assets Test. As explained in paragraph 1.3 of Part IV of this document, the Company should not have made the Relevant Distributions because doing so breached the Net Assets Test, as interpreted by the Technical Release, and so the Relevant Distributions were not in accordance with the Act.

Under the Act, a company may, with the sanction of a special resolution passed by its shareholders and confirmation of the Court, reduce or cancel its share capital, share premium account, and other reserves. It may then apply the sums resulting from such reduction to its distributable reserves. These sums may then be treated as distributable for the purposes of making future returns to Shareholders.

The Company has at 30 June 2023, a Share Premium Account standing to the credit of US\$235,063,183

The Act requires that if a company issues shares at a premium to the nominal value of those shares for cash or otherwise, a sum equal to the aggregate amount or value of the premiums must be transferred to the company's share premium account. A share premium account can only be used in very limited circumstances. The Company intends to reduce the Share Premium Account in full.

The Share Premium Account is a statutory reserve in respect of which the Court has the power to sanction the reduction or cancellation.

The Capital Reduction, if approved, will provide the Company with the flexibility to continue with its existing progressive dividend policy and will allow the rectification of the Relevant Distributions which have been paid otherwise than in accordance with the Act as described in paragraphs 3 and 4 of Part IV of this document.

### 3. Payment of Relevant Distributions

Details of the Relevant Dividends are set out below:

Date and type of dividend payment (interim or final)	Amount per Ordinary Share in ZAR	Amount per Ordinary Share in pence	Amount per Ordinary Share in US cents	Exchange rate used to convert into US\$	Total aggregate amount of dividend paid in US\$
Final dividend in respect of the year ended 30 June 2019 – paid on 30 December 2019	ZAR 0.0223745	0.11725 pence	0.15179 US cents	£1 = ZAR 19.0825 US\$1 = ZAR 14.74	US\$3,399,049
Final dividend in respect of the year ended 30 June 2020 – paid on 15 December 2020	ZAR 0.14	0.68857 pence	0.92105 US cents	£1 = ZAR 20.3320 US\$1 = ZAR 15.20	US\$20,606,644
Final dividend in respect of the year ended 30 June 2021 – paid on 14 December 2021	ZAR 0.18	0.84954 pence	1.13924 US cents	£1 = ZAR 21.1880 US\$1 = ZAR 15.80	US\$24,984,084
Final dividend in respect of the year ended 30 June 2022 – paid on 13 December 2022	ZAR 0.18	0.86915 pence	1.05820 US cents	£1 = ZAR 20.71 US\$1 = ZAR 17.01	US\$23,168,220
Final dividend in respect of the year ended 30 June 2023 – paid on 12 December 2023	ZAR 0.18	0.76239 pence	0.95491 US cents	£1 = ZAR 23.61 US\$1 = ZAR 18.85	US\$21,226,866
<b>Total aggregate value</b>					<b>US\$93,384,863</b>

Part IV of this document sets out details of how the Relevant Dividends were paid otherwise than in accordance with the Act as well as the proposals for rectification.

Between 1 April and 9 May 2022, the Company repurchased (by making several purchases during the period) in aggregate 11,825,491 Ordinary Shares for a total consideration of ZAR 50.3 million (which was, at the time, equivalent to approximately £2.55 million and US\$ 3.222 million).

The consequence of the Relevant Distributions being made otherwise than in accordance with the Act is that the Company may have a claim against all shareholders (former or present) who received any such distribution (up to the maximum value of cumulative distributions received by each shareholder from the Relevant Distributions) as well as a claim against all Directors (former or present, individually or in aggregate) who approved the making of the Relevant Distributions, up to the total aggregate value of US\$93,384,863 in respect of the Relevant Dividends and in respect of US\$ 3.222 million (equivalent to approximately £2.55 million) in respect of the Buy Backs.

The Company has entered into the Shareholders' Deed of Release and the Directors' Deed of Release. The consequence of the entry into these deeds by the Company is that the Company will be unable to

make any claims against: (a) the Recipient Shareholders; and (b) the Relevant Directors, in each case in respect of the Relevant Distributions.

In addition, the Company has entered into the Peel Hunt Deed of Release with Peel Hunt and the RMB Morgan Stanley Deed of Release with RMB Morgan Stanley. Under the Peel Hunt Deed of Release, which is conditional upon the Capital Reduction becoming effective and the passing of the Resolution, the Company waived and released Peel Hunt from any and all claims which the Company has, or may have, in respect of the UK Buy Back and Peel Hunt waived and released the Company from any and all claims which Peel Hunt has, or may have, in respect of the UK Buy Back. Under the RMB Morgan Stanley Deed of Release, which is conditional upon the Capital Reduction becoming effective and the passing of the Resolution, pursuant to which the Company waived and released RMB Morgan Stanley from any and all claims which the Company has, or may have, in respect of the SA Buy Back and RMB Morgan Stanley waived and released the Company from any and all claims which RMB Morgan Stanley has, or may have, in respect of the SA Buy Back For further details please see paragraph 4 of Part IV of this document.

**The entry by the Company into the Directors' Deed of Release constituted a related party transaction (as defined in the AIM Rules). This is because each of the Relevant Directors (comprising persons who are, or were within the last 12 months, directors of the Company) is deemed to be a related party under the AIM Rules and they will be released from any liability to repay any amounts of the Relevant Distributions pursuant to the Directors' Deed of Release (as applicable).** Paragraph (e) of the Resolution will seek the specific approval of the Company's shareholders for the entry into the Directors' Deed of Release.

#### **4. Ensuring the Company complies with the Net Assets Test in the future**

The technical issues identified in paragraph 3 above and Part IV of this document in respect of the Relevant Distributions are of a historical nature and there is no change in the Company's financial position or its net asset value as a consequence.

The Company is considering a number of accounting approaches/strategies to ensure adequate distributable income (and the ability of the Company to comply with the Net Assets Test) in the future. Accordingly, we do not believe any further remedial action is required. For avoidance of doubt, the Company continues to deem its procedures, systems and controls to be sufficient to enable it to comply with its obligations under the AIM Rules, disclosure requirements, transparency rules and corporate governance rules, as well as its requirement to make timely and accurate disclosure to the market.

#### **5. The Capital Reduction**

As a result of the Company's stated desire to continue with its existing progressive dividend policy, and in order to rectify the Relevant Distributions made otherwise than in accordance with the Act, the Company must undertake the Capital Reduction to provide it with the necessary distributable reserves.

In addition to the approval by Shareholders of the cancellation of the share premium account, the reduction of capital requires the approval of the Court. Accordingly, following the General Meeting, an application will be made to the Court in order to confirm and approve the reduction of capital.

In providing its approval of the Capital Reduction, the Court may require measures to be put in place for the protection of creditors (including contingent creditors) of the Company whose debts remain outstanding on the relevant date, except in the case of creditors who have consented to the Capital Reduction. Shareholders should note that (although the Group has debt and creditors) the Company itself (which will be the entity considered by the Court) has no senior debt and only minor creditors for service providers to the Company are expected. Such creditor protection measures may include seeking the consent of the Company's creditors to the Capital Reduction or the provision by the Company to the Court of an undertaking to deposit a sum of money into a blocked account created for the purpose of discharging the non-consenting creditors of the Company or an undertaking to treat as undistributable for the time being certain sums representing the realisation of "hidden value" in the balance sheet as at the Effective Date.

It is anticipated that the initial directions hearing in relation to the Capital Reduction will take place on Friday, 21 June 2024, with the final Court Hearing taking place on Tuesday, 2 July 2024 and the Capital Reduction becoming effective on the following day, following the necessary registration of the Court Order at Companies House.

There will be no change in the number of Ordinary Shares in issue (or their nominal value) following the implementation of the Capital Reduction and no new share certificates will be issued as a result of the Capital Reduction. The Capital Reduction itself will not involve any distribution or repayment of capital or share premium by the Company and will not reduce the underlying net assets of the Company. The

distributable reserves arising on the Capital Reduction will, subject to the discharge of any undertakings required by the Court as explained above, support the Company's ability to pay dividends should circumstances in the future make it desirable to do so and the appropriation of profits to ratify relevant accounting entries.

Shareholders should note that if, for any reason, the Court declines to approve the Capital Reduction, the Capital Reduction will not take place. The Board reserves the right to abandon or to discontinue (in whole or in part) the application to the Court in the event that the Board considers that the terms on which the Capital Reduction would be (or would be likely to be) confirmed by the Court would not be in the best interests of the Company and/or its Shareholders as a whole. The Board has undertaken a thorough and extensive review of the Company's liabilities (including contingent liabilities) and considers that the Company will be able to satisfy the Court that there is no real likelihood that any creditor of the Company would be prejudiced by the Capital Reduction.

## **6. General Meeting and Resolution**

The Notice of General Meeting is set out in Part V of this document.

The General Meeting will take place at the offices of Fladgate LLP at 16 Great Queen Street, London WC2B 5DG at 10.00 a.m. (London time) on Monday, 10 June 2024. At the General Meeting, the Resolution set out in Part V of this document will be proposed to Shareholders.

The Resolution, which will be proposed as a special resolution, has five elements to it, each of which are summarised below:

- the first element is to approve, subject to confirmation of the Court, the cancellation of the Share Premium Account.
- the second element is, subject to the Capital Reduction becoming effective, to approve that distributable profits of the Company be appropriated to the relevant accounting periods during which the Relevant Distributions were declared and paid.
- the third element is to approve the release and waiver by the Company of any claims which it has or may have against either of the Brokers in respect of the Buy Backs (and the reciprocal release and waiver by each of the Brokers of any claims which either of them have or may have against the Company) in respect of the Buy Backs and to ratify and authorise the entry into the Brokers' Deeds of Release by the Company .
- the fourth element is to approve the release and waiver of all claims which the Company may have in respect of the Relevant Distributions against previous and current shareholders and their successors in title and to ratify and authorise the entry into the Shareholders' Deed of Release by the Company.
- the fifth element is to approve the release and waiver of all claims which the Company may have in respect of the Relevant Distributions against the directors (current and former and their personal representatives and successors in title) at the time of declaration and payment of each respective Relevant Distributions and to ratify and authorise the entry into the Directors' Deed of Release by the Company.

The Resolution (being a special resolution) will be passed if 75% or more of the votes cast (in person or by proxy) at the General Meeting are in favour of the Resolution.

## **7. Related Party Transactions**

Given the interests of each of the Directors in the Resolution it is not appropriate for the Board to provide a recommendation in this instance.

In lieu of any independent directors' recommendation in relation to the Resolution, in order to provide a statement as to what is fair and reasonable, and specifically due to all Directors being statutory directors at the time the Relevant Distributions were proposed and paid, Peel Hunt, in its capacity as Nominated Adviser to the Company for the purposes of the AIM Rules, considers that the Resolution (and specifically the entry by the Company into the Shareholders' Deed of Release and the Directors' Deed of Release) are fair and reasonable insofar as the shareholders of the Company are concerned.

## **8. Taxation position of UK shareholders**

The following comments are intended as a general guide only and relate only to certain UK tax consequences of the Reduction of Capital. The comments are based on current legislation and HM Revenue & Customs published practice, both of which are subject to change, possibly with retrospective effect. These comments deal only with Shareholders who are resident for taxation purposes in the UK,

who are the absolute beneficial owners of the Ordinary Shares and who hold them as an investment and not in a trading account (“**UK Shareholders**”). They do not deal with the position of certain classes of Shareholders, such as dealers in securities, insurance companies, collective investment schemes or persons regarded as having obtained their Ordinary Shares by reason of employment.

**Any Shareholder who has any doubt about their own taxation position, or who is subject to taxation in any jurisdiction other than the UK should consult their own professional taxation advisor immediately.**

#### *The Share Premium Reduction*

The Share Premium Reduction should not have any consequences for UK Shareholders for the purposes of UK taxation of chargeable gains (“**CGT**”), UK income tax or UK corporation tax.

#### *UK stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax will be payable on the Reduction of Capital.

### **9. Action to be taken in respect of the General Meeting**

Shareholders can appoint a proxy electronically using the link [www.signalshares.com](http://www.signalshares.com) – Details of how to appoint a proxy in this way are set out on pages 20 to 23 of this document. Details of how to complete, or request an additional, hard copy Form of Proxy are set out on pages 20 to 23 of this document. To be valid, a Form of Proxy must be returned as soon as possible and so as to be received by the Registrars by not later than 10.00 a.m. (London time) on Thursday, 6 June 2024.

The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting in person.

In accordance with current best practice and to ensure voting accurately reflects the views of Shareholders, it will be proposed at the General Meeting that voting on the Resolution will be conducted by poll vote rather than by a show of hands and the relevant procedures will be explained at the General Meeting.

**If the Resolution is not passed, the Company may continue to have claims against the Relevant Directors and Recipient Shareholders.**

### **10. Questions**

If you wish to ask a question relating to the business of the Company in advance, please submit your questions to [info@paf.co.za](mailto:info@paf.co.za) or [jane.kirton@corpserv.co.uk](mailto:jane.kirton@corpserv.co.uk), please include in your email: the shareholder’s full name, number of shares held and telephone contact details.

### **11. Recommendation**

The Board consider the Resolution to be in the best interests of the Company and its Shareholders as a whole and the Board unanimously recommend that you vote in favour of the Resolution to be proposed at the General Meeting.

**Given the interests of the Board in the Directors’ Deed of Release (and therefore the Resolution), and as required by the AIM Rules, the Board are not considered to be independent in relation to the Directors’ Deed of Release or the Resolution and the Board therefore cannot provide the opinion required by Rule 13 of the AIM Rules as to the fairness and reasonableness of the Directors’ Deed of Release and the Resolution. Accordingly, Peel Hunt (as the nominated adviser of the Company) has confirmed that the Directors’ Deed of Release and the Resolution is fair and reasonable insofar as the Shareholders are concerned and recommends that Shareholders vote in favour of the Resolution.**

In addition, the Directors have each undertaken to abstain, and to take all reasonable steps to ensure that their respective associates abstain, from voting on the Resolution. The aggregate shareholdings of the Directors are 14,488,695 Ordinary Shares representing approximately 0.76% of the Ordinary Shares in issue at the date of this document.

Yours faithfully

**Keith Spencer**  
Non-executive Chairman”



