

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 or the Group)

OPERATIONAL AND GROWTH PROJECTS UPDATE

Pan African is pleased to provide shareholders with an update on the Company's operations and growth projects.

HIGHLIGHTS

- FY 2021 production guidance increased to ca. 195,000oz of gold for the financial year ending 30 June 2021, exceeding the previous production guidance of ca. 190,000oz.
- The Group continues to maintain stringent policies and protocols to mitigate the effects of the ongoing COVID-19 pandemic on employees and operations.
- Production from Evander's 8 Shaft pillar has significantly improved in the 2nd half of the 2021 financial year, with average production of ca. 3,400oz per month, for the last three months. The 8 Shaft pillar has a remaining life in excess of 2 years, and is expected to produce ca. 80,000oz of gold during its remaining life of mine (**LoM**) (ca. 34,000oz per annum).
- As part of its continuous evaluation of the respective merits of its growth opportunities and capital expenditure priorities, the Group has completed an internal study into the extensive gold resources at the 24 level at Evander's Underground operations (**24 Level project**), with ca. 100,000oz recoverable, and accessible through the 8 Shaft number 2 decline. The 24 Level project will extend the LoM of Evander with a minimum of two and a half years.
- The independent fatal flaw analysis and subsequent concept study completed on the Mintails SA's tailings resources (**Mintails Transaction**) has yielded positive results. The initial phase of this project has the potential to produce some 533,000oz of gold over an estimated 12 year LoM at an AISC of ca. \$800/oz, according to the initial studies.
- In light of the positive concept study on the merits of the Mintails Transaction and the reassessment of the mining opportunity at the 24 Level project, the Group has reprioritised its capital expenditure programmes as follows:
 - o It will now implement a phased approach for the development of the Group's Egoli project, with significantly reduced upfront capital requirements, materially reducing the requirement to raise debt to fund this project in the ensuing years
 - o It will complete a pre-feasibility study (PFS) during the third quarter of the 2021 calendar year and a definitive feasibility study during the first quarter of the 2022 calendar year on the Mintails Transaction;
 - o It has commenced preparatory work for the mining of the 24 Level project
- Site clearance and procurement of major components for the Evander Mines' solar photovoltaic plant (**Evander Solar Plant**) has commenced and the project is on track for commissioning during the third calendar quarter of 2021.
- The Group expects to maintain a similar production level for the 2022 financial year.

Pan African CEO Cobus Loots commented:

“We are pleased with the robust operational performance for the year to date, and that we again expect to exceed our original full year production guidance.

We are encouraged by the outcome of the recently completed concept study for the Mintails Transaction, which confirms our initial assessment of the asset’s potential. Our team is now focussed on completing the pre-feasibility study early in our next financial year.

The Evander 8 Shaft pillar project is now performing in line with our expectations, and generating the anticipated returns on this capital investment.

We have re-evaluated our capital expenditure priorities following the receipt of the positive Mintails concept study and the 24 Level project study, resulting in a more phased approach for the development of the Egoli project. This approach will extend the life of Evander 8 shaft and reduce our reliance on debt funding for Egoli’s development, enabling the Group to maximise the value of our assets and also returns to our shareholder.

The successful completion of the Evander Solar Plant in the next months will pave the way for further renewable energy initiatives, so as to further reduce our carbon footprint and further increase operating margins”

INCREASED PRODUCTION GUIDANCE FOR 2021 FINANCIAL YEAR

The Group now expects to produce ca. 195,000oz for the 2021 financial year, representing an increase of 5,000oz relative to the previous production guidance of 190,000oz.

Based on current planning, the Group expects to maintain similar production levels for the 2022 financial year.

COVID-19 UPDATE

The Group remains vigilant in its efforts to prevent and mitigate the impact of the COVID-19 virus on its people and operations. It continues to diligently implement operating procedures and protocols and to monitor the impact of COVID-19 on our operations and surrounding communities.

UPDATE ON GROWTH PROJECTS

Mintails Transaction

1. Transaction background and rationale

As announced on 6 November 2020, Pan African 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 Mintails SA.

2. Initial fatal flaw analysis and concept study update

In January 2021, Pan African commissioned DRA Global to complete a fatal flaw analysis on Mintails SA's assets to be acquired which identified no fatal flaws on either the Mogale Gold or MSC assets.

Following the positive findings of the fatal flaw analysis, a concept study was conducted on the Mogale Gold assets, including a high-level financial evaluation. This study indicated an optimal tailing throughput feed of ca. 800,000 tonnes per month, with anticipated recoveries of ca. 53%. The anticipated upfront capital required of ca. ZAR1 000 million and ZAR1,700 million capital over the LoM will be confirmed during the next stage of the project planning.

The concept study did, however, identify areas that would require further evaluation during the pre-feasibility stage of the project, including:

- TSF deposition capacity constraints, which would require additional development to support the anticipated life of the project; and
- The availability of water sources in the area to supply the re-mining of the Mogale Gold or MSC assets.
- Additional confirmatory process test work to confirm gold recoveries.

Key inputs used in the concept study's financial evaluation include:

- Real discount rate post tax – 10.71%
- Gold price – US\$1,770/oz
- Exchange rate – US\$/ZAR14.50
- NPV – ZAR1,469 billion (US\$101.3 million at an exchange rate of US\$/ZAR: 14.50)
- RATIRR* – 42.8%
- Project capital – ZAR1,000 million (US\$68.9 million at an exchange rate of US\$/ZAR: 14.50)
- Expected LoM – 12 years
- Average annual production – 44,400oz

*Real after-tax internal rate of return

3. Future development

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.

A pre-feasibility study will be completed during the third quarter of the 2021 calendar year, and, if positive, will be progressed to a definitive feasibility study, expected to be completed during the first quarter of the 2022 calendar year.

EVANDER MINES UNDERGROUND STRATEGY

8 Shaft pillar

Following technical challenges experienced during the initial phases of the 8 Shaft pillar mining, production levels anticipated in the original feasibility study have now been achieved. This operation is expected to produce an average of 34,000 oz per year over its remaining LoM of two years and five months, measured from end of the 2021 financial year.

The Group reassesses the respective merits of its growth opportunities and its capital expenditure priorities on an ongoing basis. This process, together with the early-stage attraction of the Mintails Transaction, has resulted in the reappraisal of the current Egoli project development plan, as well as a re-evaluation of existing underground mining opportunities at Evander Mines' 24 level.

This capital expenditure reprioritisation is expected to result in improved cash returns and will require a substantially reduced capital outlay and commensurate reduced debt levels, when compared to the previous Egoli development plan.

The table below details the available Mineral Reserves and Resources as at 30 June 2020 (prepared in accordance with SAMREC Code), accessible through existing 8 Shaft infrastructure, at Evander's Underground operations.

Category	Tonnes	Grade (g/t)	Gold (kg)	Gold (oz)
Evander 8 Shaft Pillar				
Proved Mineral Reserves	342 068	9.83	3 362	108 000
Phase 1 (Evander 8 Shaft 24 level)				
Measured Mineral Resources*	301 788	10.46	3 158	101 523
(Possible Phase 2) (Evander 8 Shaft 25-26 level)				
Measured Mineral Resources	759 781	11.99	9 110	292 878
Indicated Mineral Resources	698 700	12.63	8 827	283 790
Inferred Mineral Resources	328 950	12.93	4 252	136 715
Egoli Project				
Proved Mineral Reserves	447 163	5.90	2 640	85 000
Probable Mineral Reserves	2 987 864	6.72	20 076	645 000
Total Mineral Inventory	5 866 315	8.77	51 424	1 652 907

*The Phase 1 Mineral Resources can be converted to a Proved Mineral Reserve at 30 June 2021.

8 Shaft decline

Following the cessation of deep level underground mining at Evander during May 2018, after a decline in the Rand gold price at the time, the Group has continued to maintain the infrastructure's integrity, to preserve the mineral resources, and conduct limited vamping operations.

As part of its medium-term capital deployment strategy, an internal technical and economic study, to assess merits of mining the number 2 decline on 24 Level project (Phase-1). This study will be followed by a Phase-2 study that will assess the merits of extending mining to 25 and 26 levels. Phase-2 will also be designed to utilise a proven on-reef mining layout, minimising waste and significantly reducing the time for ore body access development.

Phase-1 mining will extend Evander' 8 shaft production profile, post cessation of the 8 Shaft pillar mining, for an additional two and a half years and maintain annual production of approximately 34,000oz per year. The 24 Level project will result in a five-year life for the Evander 8 Shaft complex.

An integral component of the Phase-1 study was the identification of risk mitigating measures to address the major challenges previously encountered during the mining of the Kinross orebody and ensure economical extraction.

The principal challenges identified and the planned mitigation measures are outlined below:

Factors	Prior to 2018 curtailment of operations	Current Study mitigation measures
Low efficiencies	High temperatures due to inadequate refrigeration capacity	Installation of a new refrigeration plant at a capital investment of approximately ZAR170 million.
Ore and waste separation	Waste was previously hoisted to surface	Underground waste handling and storage facilities are to be installed at a capital investment of approximately ZAR60 million
Face time	Limited face time due to excessive underground travelling distances	Installation of a man carriage on 24 level
Labour intensive ore handling infrastructure	Production requirements entailed three shifts to operate on a continuous basis	Reduced tonnage profile requires only one shift to be manned to meet planned production targets

Key inputs used in the internal technical and financial assessment include:

- Real discount rate post tax – 10.71%
- Gold price – US\$1,770/oz
- Exchange rate – US\$/ZAR14.50
- NPV – ZAR126.1 million (US\$8.7 million at and exchange rate of US\$/ZAR: 14.50)
- RATIRR* – 26.6% (calculated based on Phase-1 cash flows only)
- Project capital required – ca. ZAR320 million, to be funded internally and from existing facilities

*Real after-tax internal rate of return

Egoli Project (Egoli)

Following the reprioritisation of the Group's capital expenditure programmes, a more phased approach for the development of the Egoli Project will be followed, concurrent with the 8 Shaft Phase-1 and possible Phase-2 developments at 24, 25 and 26 level, as described above.

Egoli's first phase development will entail the dewatering of the number 3 decline infrastructure to 19 level, where a drilling platform will be established to enable infill drilling, in order to finalise short-term mine planning.

The Egoli project's phased development approach and production profile will coincide with the depletion of the 24 Level mineral resources.

EVANDER MINES' SOLAR PHOTOVOLTAIC PLANT

During the first calendar quarter of 2021, the Group contracted with juwi Renewable Energies Proprietary Limited, to construct a 9,975MW solar photovoltaic plant at Evander Mines. Civil works and the procurement of major components have commenced and commissioning is anticipated in the third calendar quarter of 2021.

The solar photovoltaic plant will provide an estimated 30% of Elikhulu's power requirements, resulting in a reduction of fossil fuel-generated power and an expected annual CO₂ saving of more than 26,000t in the first full year of operation. A feasibility study for a similar solar photovoltaic plant at Barberton Mines is currently being undertaken as well as expanding the Evander plant currently being constructed to meet the Evander underground power requirements and to reduce the escalating cost of electricity.

COMPETENT PERSON

The competent person for Pan African Resources, Hendrik Pretorius, the manager for group mineral resource management, signs off the Mineral Resources and Mineral Reserves for the Group. He is a member of the South African Council for Natural Scientific Professions (SACNASP 400051/11 – Management Enterprise Building, Mark Shuttleworth Street, Innovation Hub, Pretoria, Gauteng Province, South Africa), as well as a member in good standing of the Geological Society of South Africa (GSSA – CSIR Mining Precinct, Corner Rustenburg and Carlow Roads, Melville, Gauteng Province, South Africa). Hendrik has 17 years' experience in economic geology and mineral resource management (MRM). He is based at The Firs Office Building, 2nd Floor, Office 204, Corner Cradock and Biermann Avenues, Rosebank, Johannesburg, South Africa. He holds a BSc (Hons) degree in Geology from the University of Johannesburg as well as a Graduate Diploma in Mining Engineering from the University of the Witwatersrand. Hendrik has reviewed, and approved, in writing the information contained in this document as it pertains to Mineral Resources and Mineral Reserves.

For more detail on the reported Mineral Resources and Mineral Reserves, the FY2020 annual Mineral Resource and Mineral Reserve Report is published on our website www.panafricanresources.com

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

Rosebank

21 May 2021

This announcement contains inside information.

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

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