

Pan African Resources PLC
(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 3937466 on 25 February 2000)
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(“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

OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

Pan African is pleased to provide shareholders and noteholders with an operational update for the six months ended 31 December 2022 (the “current reporting period”).

Key features for the current reporting period

Operational

- Gold production of 92,307oz (2021: 108,085oz), with operational results as follows:
 - Barberton Mines 32,022oz (2021: 39,991oz)
 - BTRP 10,012oz (2021: 9,126oz)
 - Elikhulu 25,830oz (2021: 25,900oz)
 - Evander Mines 24,443oz (2021: 33,068oz)
- Proactive journey to zero harm through a number of health and safety initiatives to address regression in underground mining safety rates
- Agreements with representative unions to restructure Barberton Mines underground operations as follows:
 - Consort Mine loss-making operations are to be converted to a contractor mining model, focussing on higher grade areas with reduced overheads, whilst development and exploration will continue to increase future mining flexibility and production; and
 - Fairview Mine and Sheba Mines operations are to be reconfigured to a continuous operations (24 hour) shift cycle with productivity expected to increase commensurately
- The Group maintains its full year production guidance of 195,000oz to 205,000oz, a level similar to that achieved in 2022

Financial

- Issue of an inaugural sustainability-linked bond of US\$47.3 million to assist in the funding of Pan African’s pipeline of growth projects, with Mintails being the preeminent project for development
- Payment of a net dividend of US\$20.0 million (2021: US\$21.6 million) in December 2022
- An increase in net senior debt by 108.8% to US\$49.9 million (2021: US\$23.9 million), primarily as a result of capital expenditure incurred on Pan African’s organic growth projects

Environmental, Social and Governance

- Average monthly cost savings of US\$145,000 achieved from Evander Mines 10MW renewable energy solar photovoltaic (PV) plant
- Site clearance completed for Barberton Mines 8MW solar PV plant, with construction scheduled to commence by June 2023
- Scheduling of further large renewable energy initiatives underway

Growth projects

- Mintails project construction expected to commence by June 2023
- Royal Sheba’s development plan to be finalised in the next months

Pan African CEO Cobus Loots commented:

“Reduced gold production over the past half year can primarily be attributed to the performance of the Barberton Mines underground operations. We believe that the concrete measures being implemented at this operation will result in a significant improvement during the second half of the financial year and in the years ahead. The balance of our portfolio delivered in line with expectations, despite disruptions to our electricity supply and inclement weather conditions impacting operations. At our Evander operation alone, electricity issues impacted production by approximately 5%, reinforcing our imperative to expand our renewable energy portfolio in the years ahead.” Given the improved production performance expected in the second half of the 2023 financial year, we are maintaining production guidance of 195,000oz to 205,000oz for the full year, subject to consistency in Eskom’s electricity supply.

Safety of our people and contractors remains our number one priority and we have implemented a number of programmes to address the regression in the safety performance at our underground operations.

We are encouraged by the progress made with the Group’s growth projects. The Mintails acquisition was concluded during October 2022 and the senior debt funding for the construction of the project is expected to be finalised in April 2023. This project’s definitive feasibility study (DFS) demonstrated compelling economics at a much lower gold price than the prevailing spot price, and this asset is expected to significantly increase Group gold production in the years ahead.

Pan African is committed in its resolve to continued value creation for its stakeholders by positioning the Group as a sustainable, safe, high-margin and long-life gold producer with an attractive pipeline of growth projects. We look forward to presenting our interim results on 15 February 2023, which will include further details on our operational and financial performance, progress with the Barberton restructuring initiatives and our growth projects.

Safety

The Group has regrettably seen a regression in the safety performance during the current reporting period at its underground operations, following an excellent record in the previous years. Pan African continues to focus on industry leading safety initiatives in its pursuit of a zero-harm working environment.

- The Group’s lost-time injury frequency rate (LTIFR) regressed to 2.54 (2021: 0.98) per million man hours
- The Group’s reportable injury frequency rate (RIFR) regressed to 1.34 (2021: 0.28) per million man hours
- Barberton Mines achieved an LTIFR of 1.88 (2021:1.02) and RIFR of 0.63 (2021: 0.20) per million man hours
- Elikhulu achieved excellent results with an improvement in both the LTIFR and RIFR to 1.28 (2021:1.50) and RIFR 0.00 (2021: 1.01) per million man hours
- Evander Mines underground operations achieved an LTIFR of 4.72 (2021: 0.65) and RIFR of 3.76 (2021: 0.00) per million man hours, with the majority of safety incidents attributable to new short term contractors

The Group is implementing the following initiatives to improve its safety performance in the second half of the 2023 financial year:

- Additional systems implemented to monitor contractor safety compliance
- Pre-emptive production stoppages, where safety protocols are re-enforced
- Strengthening of the on-site safety staff complement
- Third-party safety systems audit for both Barberton and Evander Mines in order to identify further areas for improvement

Group Production

Group production for the current reporting period decreased by 14.6% to 92,307oz (2021: 108,085oz), following the record gold production achieved in 2021. The gold production split per operation is as follows:

Operation	Six months ended 31 December 2021	Six months ended 31 December 2022	Guidance for six months to June 2023
Barberton Mines Underground	39,991	32,022	40,000 - 43,000
Barberton Tailings Retreatment Plant (BTRP)	9,126	10,012	10,000 - 12,000
Elikhulu	25,900	25,830	26,000 - 28,000
Evander Mines	33,068	24,443*	27,000 - 29,000

Underground and surface sources			
Total ounces produced	108,085	92,307	103,000 112,000

* Includes gold equivalent PGM ounces produced by Evander Gold Mines Osmiridium circuit

Barberton Mines

Barberton Mines has been in operation for over 130 years with a remaining life of mine in excess of 20 years, positioning this asset as a long-life operation within Pan African's portfolio.

Over the last years Barberton Mines has made good progress in increasing mining flexibility, with key initiatives including the following:

- Increased development rates at Fairview Mine, with up to five high grade mining platforms established on the MRC orebody and three platforms available on the Rossiter orebody
- Increased exploration drilling targeting further down-dip extensions to these platforms to improve reserve delineation
- Improving the production profile through decongesting existing infrastructure, including plans for optimising hoisting from a sub-vertical shaft, development and equipping the 4 Decline from 42 to 64 Level and investment in refrigeration to allow mining at deeper levels
- Optimising the mining method at Sheba Mine from long-hole stoping to up-dip mining for reduced dilution
- Focus on equipping the PC Shaft remnant blocks at Consort Mine to extract the high-grade ore between 41 and 44 Levels

Despite the improvements detailed above, the underground operations have experienced a number of headwinds in maintaining and increasing gold production, with challenges including the following:

- Above inflationary increases in labour and energy costs
- Increasing depth and underground travel times at Fairview Mine, reducing available face-time
- Depletion of the high-grade 42 Level block at Consort Mine

To mitigate these challenges, a detailed review of operations at Barberton was completed and following intensive engagement with stakeholders, including the representative employee unions, agreement has been reached to restructure the underground operations. Consort Mine is to be converted to a contractor mining operation, and both Fairview and Sheba Mines will implement a continuous operating cycle, whilst still allowing for ongoing maintenance and other support activities.

This conversion of Consort Mine will result in a more optimal operating model with a focus on the mining of high-grade areas and reduced overheads.

The shift cycle at Fairview and Sheba Mines will be changed to a continuous operations cycle during February 2023, with the following rationale:

- Work flow studies on the current shift cycle at Fairview Mine indicated actual face time of less than 3 hours, affecting the completion of a full mining cycle as a result of the extended travelling time to current production platforms
- Excess staff from Consort will be transferred to Fairview and Sheba to bolster the existing staff complement in order to meet the requirements of the new shift cycle, resulting in no large staff retrenchments
- The new continuous shift cycle is expected to result in an increase of approximately 20% in available face time, with a progressive commensurate increase in productivity
- The amended shift cycle will reduce overtime requirements, which in turn is expected to result in cost savings
- Increased development rates will improve mining flexibility in the future.

Negotiations with the unions to enable the conversion to a continuous operations cycle were concluded on 27 January 2023.

Future cost-saving and production improvement initiatives to be implemented in the near-term include:

- Commissioning of the 8MW solar PV renewable energy plant to reduce energy costs
- Optimised infrastructure plans to decongest ore flow and increase hoisting capacity to improve the production profile, including completion of Project Dibanisa development that will connect the underground infrastructure of Fairview and Sheba Mines
- Increase in exploration drilling to identify down-dip extensions to mining platforms and prove-up new exploration targets.

Processing of the 10,000t bulk sample from the Royal Sheba project at the Sheba and Consort metallurgical plants was completed. The bulk sample's actual grade was 1.22g/t relative to a planned grade of 0.5g/t, with recoveries of 84% relative to a planned recovery of 85%. A development plan for mining the Royal Sheba orebody will be provided together with the Group's interim results presentation on 15 February 2023.

Elikhulu tailings retreatment plant (Elikhulu)

Gold production from Elikhulu remained steady at 25,830oz (2021: 25,900oz) during the current reporting period, despite disruptions to electricity supply and inclement weather conditions during the November and December rainy season. A

Gold production from Elikhulu is expected to increase in the second half of the 2023 financial year, as material from the Leslie/Bracken tailings facility is retreated, following the installation of the 6km pipeline and successful commissioning of the pump station in September 2022.

Evander Mines 8 Shaft Pillar project (8 Shaft Pillar) and surface sources

Production from Evander Mines decreased by 26.1% to 24,443oz (2021: 33,068oz).

Underground production decreased by 29.8% to 19,173oz (2021: 27,312oz), despite an increase in processed tonnes of 6% to 73,946t (2021: 69,790t). The decrease in the 8 Shaft Pillar's production during the current reporting period was a result of:

- Normalisation of mining face grades to 8g/t (2021: 13g/t), in line with planned grades of 7g/t
- Reduced mining rates and face availability, which impacted ore tonnes delivered for processing, following depletion of the Mineral Reserves in accordance with geotechnical parameters for the safe extraction of the pillar.

Expected production from surface sources in the second half of the 2023 financial year is underpinned by the treatment of the Leslie TSF buttressing material, following the commencement of re-mining on the Leslie TSF facility.

Group net senior debt

The Group's net senior debt (comprising secured, interest-bearing debt, net of available cash) increased by 108.8% to US\$49.9 million (2021: US\$23.9 million). Relative to the 30 June 2022 financial year-end, Group net senior debt increased from US\$9.3 million, primarily as a result of capital expenditure in the first half of the financial year, and the cash outflow of US\$20.0 million (2021: US\$21.6 million), associated with the net rand dividend paid to shareholders in December 2022.

Mintails project progress

Following the positive DFS results for the re-mining of Mogale Gold's TSFs, the Group is in the process of completing optimisation and value engineering activities in preparation for construction, which is expected to commence by June 2023, subject to finalisation of funding and permitting. Funding for the construction of the project is expected to be finalised in April 2023. Concept engineering works on the Soweto cluster is also underway.

Further details on the Company's organic growth projects will be provided together with the Group's interim financial results for the current reporting period.

Sudan Exploration Project

The Group has successfully commissioned the first fire assay multi-element analytical laboratory within the Republic of Sudan. This laboratory will be used for the analyses of all of the Company's exploration samples being extracted from the Block 12 exploration concessions granted to Pan African by the Sudan Ministry of Mines.

An exploration team is currently active within Block 12A South and Block 12A North, conducting soil geochemistry and hard rock chip sampling programmes to further define the identified exploration anomalies. Initial assaying received from the exploration targets identified in the south-eastern corner of Block 12A South averaged 1.7g/t from 12 samples taken from quartz veins, rock debris and soil. However, some of the structures sampled indicated significantly higher gold mineralisation, with values ranging from 2.9g/t up to 9.4g/t Au. These structures will be further defined over the next 6 weeks as part of a confirmatory sampling programme. No Mineral Resources or Mineral Reserves are currently reported for any of the targets.

Interim results for the six months ended 31 December 2022

Pan African will announce its interim results on 15 February 2023.

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.

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

Rosebank

30 January 2023

For further information on Pan African, please visit the Company/s website at

www.panafricanresources.com

Corporate information

Corporate Office

The Firs Office Building
2nd Floor, Office 204
Cnr. Cradock and Biermann Avenues
Rosebank, Johannesburg
South Africa
Office: + 27 (0)11 243 2900
info@paf.co.za

Chief Executive Officer

Cobus Loots
Office: + 27 (0)11 243 2900
2900

Head: Investor Relations

Hethen Hira
Tel: + 27 (0)11 243 2900
E-mail: hhira@paf.co.za

Company Secretary

Jane Kirton
St James's Corporate Services Limited
Office: + 44 (0)20 7796 8644

JSE Sponsor

Ciska Klopers
Questco Corporate Advisory Proprietary Limited
Office: + 27 (0)11 011 9200

Registered Office

2nd floor
107 Cheapside
London
EC2V 6DN
United Kingdom
Office: + 44 (0)20 7796 8644
info@paf.co.za

Financial Director

Deon Louw
Office: + 27 (0)11 243 2900
Website: www.panafricanresources.com

Nominated Adviser and Joint Broker

Ross Allister/David McKeown
Peel Hunt LLP
Office: +44 (0)20 7418 8900

Joint Broker

Thomas Rider/Nick Macann
BMO Capital Markets Limited
Office: +44 (0)20 7236 1010

Joint Broker

Matthew Armit/Jennifer Lee
Joh. Berenberg, Gossler & Co KG (Berenberg)
Office: +44 (0)20 3207 7800