

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

REVISED PRODUCTION GUIDANCE FOR THE YEAR ENDING 30 JUNE 2023, OPERATIONAL UPDATE AND COMMENCEMENT OF MINTAILS PROJECT CONSTRUCTION

Pan African wishes to provide shareholders and noteholders with revised production guidance and an operational update for the financial year ending 30 June 2023 (current financial year). It is also pleased to announce the imminent commencement of the Mintails project s construction, with site clearance activities having commenced.

Group production guidance

- Production guidance for the current financial year reduced to approximately 175,000oz (previously 195,000oz to 205,000oz), primarily as a result of:
 - Challenges related to Eskom generated electricity supply, resulting in a production loss of approximately 10,000oz of gold
 - Slower than anticipated ramp-up of continuous operations at Barberton Mines, largely addressed as highlighted below
 - Lower than expected production from Evander Mines underground operations.
- Tailings operations at Barberton and Elikhulu are performing in line with expectations
- Group production guidance for the financial year ending 30 June 2024 of 178,000oz to 190,000oz, with a further production increase in the 2025 financial year, following the Mintails project s commissioning during the first half of this financial year.

Safety performance

- The Group regrets to report a fatal accident that occurred as a result of a fall of ground at Evander Mines in March 2023, following one million fatality free shifts achieved at the operation prior to the accident
- Despite this tragic setback, the Group expects an improvement in overall group safety rates for the full year compared to the first half of the current financial year as a result of the implementation of various initiatives to further improve its safety performance

Electricity supply

- The Group estimates a production loss of approximately 10,000oz for the current financial year as a result of issues related to Eskom generated electricity supply impacting all of the Group s operations
 - In addition to load curtailment, power outages and surges, difficulties related to transformers and other Eskom infrastructure contributed to production disruptions.
- As per the announcement released on 15 May 2023, Pan African is aggressively rolling out its renewable energy plans in order to mitigate the impact of this challenge.

Barberton Mines

- After a slower than anticipated ramp-up of continuous operations at Barberton Mines Fairview Mine and Sheba operations, the Group is pleased to report the following improvements in recent months:
 - A marked improvement in Fairview Mine s production tonnes has been noted. The average tonnes produced for the preceding three months to April 2023 have increased by more than 10% to approximately 9,100t per month, compared to an average of 8,100t per month in the first seven months of the current financial year. Projected tonnage is expected to further increase in excess of 5% in the remaining two months of the current financial year
 - Optimisation of mining methods at Sheba Mines MRC and ZK stopes, to reduce dilution and the increased availability of trackless mining machinery (TMM), has improved underground grade and production, with an increase in monthly production to approximately 8,700t per month during February to April 2023, compared to an average of 6,600t per month for the prior seven months. Projected tonnage is expected to further increase in excess of 10% in the remaining two months of the current financial year.
- Implementation of the Consort Mine contractor model has progressed slower than expected, with challenges encountered with the recruitment of skilled employees adversely affecting production. A full production ramp-up is expected during June 2023, with the operation returning to profitability thereafter.

Evander Mines underground operations

- Evander Mines underground operations have underperformed as a result of geological challenges due to faulting of the Kimberley Reef at the tail end of the 8 Shaft Pillar mining area, and a slower than anticipated transition to full production from 24 Level
 - Infrastructure development for 24 Level mining is progressing well, with the equipping of the ventilation shaft for hoisting to relieve the constraints currently being experienced with the conveyor belt system. This development is expected to be completed by the end of March 2024.

Mintails project

- The Group has been informed by the South African Department of Mineral Resources and Energy (DMRE) of the imminent issuing of the Mintails project s integrated environmental authorisation
- Commencement of plant construction is therefore expected in the next month, and ground clearing activities have commenced, with steady state production from the commissioned project expected by December 2024.

Financial

- The impact of the lower than expected gold production for the current financial year has been partially mitigated by the increased year to date rand gold price received of ZAR1,003,374/kg (2022: ZAR892,431/kg), relative to the prevailing gold price of approximately ZAR1,220,000/kg
- As a result of the reduced production guidance, the Group s all-in sustaining costs (AISC) for the current financial year is now

expected to be between US\$1,325/oz and US\$1,350/oz, at an average exchange rate of ZAR:US\$ 17.70

- Net senior debt (comprising secured, interest bearing debt, net of available cash) is expected to decrease to between US\$25 to US\$35 million at the end of the current financial year, relative to US\$49.9 million at the end of the six month period, ended 31 December 2022. This decrease is despite project expenditure of US\$10.4 million already being incurred during the current financial year on the Mintails project
- With manageable group debt levels and the Mintails project's funding secured, the group is well positioned to continue making cash distributions to shareholders in the future.

Pan African CEO Cobus Loots commented:

"The safety of our people and contractors remains our number one priority and we continue to implement a number of programmes to further improve the safety performance at our operations. We are deeply saddened by the fatal accident that occurred at Evander Mines as a result of a fall of ground incident.

Whilst we are disappointed with the production performance of our underground operations for the current financial year, the turnaround at Barberton Mines is now evident, especially in the past two months, following a longer than anticipated ramp-up after the implementation of continuous operations at Fairview Mine and Sheba Mine and implementation of the contractor mining model at Consort Mine. Barberton Mines underground production tonnes have demonstrated a notable increase during the past two months, with further increases expected during the remainder of the current financial year. Implementation of the contractor mining model at Consort Mine is also bearing fruit and the operation is expected to return to profitability in the short term.

Pan African is leading the way in terms of rolling out renewable energy projects and reducing our dependency on Eskom. In the coming years, we believe this strategy will greatly benefit all of our stakeholders.

The development of the 24 Level project at Evander Mines is progressing well, with crews redeployed to the 24 Level area as the 8 Shaft pillar mining nears completion. Improved mining flexibility, together with the other initiatives being implemented to ensure that infrastructure availability is optimised, will ensure sustainable production from this long life underground operation.

Ground clearing at the Mintails project has commenced in anticipation of the senior debt component of the funding package being closed by June 2023. Commissioning of the plant is expected in the fourth quarter of the 2024 calendar year, which will result in a significant increase in the Group's production profile from the 2025 financial year onwards.

Despite lower than expected production, the Group is positioned to deliver a robust financial performance for the current financial year as a result of the excellent rand gold prices being received and also disciplined operational cost control.

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 final results in September 2023, which will include further details on our operational and financial performance, as well as information on progress being made with our growth projects."

Safety

As previously communicated, the Group has implemented initiatives during the second half of the 2023 financial year to further improve its safety performance.

Barberton Mines has seen a progressive improvement in safety performance for both lost-time injury frequency rate (LTIFR) and reportable injury frequency rate (RIFR), compared to the first half of the current financial year.

Despite the regrettable fatal accident, we remain confident that the safety performance at Evander Mines will improve as it continues to implement safety initiatives to reinforce a zero-tolerance approach towards safety incidents. Elikhulu operations have seen a slight regression in safety performance during the current financial year, resulting from two recorded contractor lost-time injuries.

The Group's forecasted LTIFR and RIFR for the current financial year are expected to improve from the rates reported for the first half of the year.

Group production

Group production for the current financial year is expected to be approximately 175,000oz, split per operation as follows:

	Year ended 30 June 2021	Year ended 30 June 2022	Guidance for current financial year	Guidance for 2024 financial year
Operation				
Barberton Mines Underground total	84,826	75,738	64,000	71,000 - 74,000
BTRP	18,239	19,560	19,000	17,000 - 20,000
Elikhulu	51,459	52,220	50,000	49,000 - 51,000
Evander Mines Underground and surface sources	47,253	58,170	42,000*	41,000 - 45,000*

Total ounces produced	201,777	205,688	175,000	178,000 - 190,000
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** Includes gold equivalent PGM ounces produced by Evander Gold Mines Osmiridium circuit*

Royal Sheba Project

Mine layout optimisation and scheduling was finalised and requests for quotations were issued for the initial development and production activities. Preliminary optimisation work for the life-of-mine (LOM) planning has been completed at a cut-off grade of 1.7g/t, which translates into an average mining grade of approximately 3.0g/t and circa 235,000oz of gold recovered over the life of the project, with the orebody open at depth.

DRA Global has finalised the feasibility study for placing a crushing and milling circuit at the Royal Sheba Mine site, together with the design to enable slurry pumping from the milling plant at Royal Sheba to the BTRP. The processing plant's feasibility study and the project's financial model is being updated and reviewed. A phased approach to capital spending, based on the availability of material to feed the BTRP plant, is also being considered. This will entail the phased development of the decline, production levels, as well as the ventilation infrastructure required for initial stoping operations.

First stoped ore is planned in 2025 at 5,000t per month, ramping up to 10,000t, 30,000t and 45,000t per month, every twelve months thereafter in line with a set lateral and vertical development schedule. A trucking cost trade-off analysis indicates that the onsite crushing and milling circuit and pipeline will only be required to be completed once production rates reach 45,000t per month. The internal feasibility study for the complete project is expected to be completed in the next months.

Evander Mines 8 Shaft pillar and 24, 25 and 26 Level and Egoli projects

The opening up of mining areas on 24 Level continues, which will enable the phased transfer of crews from the pillar area as mining of the pillar resource is completed. Two crews are currently mining the 24 Level F-line, with an additional two crews mining the 24 Level D-line. Construction of phase 2 of the refrigeration plant for cooling 24 Level is ongoing. The development of the 24_N1B drive towards 25 Level progressed slower than expected due to challenging ground conditions. As ground conditions progressively improved, development rates have now increased and multi-blasting is being considered to further accelerate development.

The equipping of the ventilation shaft to enable hoisting of waste and ore produced on 24 Level will reduce reliance on the ageing conveyor belt system and simplify the ore handling process. Installation of pipes for equipping the ventilation shaft at 17 Level has commenced, with the development of the winder chamber and shaft station ongoing. Completion of the ventilation shaft's equipping is expected by the end of the first quarter of the 2024 calendar year and will provide a hoisting capacity of up to 40,000t per month. Additional crews have been deployed to the conveyor belts in order to improve maintenance and breakdown reaction times, which is expected to increase conveyor belt availability until such time that ore hoisting will commence through the ventilation shaft.

Construction of an additional grout plant (for pseudo-pack support) is expected to be completed in June 2023. This plant will supply 24 Level and future mining on 25 and 26 Levels with the required output for mining support. The use of pseudo-packs in the 8 Shaft pillar area has proven to be effective in controlling mining subsidence and enabling clean mining practices, and these benefits will also be replicated through the utilisation of pseudo-packs as mining support on the 24, 25 and 26 Level projects.

Dewatering of the 3 Decline infrastructure to 19 Level at the 7 Shaft Egoli project is progressing well. The completion of the dewatering is projected to take place in the next months, which will enable a more accurate assessment of potential mining of remnant areas within the Egoli complex.

Mintails project progress and funding

Progress on the Mintails project and expected milestones include:

- Mineral Resource estimation on the Soweto Cluster 2L16 and 2L24 TSFs was completed at the end of March 2023, resulting in these TSFs being upgraded to the indicated Mineral Resource category. The remainder of the Soweto Cluster TSFs remain classified in the Inferred Mineral Resource category
- Concept engineering work on the Soweto Cluster TSFs is underway, following completion of the mineral resource estimation
- Completion of optimisation and value engineering activities in preparation for construction
- Integrated environmental authorisation from the DMRE expected in the next weeks, with commencement of construction imminent
- Steady state production forecast by December 2024.

A derivative funding structure was implemented during March 2023, to complete the funding package for the Mintails project. The structure provided a US\$22.6 million (ZAR400 million) upfront premium which, together with the proceeds of US\$47.3 million from the sustainability bond raised during December 2022 and the debt funding package of US\$73.4 million in the form of a credit approved term loan facility underwritten by FirstRand Bank Limited, acting through its Rand Merchant Bank division, ensure that the project is fully funded at commencement of construction. Independent technical reviews of the project together with legal drafting are currently underway in anticipation of the debt funding package being closed by June 2023.

Blyvoor conditional acquisition - update

The due diligence and fulfilment of other conditions precedent for the acquisition of the Blyvoor Gold Operations Proprietary Limited historical TSFs was not completed within the required timeframe, and this transaction has therefore lapsed. Although the Group is currently focused on the construction of the Mintails Project, it continues to engage with the current owners of Blyvoor Gold Operations to evaluate options to further develop this project.

Sudan exploration project

Following the outbreak of violence in the Republic of Sudan, all expatriate employees working on the exploration project were safely repatriated. All of the Group's assets situated in the Republic of Sudan, including the fire assay multi-element analytical laboratory, are currently guarded and have been placed under care and maintenance until such time as the situation stabilises and the Group can resume its exploration programme. The carrying value of the Group's investment in the Sudan exploration project to date, including the acquisition of the exploration concessions and other assets, amounts to approximately US\$5.0 million. Limited expenditure is currently being incurred on securing the Group's assets and their care and maintenance, until such time as exploration activities can recommence.

The Group successfully commissioned the first commercial fire assay multi-element analytical laboratory within the Republic of Sudan during 2022. This laboratory is used to analyse all exploration samples extracted from the Block 12 exploration concessions granted to Pan African by the Sudan Ministry of Mines and any regional exploration work by other explorers.

Prior to the conflict, the exploration team active within Block 12A South and Block 12A North conducted 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. These structures will be further defined as part of a confirmatory sampling programme. No Mineral Resources or Mineral Reserves are currently reported for any of the targets.

Remote sensing imagery in Block 12A North detected a notable additional NE-SW anomaly approximately 11km long. Initial field investigations identified a siliceous unit hosting significant iron oxide alteration, with reported grades of 7.3, 0.19, and 0.58 g/t. Further sampling along the strike and down-dip of the unit, as well as subsequent mapping, revealed a potential extension of several kilometres towards the southwest.

Pan African remains positive that the in-country situation will stabilise to the extent that it can resume exploration activities in the near future.

Final results for the twelve months ended 30 June 2023

Pan African anticipates announcing its final results for the current financial year on or about 13 September 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

26 May 2023

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

www.panafricanresources.com

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