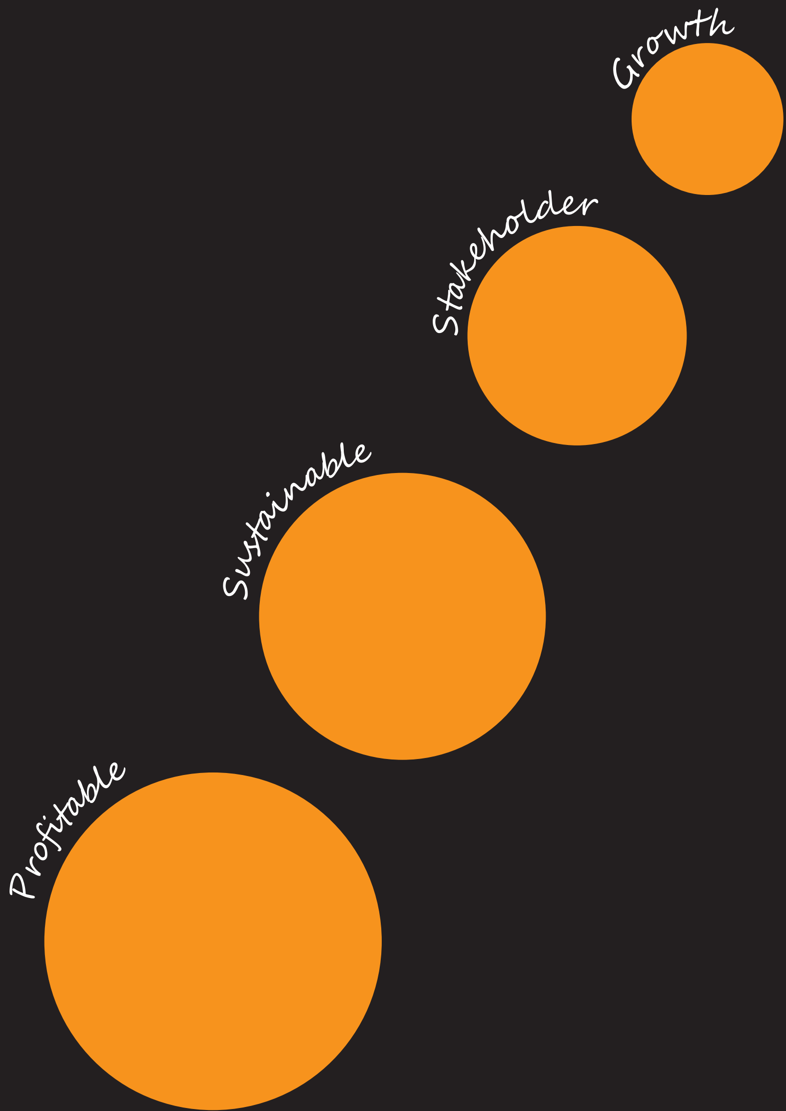
# Annual Report
# 2011




PAN AFRICAN
RESOURCES
PLC

September 2011

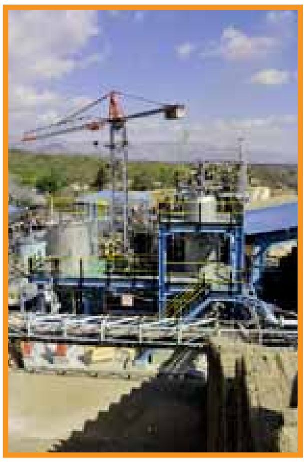
The African Focused Precious Metals Producer

# A Sound Business Model

The Group has developed a sound business model during the year based on our track record of delivery. Our business philosophy is based on four guiding pillars:

## Profitability

Profit describes our commitment to grow the margin between our revenue and 'all-in' cost base. This however, is on the condition that profits can never come at the exploitation of our stakeholders. In short, our stakeholders also need to profit from their association with us. This means no compromise on safety, credibility, honesty and integrity.

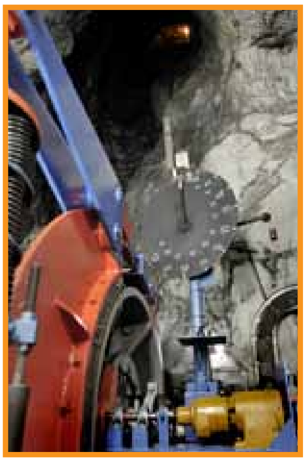


## Sustainability

We need to take decisions that will benefit our stakeholders on a continued basis over the life of the business. We are not about short term gains at the expense of the long term viability of the business. We need to optimise our returns and minimise our risks, be flexible and adapt to a changing world. We are part of the environment in which we do business, and cannot stand divorced from this environment, our responsibilities or our commitments towards it.

## Stakeholder Value

Stakeholders include our shareholders, employees and the communities directly surrounding our operations. We also need to abide by and respect the laws of the countries in which we operate. We need to be fair and reasonable when dealing with contractors and suppliers and will not solicit or entertain any form of bribery to enable preferential treatment. We will ensure that we have a communication platform in place to facilitate effective communications between all stakeholders and the Group in a constructive manner without prejudice.



## Growth

This relates to our continued drive and passion to grow the other pillars of our Company. Our growth however, cannot simply be for the sake of trying to be the biggest. Growth must unlock value and must not compromise our business pillars.

**We will always make decisions in the best interest of our stakeholders, by being true to our strategy and the four business pillars that support our vision.**

## Supporting our vision of:

Building a sustainable and profitable African focused precious metals mining Group.

## What is different about this report?

- The Sustainablility Report has been integrated into the Annual Report as it forms one of the pillars of our organisation and cannot be separated from our vision and philosophy.
- Throughout this report, interviews with and profiles of our people are portrayed in their own words.

# The Group
## Nature of our business

Pan African is a precious metals, African focused mining Group.

The Group remains unhedged and debt free, which means the Group has total leverage to the gold price and the ability to fund all on-mine capital expenditure internally. In addition, the Group has access to a £13.7 million revolving credit facility.

The Group's strategy of targeting low cost, high margin projects, which are either near or at production stage, enables it to consistently improve not only its resource base but also its profit margins. This also enables the Group to pay a dividend and ensures continued growth in shareholder value.

## Successes of our pillar strategy allows us to propose a dividend of £7.4 million

| Pillar | Highlight |
|---|---|
| **Profitable** | • Gross revenue from gold sales increased by 15.62% to £79.2 million (2010: £68.5 million).<br>• Earnings Before Interest, Taxation, Depreciation and Amortisation ('EBITDA') increased by 14.00% to £28.5 million (2010: £25.0 million).<br>• Attributable profit increased by 20.28% to £17.2 million (2010: £14.3 million).<br>• Earnings Per Share ('EPS') increased by 15.38% to 1.20p (2010: 1.04p).<br>• Headline Earnings Per Share ('HEPS') increased by 12.15% to 1.20p (2010: 1.07p).<br>• Profit margin increased by 30.36% to US$584/oz (2010: US$448/oz).<br>• Final dividend of 0.5135 pence per share proposed (2010: 0.3723 pence per share paid). |
| **Sustainable** | • The Group's cash balance was £10.1 million (2010: £12.8 million) at year end.<br>• Increased Group capital expenditure by 255.93% to £21.0 million (2010: £5.9 million).<br>• Established the Barberton Transformation Trust whereby all suppliers to Barberton Mines will contribute a percentage to our social development projects.<br>• Investigating alternative energy supply through solar pilot plant.<br>• Increase in total cost of production contained to 4.09% in Rand terms, which is below the South African rate of inflation.<br>• Increase of the Barberton Mines Life of Mine ('LOM') from 10 to 17 years. |
| **Stakeholder** | • Safety performance showed a significant improvement with Lost Time Injury Frequency Rate ('LTIFR') improving by 47.62% to 2.2 (2010: 4.2) and Serious Injury Frequency Rate ('SIFR') by 40.00% to 0.66 (2010: 1.1).<br>• Achieved one million fatality-free shifts over a 15 month period post financial year.<br>• Salaries, wages, bonuses and training amounted to £21.6 million (2010: £18.7 million) representing 27.4% of the Group's total revenue.<br>• Invested in and fully funded the Umjindi Jewellery Project.<br>• Continue our support towards the Sinqobile community: The Sinqobile Primary School project, the Vegetable Farm, the soup kitchen and other community projects.<br>• Announced intention to list Manica as a stand-alone entity to unlock shareholder value and fast-track development. |
| **Growth** | • Resource inventory increased by 22.46% to 5.67Moz (2010: 4.63Moz).<br>• Reserve inventory increased by 51.29% to 1Moz (2010: 661Koz).<br>• Sustaining and increasing production profile at Barberton Mines through continued capital investment of £6.8 million (2010: £5.9 million).<br>• Built up a pipeline of organic growth projects at Barberton Mines, namely Bramber Tailings Facility and the Amira exploration project.<br>• Defined a total indicated resource of 148koz (3.130Mt @ 1.47g/t in situ) at indicated recoveries of 52% for the Bramber Tailings Project at Barberton Mines.<br>• Completing construction of Phoenix Platinum Chrome Tailings Retreatment Plant ('CTRP'), which will generate revenue from Platinum Group Metals ('PGM's'): Platinum (56.7%), Palladium, (27%) Rhodium (16%) and Gold (0.5%). Production forecast to commence in December 2011.<br>• Experienced Executive Committee ('Exco') established to ensure sustainable and profitable growth continues. |

# Table of Contents

Pan African remains focused on factors that we can control and influence. Cost control, increased geological confidence in our mineral resources and a sustained drive to increase productivity are still areas for continuous improvement.

C Ramaphosa, Chairman

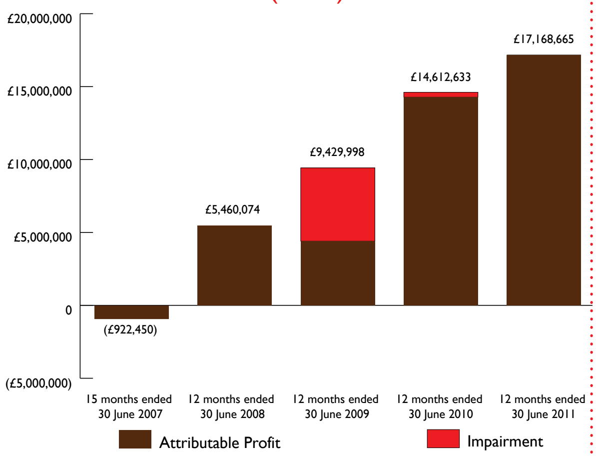
We will always make decisions in the best interest of our stakeholders by being true to our strategy and the four business pillars that support our vision.

J Nelson, Chief Executive Officer

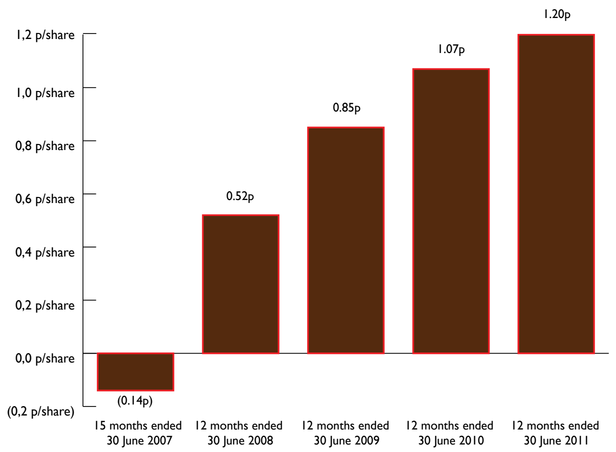
# Salient Features

| | | 30 June 2011 | 30 June 2010 | Percentage Change % |
|---|---|---|---|---|
| **Statement of Comprehensive Income** | | | | |
| Profit After Taxation | (£) | 17,168,665 | 14,499,875 | 18.41 |
| Headline Earnings | (£) | 17,168,665 | 14,612,633 | 17.49 |
| Gold Sales | (£) | 79,208,399 | 68,506,394 | 15.62 |
| Mining Profit | (£) | 30,819,976 | 24,664,624 | 24.96 |
| Cost of Production | (£) | (45,345,417) | (40,553,886) | 11.82 |
| Impairment Costs | (£) | - | (335,401) | (100.00) |
| **Statement of Financial Position** | | | | |
| Non-Current Assets | (£) | 97,280,540 | 74,324,150 | 30.89 |
| Current Assets (including cash) | (£) | 15,835,425 | 17,677,295 | (10.42) |
| Total Equity | (£) | 90,746,110 | 73,486,877 | 23.49 |
| Non-Current Liabilities | (£) | 13,409,571 | 11,430,530 | 17.31 |
| Current Liabilities | (£) | 8,960,284 | 7,084,038 | 26.49 |
| **Operating Performance** | | | | |
| Tonnes Milled | (kt) | 296.2 | 313.17 | (5.42) |
| Headgrade | (g/t) | 10.55 | 10.61 | (0.55) |
| Gold Sold | (oz) | 92,197 | 98,091 | (6.01) |
| Spot Price Received | (US$/oz) | 1,366 | 1,098 | 24.38 |
| Total Cash Costs | (US$/oz) | 781 | 650 | 20.21 |
| Capital Expenditure | (£) | 21,033,991 | 5,935,346 | 254.39 |

## Attributable Profit / (Loss)




## Headline Earnings Per Share ('HEPS')



# Share Statistics & Shareholdings

| | 30 June 2011 £ | 30 June 2010 £ | Percentage Change % |
|---|---|---|---|
| Number of shares in issue at end of year | 1,444,040,711 | 1,409,540,711 | 2.45 |
| Weighted average number of shares in issue | 1,432,666,738 | 1,366,268,709 | 4.86 |
| Weighted average diluted shares in issue | 1,438,824,573 | 1,379,880,423 | 4.27 |

## Major Shareholdings

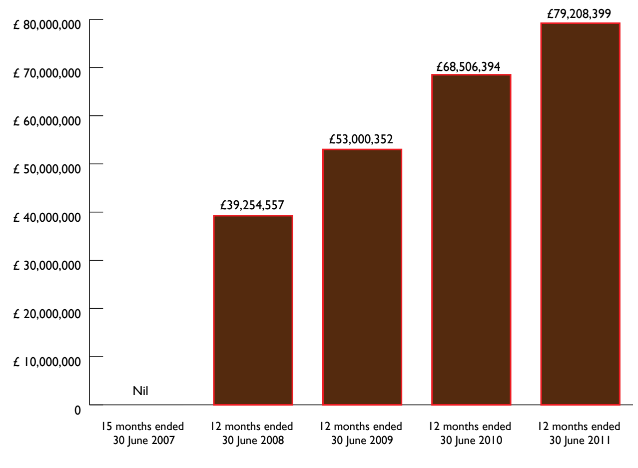
**Substantial Shareholdings**

As at 24 June 2011 the substantial shareholdings, of which the Group is aware, are as follows:

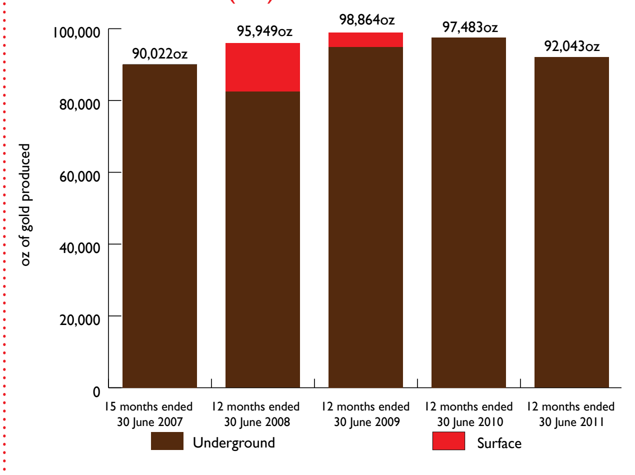
Shares in issue:

| Name | Number of Shares | Percentage held |
|---|---|---|
| Shanduka Gold (Pty) Ltd | 366,168,585 | 25.36 |
| Coronation Fund Managers | 217,335,477 | 15.05 |
| Investec Asset Management (South Africa) | 149,619,143 | 10.36 |
| Allan Gray Investment Council | 111,214,383 | 7.70 |

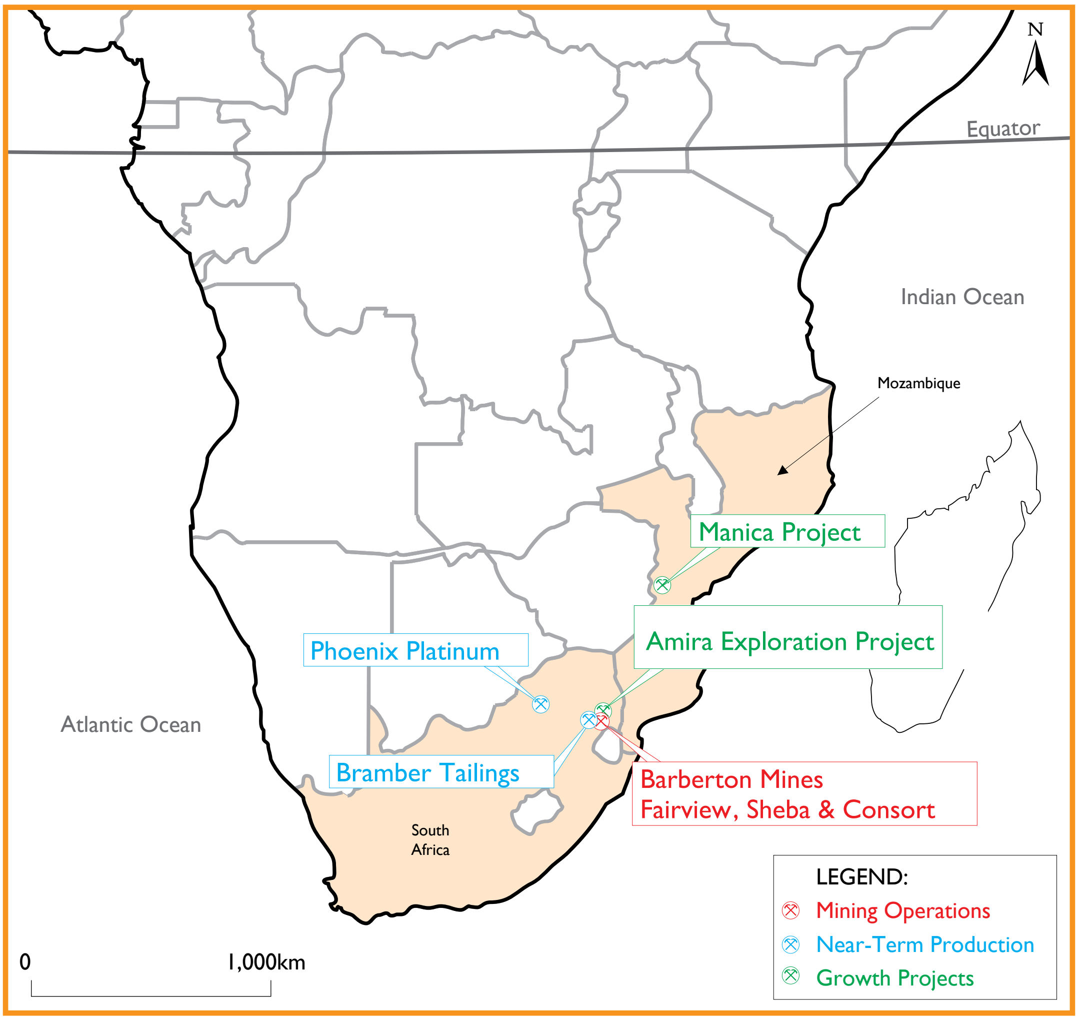
Revenue




Gold Produced (oz)

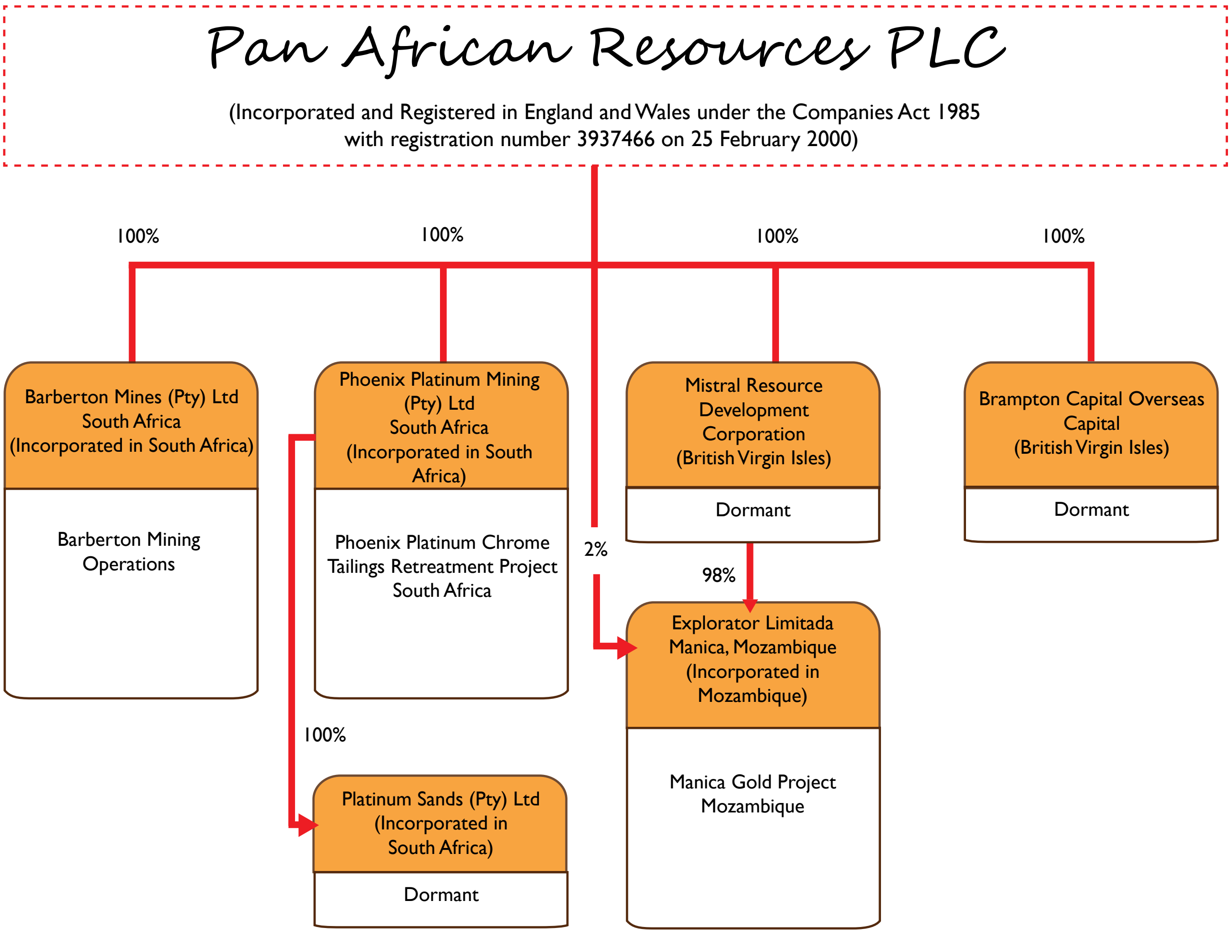


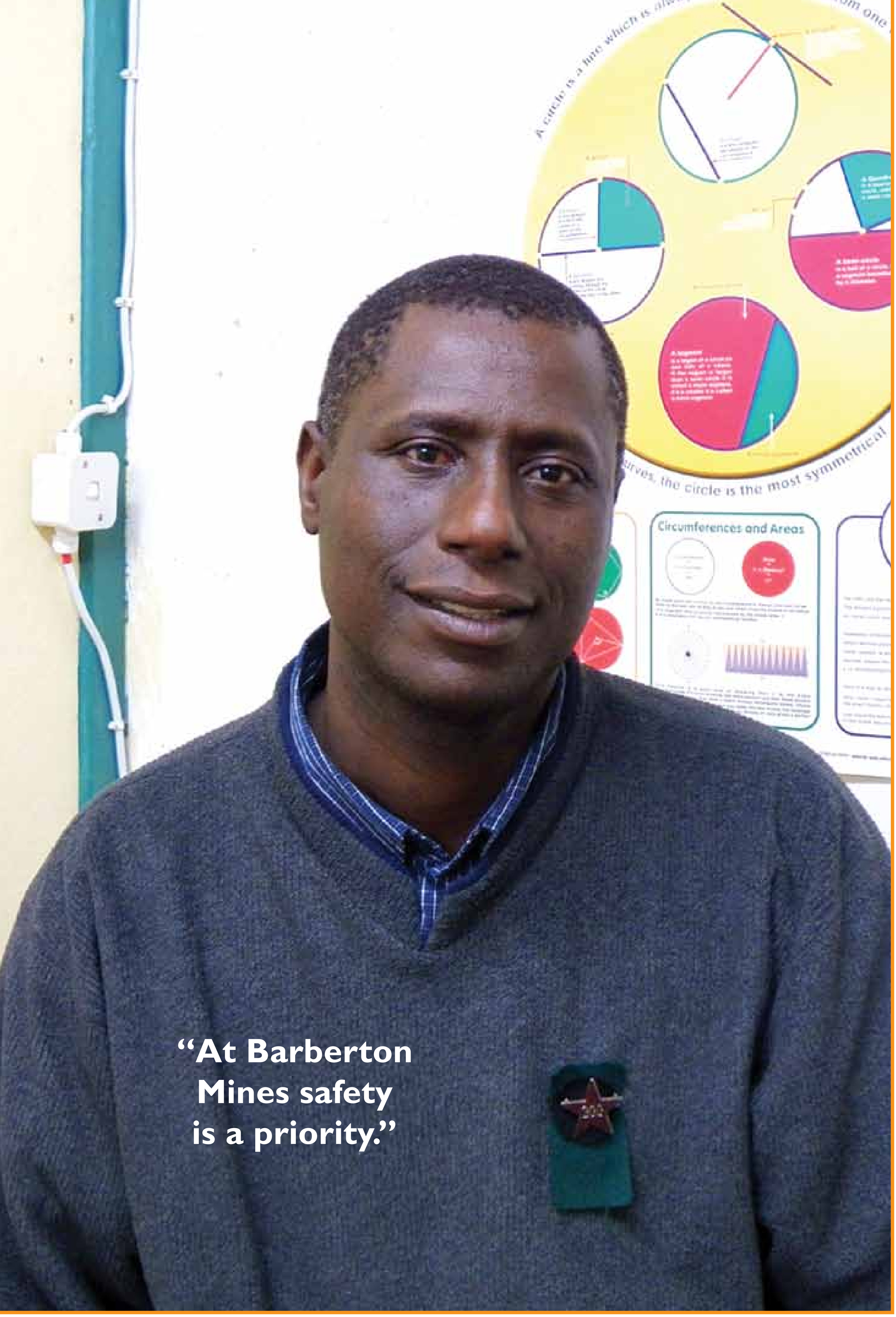
# Geographic Location




Harper Tailings Dam, Barberton Mines.

# Group Structure




**“At Barberton Mines safety is a priority.”**

## Simanga Thomas Lubisi
## Learner Miner

## What Simanga had to say:

"Barberton Mines assisted me and a lot of other people by giving us employment opportunities and providing training to employees for future development and to non-mine employees to gain skills and knowledge in the mining environment.

At Barberton Mines, safety is a priority. We are given proper safety induction training and the right protective clothing."

# Chairman's Statement

Pan African does not view itself as separate from the communities and environments in which we operate. Harmonious, mutually beneficial relationships and interactions are crucial to the sustainability of our business.

Dear Shareholder,

Our world remains an uncertain place, with recent volatility in markets surprising most of us. The debt situation in the developed world is likely to continue to influence our lives in years to come, and the growth potential of investments in developing countries is attracting a lot of interest. Gold, the traditional safe haven asset and value protector, has performed exceptionally well. As a fellow Pan African shareholder, you must share our view that the price outlook for the short and medium term is still very favourable.

The year under review has been a successful one for Pan African. The Group has increased profits, Phoenix Platinum is nearing production and the Board has recommended a substantially increased dividend to shareholders. The proposal for an increased dividend demonstrates our faith in the sustainability and quality of earnings of the Group.

In the current low-interest rate environment, investors continue to seek assets that provide a capital return and yield. We believe Pan African offers a compelling value proposition in a world where the gold price is at an all-time high, and our Group is poised to further differentiate itself by becoming both a growing primary gold and platinum group metal producer.

As we cannot control the gold price or the Rand/Dollar exchange rate, Pan African remains focused on factors that we can control and influence. Cost control, increased geological confidence in our mineral resources and a sustained drive to increase productivity are still areas for continuous improvement. Given inflationary pressures in our operating environment, the Group has managed to contain cost escalations, but we believe we can do even more in the coming years. A focus on mineral resource management has also yielded positive results, with an increase in gold resources and reserves, and an increase in the estimated life-of-mine at Barberton to 17 years.

Production difficulties at Barberton, particularly during the last months of the financial year, resulted in the mine not achieving productivity and production targets. Even though this is disappointing, the team has plans in place to improve performance and deliver more ounces in the 2012 financial year. In addition, we will continue to commit new capital to Barberton, to ensure that we not only protect the value of this flagship asset for the Pan African Group and shareholders, but also increase mining flexibility and productivity.

Safety performance at Barberton has continued its positive trend, which is the result of the success of safety initiatives implemented during the last two years and the commitment of all our people to creating a safe workplace. We continue to work towards an environment where 'zero harm' to our people and contractors is no longer a goal, but a reality.

The construction of the Phoenix Platinum CTRP is nearing completion, and we eagerly await the production of the first PGM concentrate from the plant during the next months.

Pan African does not view itself as separate from the communities and environments in which we operate. Harmonious, mutually beneficial relationships and interactions are crucial to the sustainability of our business. An example of our integrated approach to problem solving is certainly our strategy around the prevention of criminal mining, which involves the broader community and also other stakeholders, including national government. We are also involved in a number of community projects, which provides for both current needs and also future growth and development. This year's annual report contains detailed information on sustainability, which we are proud to present to shareholders and to other stakeholders.

Pan African continues to explore growth opportunities, both organic and acquisitive, to generate value for shareholders. In addition to profits re-invested to protect the value of our existing business, or paid as dividends to shareholders, Pan African's cash flow positive operations and healthy balance sheet, positions it favourably to take advantage of the 'right' opportunity.

The Group continues to trade on both JSE Limited ('JSE') and London's AIM market, with loyal shareholder support in both jurisdictions.

I wish to again extend my sincere gratitude to the staff and management of Pan African and our Group companies for their tireless efforts in ensuring the success of the Group over the past year. I also wish to thank the shareholders of Pan African, for your continued loyal support and belief in the Group and its management.

Yours sincerely,

Cyril Ramaphosa


"Barberton have always been very conscious about the environment"

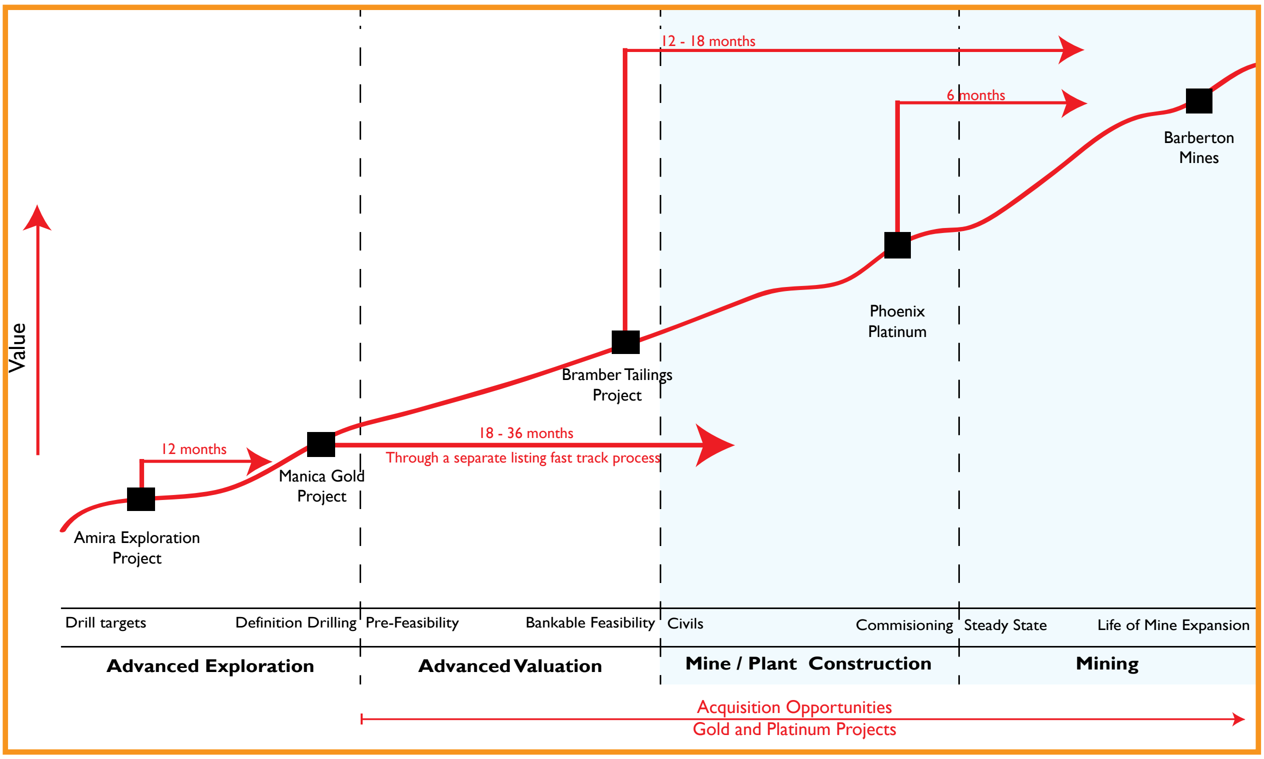
## Gugu Dlamini
## Environmental Officer

## What Gugu has to say:

"Pan African and the team at Barberton have always been very conscious about the environment and have gone the extra mile to ensure that we operate in an environmentally friendly manner. We are also working steadily to clean up any historically poor environmental works or deposits.

A lot of tailings and waste footprints have been cleaned and rehabilitated. The water management at the mine is receiving a lot of attention and overall, we are happy with the progress. Pan African has been very supportive and we think that this is good and bodes well for the future."

# Chief Executive Officer's Review




Driving growth by advancing our organic pipeline of projects.

# Planned Action

- Strengthen our Statement of Comprehensive Income by:
  - Bringing surface stockpiles at Barberton to account (288kt @ 2.23g/t *in situ*).
  - Starting PGM production at Phoenix Platinum project (12,200oz 4E per annum).
  - Bringing Bramber Tailings project to account within 12-18 months.
  - Fast tracking development of Manica project through separate listing (with its own access to capital) to unlock value.

- This will allow us to take full advantage of high commodity prices to:
  - Grow the earnings and dividend and,
  - Exploit further opportunities in the precious metals sector.

The Group's focus on Mineral Resource Management is bearing fruit in terms of building a long term sustainable business.

## Introduction

The year under review represents the fourth year the Group has continued to grow earnings and as a result, we can recommend the payment of a dividend for a third successive year. The growth in operating margin is mainly the result of a strong gold price in spite of a lower than anticipated production performance from Barberton Mines.

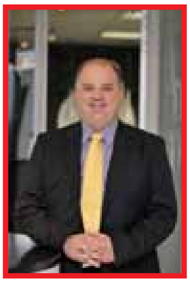
Production was negatively influenced as a result of a strike in the first quarter of the financial year and stoppage of certain production sections at Fairview in April 2011. The production stoppage was the result of additional support that had to be installed to ensure safe extraction. Up to the stoppage, the mine was on track to produce between 98,000oz and 100,000oz, as production lost in the first quarter had been made up. Unfortunately, due to the stoppage of the mine and subsequent loss of production in April 2011, the deficit could not be made up and this resulted in lower than planned production results.

Action plans have been put in place to ensure we reach our production targets in the next year and these are discussed under the Operation Performance heading. Costs were well controlled and on a notional cash cost basis, Barberton Mines remains one of the lowest cost gold mining operations in South Africa.

An Executive Committee ('Exco') has been formed and meets every six weeks to review the Group's current performance and to ensure we stay true to our business model and planned strategic targets. Exco is also responsible for identifying key risk areas that could influence the business and put action plans in place to address these issues.

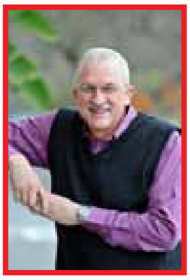
# The Pan African Exco

Jan Nelson

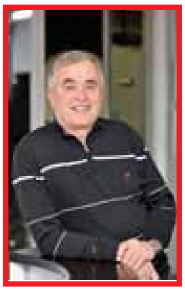


Thandeka Ncube

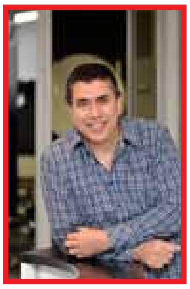
Andre vd Bergh



Ron Holding



Pieter Wiese

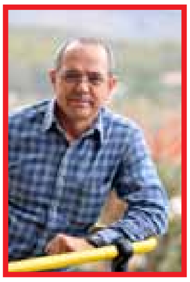


To build a sustainable and profitable African focused mining Group.

Nicole Spruijt

Jenny Yates

Casper Strydom



Cobus Loots

Busi Sitole

# Key Themes and Areas of Accountability

| Theme | Sub category | Champion | Key Role Players | Quarterly Report Back |
|---|---|---|---|---|
| **Growth** | Organic | P. Wiese | R. Holding<br>C. Loots | • Deputy Chairman<br>• Board |
| | Acquisitive | J. Nelson | | |
| **Sustainability and Development** | Corporate and Social Development | T. Ncube | A. van den Bergh<br>C. Strydom | • Audit Committee |
| | Governance and Compliance | N. Spruijt | J. Nelson<br>B. Sitole<br>J. Yates | |
| **Human Resources Development** | | A. van den Bergh | T. Ncube<br>J. Nelson | • Remuneration Committee<br>• Nominations Committee |
| **Communication*** | Internal<br>External | J. Nelson | Exco<br>N. Spruijt | • Chairman<br>• Deputy Chairman<br>• Board |
| **Group Profit Optimisation** | Financial | B. Sitole | C. Loots<br>J. Nelson | • Board<br>• Audit Committee |
| | Productivity<br>Cost Control | C. Strydom | R. Holding | |
| **Strategy** | | J. Nelson | Executive Directors | • Board |
| **Risk Management**** | Commercial | C. Loots | J. Nelson | • Board |
| | Operational | R. Holding | C. Strydom | |
| | Legal | J. Yates | J. Nelson | |

*The Group has a structured communication programme that allows various levels of the organisation to interact with relevant stakeholders on a continuous basis. This process is reviewed formally on a quarterly basis and the appropriate feedback in given to the board.

** Risk Management: the Group has developed risk registers for all its projects, which is kept up to date and reviewed on a continuous basis.

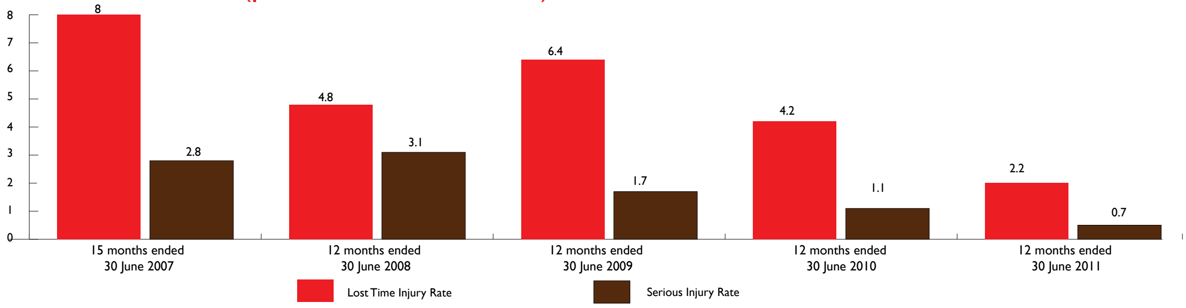
## Group safety performance *

Barberton Mines is pleased to report no fatalities for the year under review. Post the reporting period, during the month of July 2011, Barberton Mines achieved one million fatality free shifts.

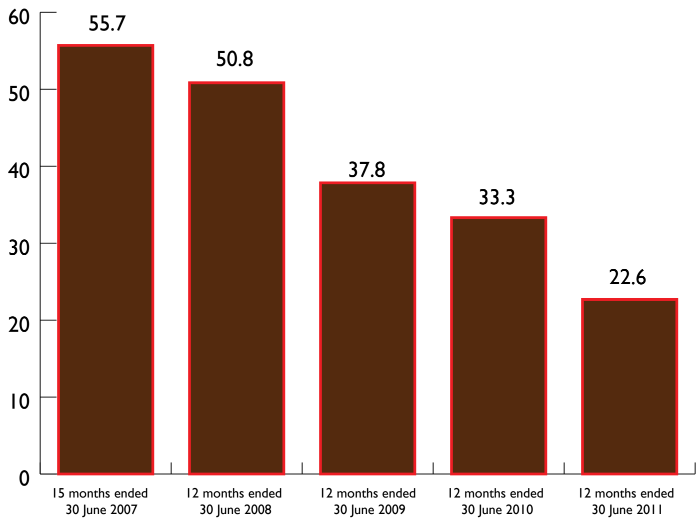
The Barberton Mines operating sections, comprising the Fairview, Sheba and New Consort mines, showed further improvement year-on-year. The Lost Time Injury Frequency Rate ('LTIFR') improved to 2.2 (2010: 4.2) and the Serious Injury Frequency Rate ('SIFR') decreased to 0.66 (2010: 1.1). The total Recordable Injury Frequency Rate ('RIFR') also decreased to 22.6 (2010: 33.3).

During the year a Safety, Health, Environment and Communities ('SHEC') management system was fully implemented. This system provides for two specific functional levels - strategic and operational. The strategic function focuses on risk management of global and national concerns and issues, inclusive of legal and regulatory requirements, whilst the operational management drives the systems' foundations, implementation, compliance and monitoring functions. The continued success of the SHEC system is highly dependent on the attention of the different role players, including: corporate and operational management, employees, contractors and employee representative bodies. The training of management and employees as identified by the Risk Management Framework segment of the SHEC programme is an ongoing process. The Group is of the opinion that this management system is delivering the intended outputs.

### Accident Rates (per million man hours)




### Total Recordable Injury Frequency Rate




*The Lost Day Severity Rate ('LDSR') graph reported previously has been replaced with a more meaningful graph indicating the Total Recordable Injury Frequency Rate ('TRIFR'), which records the frequency rate of all injuries.

## Financial performance

Pan African is incorporated and registered in England and Wales, and its reporting currency is pounds sterling ('£'). In the current financial year, Pan African changed its functional currency from £ to South African Rand ('ZAR' or 'Rand'), due to the fact that the Group's primary economic environment is now South Africa. The reporting currency has remained unchanged in £. Barberton Mines and Phoenix Platinum are South African incorporated companies, and their functional and reporting currency is ZAR. Manica is a Mozambican incorporated company and its functional and reporting currency is Meticals ("MZN").

When Barberton Mines, Phoenix Platinum and the Group financial statements are translated into £ for the purposes of Group consolidation and reporting, the annual average and year end closing ZAR:£ exchange rates affect the Group consolidated financial results. In the current financial year, the average prevailing ZAR:£ exchange rate was 11.11:1 (2010: 11.93:1), and the closing ZAR:£ exchange rate was 10.94:1 (2010: 11.53:1). The year-on-year change in the average and closing exchange rates of 6.87% and 5.12% respectively should be taken into account for the purposes of comparing year-on-year results.

When Manica financial statements are translated into £ for the purposes of Group consolidation and reporting, the year end closing MZN:£ exchange rate affects the Group consolidated financial results. In the current financial year, the closing MZN:£ exchange rate was 45.33:1 (2010: 50.86:1). The year-on-year change in the average and closing exchange rate of 10.87%, should be taken into account for the purposes of comparing year-on-year results.

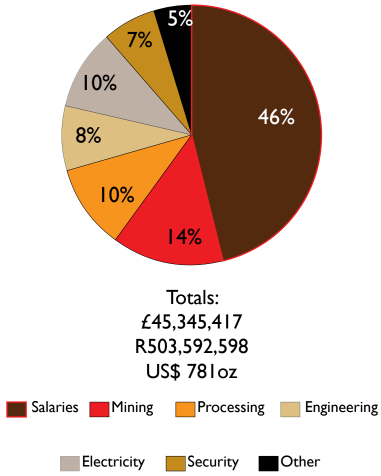
Gross revenue from gold sales increased by 15.62% to £79.2 million (2010: £68.5 million). The increase in revenue was mainly attributed to a 24.41% increase in the average US$ gold spot price received to US$1,366/oz (2010: US$1,098/oz), and the depreciation of the £ against the ZAR during the reporting period. The average US$:ZAR exchange rate was 7.91% stronger at ZAR6.99 compared to the previous year (2010: ZAR7.59), which negatively impacted revenue received in ZAR. The effective ZAR gold price was 14.51% higher at ZAR306,757/kg (2010: ZAR267,876/kg). Mining profit at Barberton Mines grew by 24.70% to £30.8 million (2010: £24.7 million).

Cost of production increased by 11.58% to £45.3 million (2010: £40.6 million). In Rand terms, cost of production increased by 4.09% to ZAR503.6 million (2010: ZAR483.8 million). This increase is mainly attributable to a 17.34% increase in electricity costs to ZAR49.4 million (2010: ZAR42.1 million), security costs increasing by 4.01% to ZAR33.7 million (2010: ZAR32.4 million) and salary, wages and other staff expenses increasing by 7.84% to ZAR232.4 million (2010: ZAR215.5 million).

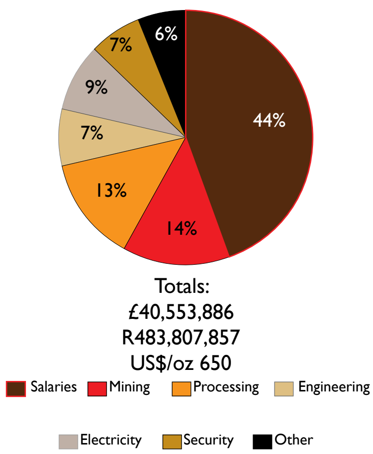
Barberton Mines absorbed the first full year effect of the cost of the new South African mining royalty tax implemented in March 2010, which amounted to £2.4 million (2010: £0.8 million). EBITDA for the year under review was £28.5 million (2010: £25.0 million), an increase of 14.00%. EPS increased by 15.38% to 1.20p (2010: 1.04p) and HEPS were up 12.15% to 1.20p (2010: 1.07p), supported by increased revenue from gold sales. Net asset value ('NAV') per share increased by 20.54% to 6.28p (2010: 5.21p) and tangible NAV per share was up 37.50% to 3.85p (2010: 2.80p). The upturn was primarily due to increase in property, plant and equipment related to the Phoenix plant under construction.

Other expenses increased 47.37% to £2.8 million (2010: £1.9 million). Group income tax increased by 19.48% to £9.2 million (2010: £7.7 million), due to increased revenue and profits before tax.

Cash cost breakdown
(excluding Capex)
year ended 30 June 2011



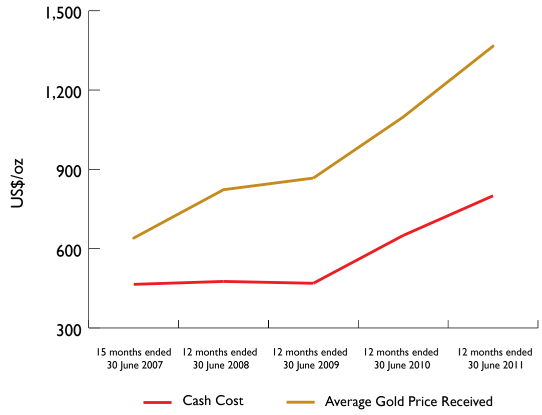

Cash cost breakdown
(excluding Capex)
year ended 30 June 2010



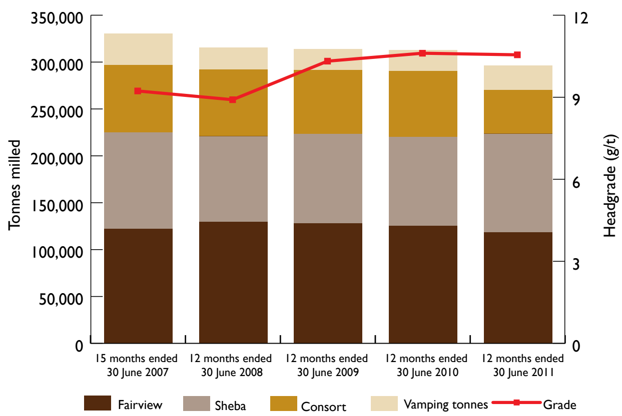
# Financial Summary

| | | Year ended 30 June 2011 £ | Year ended 30 June 2010 £ |
|---|---|---|---|
| Gold Sales | £ | 79,208,399 | 68,506,394 |
| EBITDA (excluding impairment) | £ | 28,540,323 | 25,022,552 |
| Attributable Profit - Owners of the parent | £ | 17,168,665 | 14,277,232 |
| EPS | pence | 1.20 | 1.04 |
| HEPS | pence | 1.20 | 1.07 |
| Weighted average number of shares in issue | | 1,432,666,738 | 1,366,268,709 |

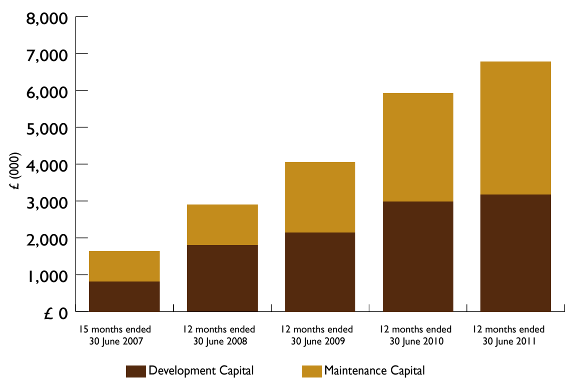
## Cash cost vs average gold price received (US$/oz)




## Production Statistics




## Capital Expenditure



## Operational performance – Barberton Mining Operations

Barberton Mines sold 92,197oz of gold during the year, a decrease of 6.01% from the previous year (2010: 98,091oz). This decrease is the result of the mining operations milling 296,200 tonnes, a decrease of 5.42% from the prior year (2010: 313,167 tonnes). Head grade and overall recoveries remained relatively constant at 10.55g/t (2010: 10.61g/t) and 90.80% (2010: 91.21%) respectively.

Production was affected by a strike at the Fairview section in the first quarter of the reporting year, which impacted the operations by an estimated 3,000oz. Management made significant progress during the year in making up the lost production and was on schedule to produce close to 100,000oz by year end. Production however had to be stopped in one of the most significant production contributing sections at the Fairview mine in April 2011, in order to address poor rockwall conditions. As a result additional long anchors had to be inserted into the roof of the mining area to ensure safe mining. Despite the impact on production, operations in the section were halted, as the safety of our employees cannot be compromised. The stoppage had a further negative impact of 3,000oz on planned production.

Despite the impact on production, operations in the section were halted, as the safety of our employees cannot be compromised.

## Production Summary

| Financial Year | | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|
| Tonnes Milled | t | 296,200 | 313,167 | 313,952 | 315,305 | 330,367 |
| Headgrade | g/t | 10,55 | 10,61 | 10,32 | 8,90 | 9,20 |
| Overall Recovery | % | 91 | 91 | 91 | 91 | 92 |
| Production: Underground | oz | 92,043 | 97,483 | 94,909 | 82,436 | 90,022 |
| Production: Calcine Dump | oz | - | - | 3 955 | 13 513 | - |
| Gold Sold | oz | 92,197 | 98,091 | 97,353 | 99,078 | 89,572 |
| Average Price: Spot | ZAR/kg | 306,757 | 267,876 | 251,740 | 193,159 | 148,151 |
| Average Price: Hedge | ZAR/kg | - | - | - | 105 850 | 96 067 |
| Average Price: Spot | US$/oz | 1,366 | 1,098 | 867 | 823 | 640 |
| Average Price: Hedge | US$/oz | - | - | - | 451 | 415 |
| Total Cash Cost US$/oz sold | US$/oz | 781 | 650 | 469 | 476 | 465 |
| Total Cash Cost ZAR/Kg sold | ZAR/Kg | 175,520 | 158,711 | 136,178 | 111,272 | 107,656 |
| Total Cost per Ton | ZAR/t | 1,706 | 1,537 | 1,313 | 1,088 | 908 |
| Total Mining Cost per Ton | ZAR/t | 1,647 | 1,486 | 1,256 | 1,045 | 858 |
| Capital Expenditure (Barberton) | £ | 6,773,708 | 5,918,271 | 4,052,665 | 2,901,792 | 1,637,359 |
| Exchange rate - average | ZAR/£ | 11.11 | 11.93 | 14.39 | 14.68 | 13.95 |
| Exchange rate - closing | ZAR/£ | 10.94 | 11.53 | 12.66 | 15.56 | 14.18 |
| Exchange rate - average | ZAR/US$ | 6.98 | 7.59 | 9.03 | 7.30 | 7.20 |
| Exchange rate - closing | ZAR/US$ | 6.83 | 7.65 | 7.72 | 7.80 | 7.00 |

Management intends to undertake the following corrective actions to address the risk of similar production problems:

- Surface stockpiles have been identified and are being evaluated (representing 288,675 tonnes at a grade of 2.23 g/t) and where viable will be trucked to processing plants with capacity for additional tonnes, to counter any negative underground deficit in volume during the coming year.
- The development of two additional access platforms into the high-grade ore-zone at Fairview mine to increase mining flexibility is ongoing.
- Re-evaluating certain calcine stockpiles on surface, which could be re-treated through the Segalla plant (additional capital will be required to ensure the plant is refurbished).

Total cash costs per ounce increased by 20.15% to US$781/oz (2010: US$650/oz). In Rand per kilogram terms, total cash costs increased by 10.59% to ZAR175,520/kg (2010: ZAR158,711/kg).

Total capital expenditure at the mine increased by 15.25% to £6.8 million or 6.82% to ZAR75.2 million (2010: £5.9 million or ZAR70.4 million). Maintenance capital expenditure of £3.6 million (2010: £2.9 million) and development capital expenditure of £3.2 million (2010: £3.0 million) was incurred.

## Review of Phoenix Platinum

Plant construction (at Phoenix) is underway and the first concentrate is expected to be produced ahead of schedule, by the end of December 2011.

The Group is pleased to report that the following significant milestones have been achieved:

- Conclusion of the agreement to construct the CTRP on the International Ferro Metals (Pty) Limited ('IFM') Lesedi property,
- Award of the Lump Sum Turn Key contract to Matomo Projects (Pty) Ltd (`Matomo') to construct the plant,
- Completion of the final engineering design,
- Commencement of bulk earthworks, and
- Start of plant construction.

Plant construction is underway and production of the first concentrate is expected ahead of schedule, by the end of December 2011. This is a significant milestone for the Group, as it distinguishes Pan African as both a primary gold and PGM producer, and further demonstrates the Group's project development ability. The commencement of production by December 2011 will result in an additional revenue contribution for the 2012 financial year, and will further strengthen the Statement of Comprehensive Income and increase our margins.

## Bramber Tailings project

A total of 308 auger drill holes were drilled on a grid of 20 metres by 20 metres, representing a total of approximately 6,074 metres. Samples of each hole were taken at 1.5 metres intervals and composited at 3 metre intervals, representing a total of 2,344 samples taken for assaying. Modelling and geological profiling of the boreholes confirmed two distinct positional populations across the tailings dam which is the result of historical deposition that took place in two separate compartments, a higher grade BIOX® tail section and a lower grade concentrator/flotation tail section.

Geostatistical modelling indicates 74,600oz (758kt @ 3.06g/t in situ) for the BIOX® section and 72,900oz (2.369Mt @ 0.96g/t in situ) for the concentrator/flotation section. This represents a total resource of 147,500oz (3.130Mt @ 1.47g/t in situ).

A total of 10 composite samples representative of the tailings dam were submitted for metallurgical recovery test work. Initial excess cyanide test work indicated recoveries varying from 45% to 55%. Kinetic test work was also done to determine residence time, which guides the process flow design for optimum plant configuration. Indicative recoveries of 52% have been determined.

The feasibility study covering plant design, final process flow design, volume throughput, chemical and reagent consumption, recoveries and capital and operating expenditure will be completed by Q2 of the 2012 financial year. If feasible, a new plant will be constructed to treat approximately 1.2Mt per annum of tailings for three years. An Order of Magnitude estimate study completed by Matomo estimates the capital cost of the project at approximately ZAR250 million (approximately £22.9 million). Plant construction is estimated to take 12 months.

The Group has also completed initial auger drilling on another 9Mt of tailings, which if viable could extend the Life of Project from approximately three to ten years and increase the annual production profile at the mine by approximately 20,000oz. The initial drilling programme has been completed and the associated metallurgical test work applicable to the completed expansion is expected within the next quarter. The 100 auger holes drilled equates to 1,804 metres. The 1,368 samples taken at 1.5 metre increments were composited at 3 metre intervals, for a total of 872 combined samples submitted for gold content determination. A total of 10 composites, representing the various dumps, were submitted for metallurgical test work. Final results of assays and metallurgical test work are still pending.

Of the total Mineral Resource, 24%, by volume (51% by gold content), originated from the BIOX® process. The flotation process produced the balance.

... if viable could extend the Life of Project from approximately three to ten years and increase the annual production profile at the mine by approximately 20,000oz.

Costs were well controlled and on a notional cash cost basis, Barberton Mines remains one of the lowest cost gold mining operations in South Africa.

Phoenix Platinum, plant construction progress as at August 2011.

The advancement of our organic growth projects, at a time when commodity prices are high, could not be more opportune.

## Mineral Resource Management ('MRM')

### MRM strategy

The MRM initiative will remain a key strategic corporate focus for the Group and forms an integral part of our sustainable business pillar, enabling management to ensure:

- That the economic value of mineral assets is optimally managed and extracted,
- Integration of technical and associated functional disciplines along the business value chain,
- Increased levels of corporate governance through continued audit and quality control, and
- The creation of shareholder value.

During the year, the Group's reserve in gold content increased by 51% to 1Moz.

### Gold inventory

The total South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC") compliant resource inventory for the Group increased, when measured in terms of gold content, by 22.46% to 5.67Moz (63.15Mt @ 2.79g/t in situ), compared to 4.63Moz (41.85Mt @ 3.45g/t in situ) in 2010. The increase at Barberton resulted from additional drilling and underground development, which led to a re-definition of geological envelopes and geostatistical re-evaluation. At Manica a geostatistical re-evaluation provided greater geological confidence to project indicated and inferred mineralised envelopes further along dip.

During the year under review, the Group's reserve in gold content attributable to Barberton Mines increased significantly by 51.29% to 1Moz (3.83Mt @ 8.12g/t) (2010: 661,000oz, 2.318Mt @ 8.87g/t). Based on a historical conversion factor of 85% of the Measured and Indicated blocks to Proved and Probable, LOM has been increased from 10 to 17 years. This clearly shows that the Group's focus on Mineral Resource Management is bearing fruit in terms of building a long-term sustainable business.

The Fairview section has mined over 4Moz of gold over its life.

The focus on the identification of shallow, low cost mineral resources, which can be brought to account in the near term, has resulted in the delineation of the Bramber surface tailings resource. The Bramber tailings project represents a Measured and Indicated Resource of 147,500oz (3.128Mt @ 1.47g/t in situ) and a Proved and Probable reserve of 76,000oz (3.128Mt @ 0.76g/t based on tested recoveries of 52%). This approach may see the production profile grow, and could also impact positively on the cost structure at Barberton Mines. The focus will remain on growing shallow low cost mineral resources.

As part of this focus, the Group will be drilling several surface boreholes towards the south of the Fairview mine, where near-surface geophysical targets have been identified, that could represent a surface area footprint equal to all the mining that has taken place at the Fairview section. The Fairview section has mined over 4Moz of gold over its life.

## Platinum inventory

The Phoenix Platinum project represents SAMREC compliant PGM Mineral Resource of 470,300oz (4.64Mt @3.15g/t).

Of the total Mineral Resource, 154,700oz is classified as surface sources (1,964kt @ 2.45g/t) and 315,600oz (2,682kt @ 3.66g/t) as current arisings.

Current feasibility work indicates a LOM of 17 years at a depletion rate of approximately 12,000oz PGM's per annum.

# New Business

The Group re-focused its New Business team to concentrate on the development of the Bramber tailings project as a "stand alone" business. This strategy has paid off with the team evaluating a further 9Mt of tailings material to the current resource of 3.1Mt. The team remains focused on completing a definitive feasibility study by Q2 of the 2012 financial year, in order to bring the project to account and capitalise on current high gold prices.

The Group is currently reviewing South African gold and platinum opportunities that are either in production or close to production.

The Company is currently reviewing South African gold and platinum opportunities that are either in production or close to production.

# Corporate Developments

## Manica

The Group announced on 19 August 2011 that it was considering listing the Manica project as a stand-alone entity on an international exchange, for the following reasons:

- The Group's capital is currently committed to bringing its organic growth projects (Phoenix Platinum, Bramber Tailings and Amira) to account at an estimated capital cost of £35.0 million,
- Shareholders have indicated that they do not favour a mixture of mining assets and exploration/early development projects, and
- Key strategic partners identified as partners in developing Manica require access to a separate and independent entity.

In order to fast track the project, it is envisaged that a separate listing will benefit all stakeholders because:

- The new entity will have its own dedicated management team,
- Separate access to capital to fund an aggressive project development plan,
- Operational flexibility, and
- Attract strategic development partners.

Should this strategy for Manica prove viable, the Group will initially retain a shareholding and board position on the newly listed entity. Shareholders will be kept informed on the progress made in due course.

## The Future

The Group will continue to drive the pillars: ***profitable, sustainable, stakeholder, growth***. As a result of having laid a solid foundation in terms of our mining and project development skill set, we have grown our balance sheet. This has allowed us to allocate significant resources in building an organic pipeline of projects at Barberton Mines, that could:

- Have cost structures of less than US$450/oz,
- Have profit margins in excess of 35%, and
- Be producing within 12 to 24 months.

These organic projects will significantly grow our Group's statement of comprehensive income during a high commodity pricing period. The timing of this growth could not be more opportune.

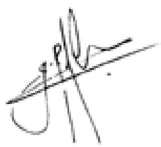
Our focus on developing our organic pipeline of projects will continue to allow us to grow our earnings and dividends.

We have started building our precious metals mining house – still small, but highly profitable and focused. We have developed a sound business model and philosophy that have now been tried and tested. Together with our strategic partners and stakeholders, we will leverage this to our advantage.

Once again our achievements have been a team effort and I would like to thank everyone in the organisation for their passion, dedication and drive in achieving the results presented in this report and for their commitment moving forward.

To my fellow board members, thanks for your guidance and wise counselling.

We look forward to a year that will see us producing both platinum and gold!

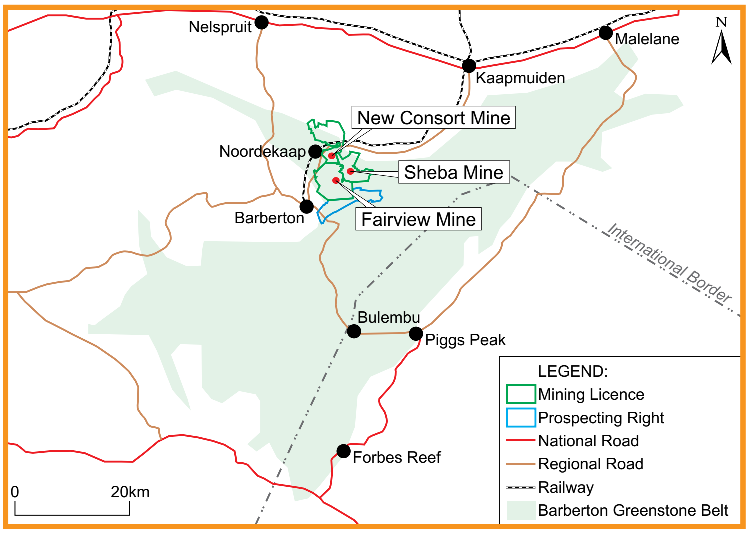


Jan Nelson
Chief Executive Officer
12 September 2011

Phoenix Plant Construction.

# Mining Operations: Barberton Mines

## Geographic Location




## Profile

| | | |
|---|---|---|
| **Name** | Barberton Mines | |
| **Location** | Mpumalanga province (South Africa) | |
| **Status** | Gold producer | |
| **Holding Company** | Pan African (100% stake) | |
| **Controlling Company** | Pan African | |
| **Geological Setting** | Sediments and metavolcanics within the Barberton greenstone belt | |
| **Products Mined** | Gold | |
| **Actual Production** | Tonnes Per Annum: | 296,200 |
| | Grade (recovered) | 10.55g/t |
| | Content Per Annum | 92,043 oz |
| **Ongoing Capex** | £6.8 million per annum | |
| **Extraction Method:** | BIOX® / Carbon-in-leach ('CIL') | |
| **LOM** | 17 years | |
| **Key Management** | Executive: Mining | Ron Holding |
| | General Manager | Casper Strydom |

# Safety, Health and Environment

## Safety

Barberton Mines is pleased to report no fatalities for the year under review. Post the reporting period, during the month of July 2011 Barberton Mines achieved one million fatality free shifts, over a 15 month period.

The Lost Time Injury Frequency Rate improved by 25% and the Reportable Injury Frequency Rate improved by 40% during the year compared to 2010, indicating the increased efforts and focus placed on safety at Barberton Mines.

The success achieved through the Barberton Mines Safety, Health, Environment and Community ('SHEC ') system is evident from the statistics shown below:

| | 2011 | 2010 |
|---|---|---|
| Lost time injury frequency rate ('LTIFR') | 2.21 | 4.20 |
| Total recordable injury frequency rate ('TRIFR) | 22.7 | 33.3 |
| Serious injury frequency rate ('SIFR') | 0.66 | 1.10 |
| Fatal injury frequency rate ('FFR') | - | 0.18 |

In addition to a robust SHEC system in place at the mine, Barberton Mines remains committed to:

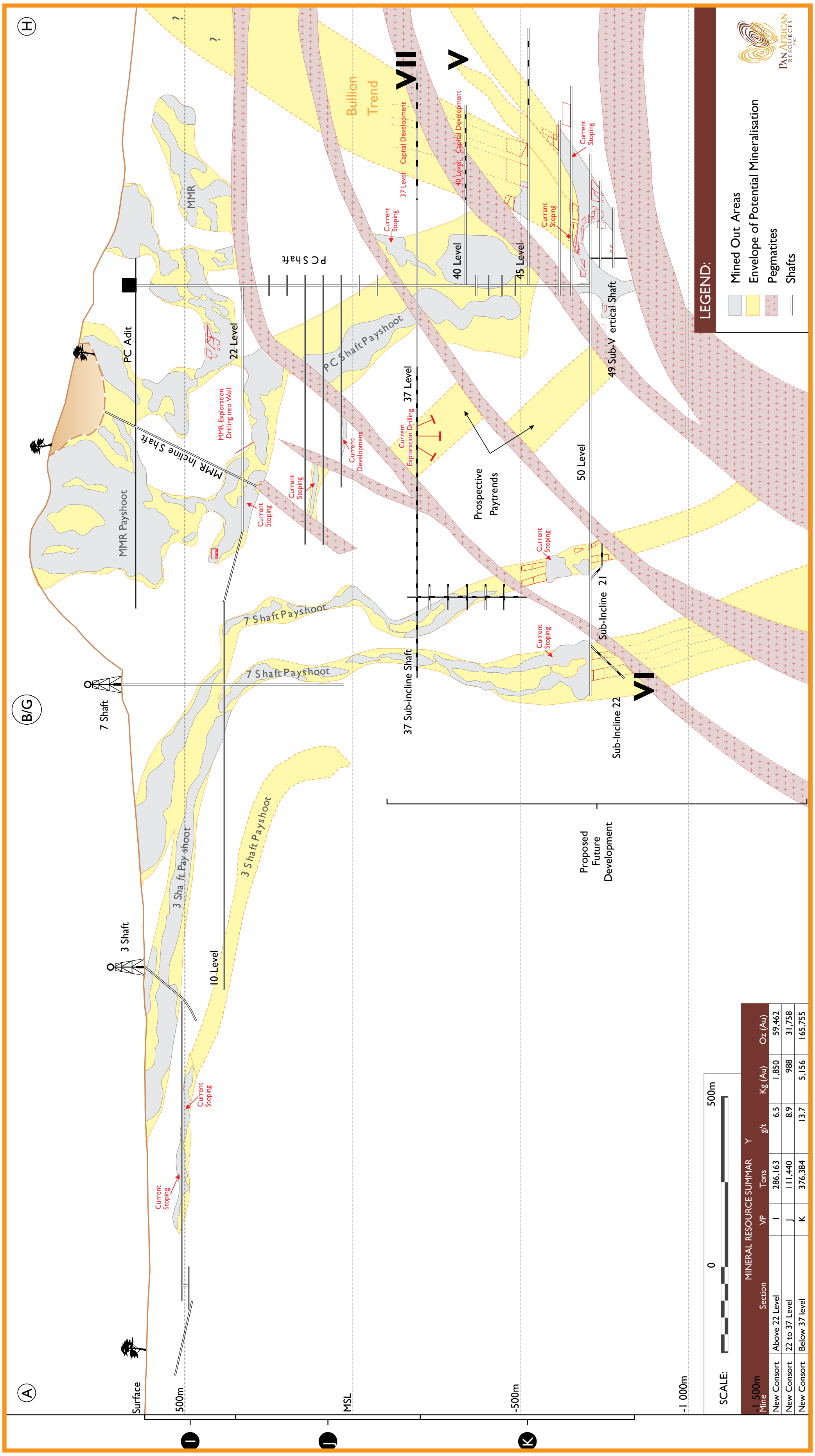
- The improvement of health and safety performance through the setting and achievement of goals, taking into account stakeholder expectations and industry leading practices,
- The implementation of systems to provide a working environment that is conducive to good health and safety, and
- The management of risks in the workplace and ensuring that employees have the relevant skills to perform work-related tasks in a safe manner.

## Environment

Mining and exploration activities are always conducted in a way where best practice is considered to minimise the impact on the environment to acceptable levels. The updated Environmental Monitoring Programme has been submitted to the South African Department of Minerals and Resources ('DMR'), awaiting approval. Monitoring programmes are compliant with regulations of the Department of Water Affairs as well as the Department of Environmental Affairs.

The water licences for the New Consort and Fairview mines were approved during the 2011 financial year, approval for the Sheba mine is expected in Q1 2012. Water quality is considered a major focus point and water management issues are constantly reviewed to improve water use at the mine. A major achievement to improve water management, was the completion of the new tailings storage facility at the Fairview mine and the ASTER® water treatment plant at the New Consort mine so that water returning from the tailings return water dams can be reused. As part of our continuous improvement, aquatic bio-monitoring commenced in the 2011 financial year as an additional monitoring tool in the in-flow watercourses.

## Longitudinal Section through the New Consort Mine depicting Organic Growth Projects

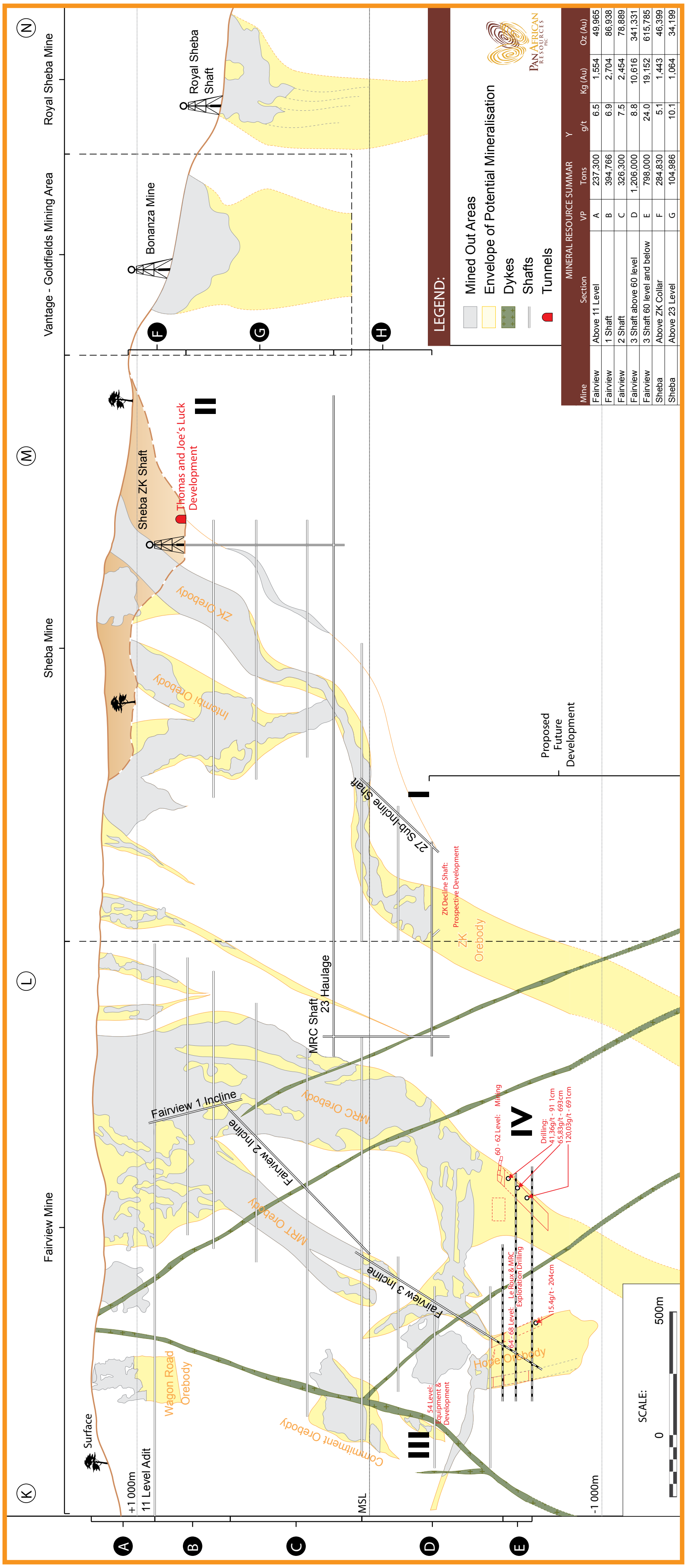



MINERAL RESOURCE SUMMARY

| Mine | Section | VP | Tons | g/t | Kg (Au) | Oz (Au) |
|---|---|---|---|---|---|---|
| New Consort | Above 22 Level | I | 286,163 | 6.5 | 1,850 | 59,462 |
| New Consort | 22 to 37 Level | J | 111,440 | 8.9 | 988 | 31,758 |
| New Consort | Below 37 level | K | 376,384 | 13.7 | 5,156 | 165,755 |

Roman numerals refer to capital projects described on page 34.

# Longitudinal Section through the Fairview and Sheba Mines depicting Organic Growth Projects




| Mine | Section | VP | Tons | g/t | Kg (Au) | Oz (Au) |
|---|---|---|---|---|---|---|
| Fairview | Above 11 Level | A | 237,300 | 6.5 | 1,554 | 49,965 |
| Fairview | 1 Shaft | B | 394,766 | 6.9 | 2,704 | 86,938 |
| Fairview | 2 Shaft | C | 326,300 | 7.5 | 2,454 | 78,889 |
| Fairview | 3 Shaft above 60 level | D | 1,206,000 | 8.8 | 10,616 | 341,331 |
| Fairview | 3 Shaft 60 level and below | E | 798,000 | 24.0 | 19,152 | 615,785 |
| Sheba | Above ZK Collar | F | 284,830 | 5.1 | 1,443 | 46,399 |
| Sheba | Above 23 Level | G | 104,986 | 10.1 | 1,064 | 34,199 |

Roman numerals refer to capital projects described on page 34.

# Capital Expenditure

## Organic Growth Projects

During the year under review, a total of £6.8 million was spent on capital expenditure, of which £3,2 million was for capital development projects.

The progress of the projects are summarised below (please refer to plans on pages 32 and 33):

| Key | Project | 2011 (metres) | 2010 (metres) | Potential resource target (oz) | Comment |
|---|---|---|---|---|---|
| I | Sheba – 36ZK | 294 | 140 | 6,000 | Good progress has been made with the development on the hanging wall contact on 36 Level. The establishment of a second escape access way to improve ventilation to 35 Level was also completed during the year. The horizontal development along the hanging wall contact will continue during the financial year, reaching the ZK target area towards the end of the 2012 financial year. |
| II | Sheba – Edwin Bray to Thomas and Joe's Luck area | 491 | 1,056 | 17,000 | Incline development towards the high grade surface borehole intersections was carried out during the financial year. It is expected that the elevation of these free gold intersections will be reached by the end of the 2012 financial year. This development will be done in conjunction with exploration drilling to determine the potential down dip extension of the Thomas fracture. Development towards the Joe's Luck area is planned for the 2013 financial year. |
| III | 54 Level Rossiter orebody | (Level equipping completed) | - | 11,000 | Equipping of 54 Level was completed during the year. Horizontal development of 120 metres is planned for the 2012 financial year to reach the mineralised zone. |
| IV | Fairview – 3 Shaft Deepening | 149 | 36 | 278,000 | A winder cross cut and 95% of the shaft slipping was completed during the financial year. The establishment of return airways and shaft equipping below 62 Level has commenced and will be completed in the 2012 financial year. A total of 186 metres of development, inclusive of shaft sinking is planned for the 2013 financial year. |
| V | New Consort – 40 level station establishment | 34 | - | 10,000 | Equipping of the level was completed during the financial year and development into the pegmatite commenced. Developing through the pegmatite will target the possible upward extension of the high grade Bullion mineralised zone. |
| VI | New Consort – 50 Level Decline West | 123 | 100 | 26,000 | The second station landing was established during the year and was followed up with horizontal development exposing a known zone of mineralisation. Decline shaft sinking towards the final station has commenced and will be completed during the 2012 financial year. |
| VII | New Consort – 37 Level Development | 74 | 97 | (New target area) | The 37 Level East haulage was re-equipped during the financial year and horizontal development extended towards the Bullion mineralised zone. This capital project has subsequently been put on hold until the 40 Level Development intersects the upward projected extension of the Bullion mineralised zone. |

## On Mine Development

On mine development is summarised below:

| On-Mine Development for 2011 | New Consort | | Fairview | | Sheba | |
|---|---|---|---|---|---|---|
| | metres | g/t | metres | g/t | metres | g/t |
| Reef Development | 483 | 3.83 | 626 | 3.14 | 874 | 4.51 |
| Stope Development | 455 | 7.09 | 229 | 6.41 | 92 | 13.67 |
| Waste Development | 1,080 | - | 1,044 | - | 2,276 | - |
| Total Development | 2,018 | - | 1,899 | - | 3,242 | - |
| Capital | 377 | - | 331 | - | 789 | - |

# Maintenance Capital

The maintenance capital at Barberton Mines amounted to £3.6 million. Expenditure on processing plant maintenance was £0.6 million for the year, as a result of purchasing of a new Knelson concentrator at the Sheba plant and installation of new blowers and compressors in the BIOX® plant at Fairview. A new BIOX® Elution Column replacement was purchased for £0.1 million. The extension of the tailings dam at the Fairview section of Barberton Mines was completed at a cost of £0.7 million. The total metallurgical maintenance and replacement expenditure for the year under review amounted to £1.3 million.

The capital expenditure on the maintenance of engineering equipment and infrastructure totalled £1.1 million for the year. Upgrading the mining equipment fleet was a key focus area during the year, with expenditure of £0.2 million to re-build load haul dumpers. The purchase of new hoppers cost £0.1 million.

Expenditure on the refurbishment of shafts and headgears at the mine amounted to £0.1 million. The replacement of obsolete compressors with modern, more efficient units and the upgrading of pumping and reticulation systems amounted to £0.1 million for the year. The old mobile crane was replaced by the purchase of a new mobile crane for £0.2 million.

The balance of the maintenance capital was principally spent on the final implementation of the SHEC system for £0.16 million, replacement of light vehicles for £0.04 million, a new X-Ray unit for £0.04 million, a new Symons crusher to the value of £0.05 million and new pump replacements costing £0.06 million.

## Key Focus Areas

| | Key Focus Area for 2010 | Achieved | Key Focus Areas for 2011 |
|---|---|---|---|
| 1 | SHEC – Complete the implementation of the integrated safety, health and environment management system, custom built for the operation to ensure continuous improvement in the areas of safety, health and environment management and continue playing a leading role in community and social development in the Barberton area. | Yes | SHEC – Continue with doing the required work in all the various areas.<br>Safety – Targets set and systems in place to manage it.<br>Health and Environment – Structures and Systems in place to comply with legislation and to manage on mine issues.<br>Communities – Systems and structures in place to also comply with the Social and Labour plan and LED initiatives. |
| 2 | Volume, Value & Quality – Focus on safe and steady state production that strives towards the achievement of the planned ore tonnages, development advances, grades, recoveries and cost control measures. | Safety - Achieved<br>Cost control was good but production volumes were not achieved as per plan. | To achieve the business plan which deals with volumes, costs, values and quality. After safety this is the main focus area. |
| 3 | Productivity – Benchmark the operation to similar operations in the industry and identify and implement means of improving productivity at the mine. | No similar operations identified.<br><br>Productivity levels to be improved through targeting surface resources. | To fast track the Bramber Tailings retreatment project. Also to investigate and implement treatment of any other surface sources on mine. |
| 4 | MRM – Continue the implementation of the integrated MRM system aimed at improving flexibility in terms of grade management and increasing the LOM of Barberton to 20 years. | Yes | MRM – Search for new or additional reserves in the current workings and off mine in new areas. This is critical not only to extend the LOM but also to give improved flexibility. |
| 5 | Transformation – Implementing a plan to achieve the required empowerment targets set out by Government, whilst enhancing our skills base. | Yes | Focus on our Employment Equity strategy to ensure that 2014 targets are met. Emphasis will be placed on training and education as well as the retention of skills. |

Headgear, Sheba Mine


**"Today I am well skilled in the mining environment, particularly in health, safety and observation."**

Underground, Fairview Mine.

## Thandeka Ndlovu
## Underground Environmental Assistant

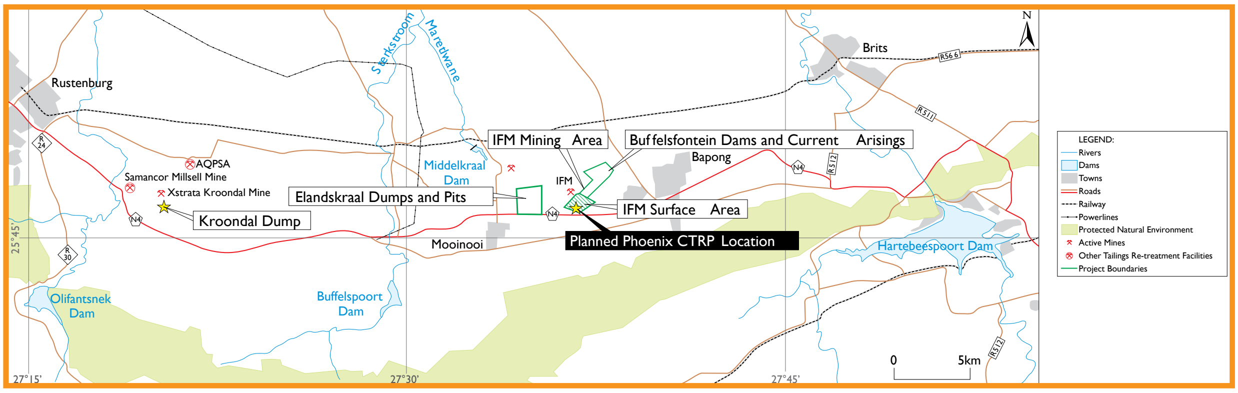
"I do not have enough words to thank Barberton Mines and Pan African Resources for believing in me by offering an inexperienced woman in mining the opportunity to work as an Underground Environmental Assistant.

When I started here in 2008, I had no experience at all and was really scared, however, excited to work underground. Today I am well skilled in the mining environment, particularly in health, safety and observation.

I also want to express gratitude to our Management Team for being more considerate in safety. People may not know this but the underground conditions at Barberton Mines are safer and healthier than most others in the country. I am one of many employees who say thumbs up to Barberton Mines with their safety record!"

# Phoenix Platinum South Africa

## Geographic Location




## Project Summary

| | | |
|---|---|---|
| **Name of project** | The Phoenix Platinum processing project | |
| **Location** | North-West Province (South Africa) | |
| **Status** | Under Construction | |
| **Holding company** | Phoenix Platinum | |
| **Controlling company** | Pan African (100% ownership) | |
| **Geological setting** | Chrome tailings from chrome seam mining in the Bushveld Igneous Complex situated on International Ferro Metals' ('IFM') Lesedi operations. | |
| **Products mined*** | Platinum (56.5%), Palladium (27%), Rhodium (16%) and Gold (0.5%) | |
| **Production forecast** | Tonnes per annum | 240,000t |
| | Grade** | 3.52g/t |
| | Content per annum | 12,000oz (PGMs) @ 45% recovery |
| **Working Costs** | US$466/oz † | |
| **Extraction method** | Chrome Tailings Retreatment Plant ('CTRP'): Concentrator/flotation plant | |
| **LOM** | 17 years | |
| **Key management** | Executive: Mining | Ron Holding |
| | Project Engineer | Richard Künnemann |

* Metal split indicated from metallurgical test work.

** Production Headgrade differs to the Average Resource grade due to the effect of selective mining and screening off of coarse low grade material during the processing of tailings.

†The ZAR:US$ exchange rate used to calculate the US$/oz working cost is 7.2. This working cost is forecast for second half of 2012.

## Safety Performance

Earthworks at the Phoenix Platinum CTRP construction site on IFM's property commenced on 23 March 2011. A total of 46,345 construction man-hours have been worked during the year under review with no significant incidents or accidents.

| Phoenix Platinum Mining (Pty) Ltd<br>SHEC Integrated System | |
|---|---|
| **Safety (Frequency Rate)** | **Number** |
| Man hours worked | 46,345 |
| Fatality | - |
| Reportable Accidents | - |
| Permanent Disability / Impairment | - |
| Lost Work Days | - |
| Restricted Work Days | - |
| Medical Treatment | - |
| First Aid Treatment | 2 |
| **Environment (Number of Incidents)** | **Number** |
| Major Environmental Incidents | - |
| Medium Environmental Incidents | - |
| Minor Environmental Incidents | - |
| Other Incidents | - |

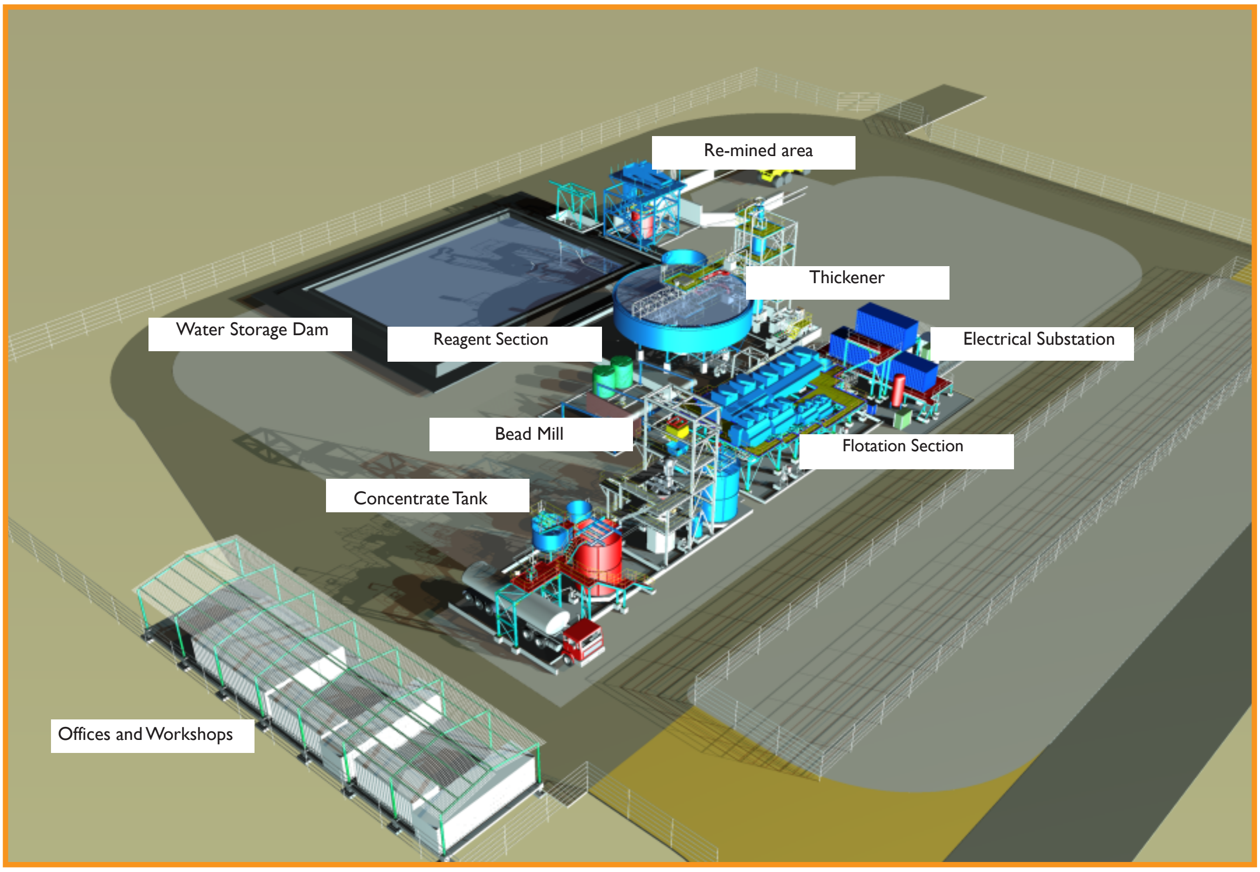
## Milestones Achieved in 2011

| Key event | Achievement | Completion date |
|---|---|---|
| CTRP site negotiation | Concluded agreement to construct the CTRP on IFM property | November 2010 |
| CTRP Design | Concluded Lump Sum Turn Key Contract ('LSTK') | November 2010 |
| | Final Engineering Design | February 2011 |
| CTRP Site establishment | Commence bulk earthworks | March 2011 |
| CTRP Construction | Order long lead items | March 2011 |
| | Commenced Mechanical Construction of feed thickener | June 2011 |
| Tailings storage facility ('TSF') extension | Completed design and allocated construction contract | May 2011 |


Plant Construction as at August 2011.

## Milestones Objectives for 2012

| Key Event | Objective | Target Date | Comments |
|---|---|---|---|
| CTRP construction | Commission CTRP | October 2011 | On target despite the NUMSA strike |
| | Produce first concentrate | December 2011 | Six weeks before LSTK target |
| | Capital expenditure of £8.5 million | | Within budget |
| TSF Management | Construct TSF Extension | October 2011 | Take control of IFM TSF |
| | Re-mine Tailings Dam No. 2 | September 2011 | Stockpiling tailings for CTRP feed |
| PGM concentrate supply | Conclude concentrate offtake agreement with major producer | October 2011 | Maximise potential revenue |
| Increase CTRP capacity | Secure additional feedstock | June 2012 | Potential sources in the area being investigated |




3D impression of completed CTRP Plant.


"Before this course, I was hopeless, I had no job and no future.  Now I have learnt how to weld so I can get a job."

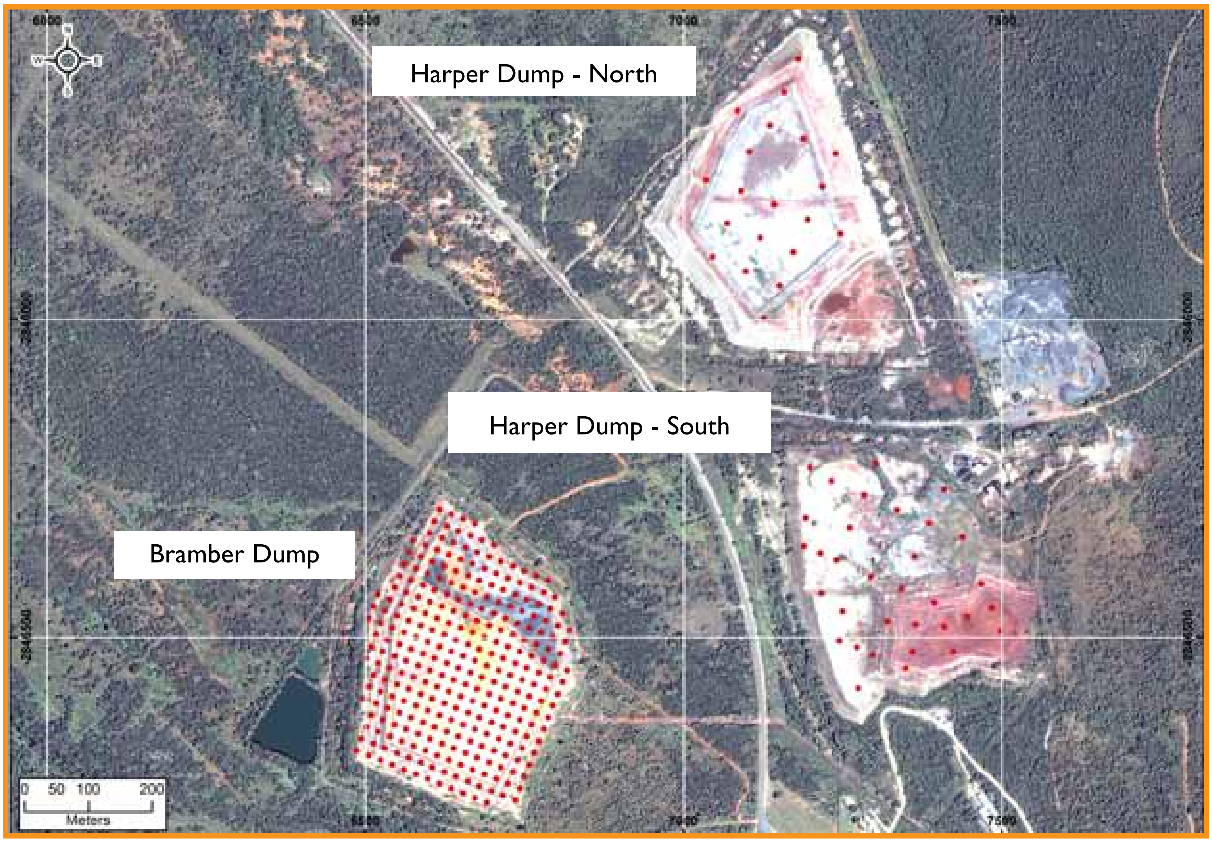
# Welding Course

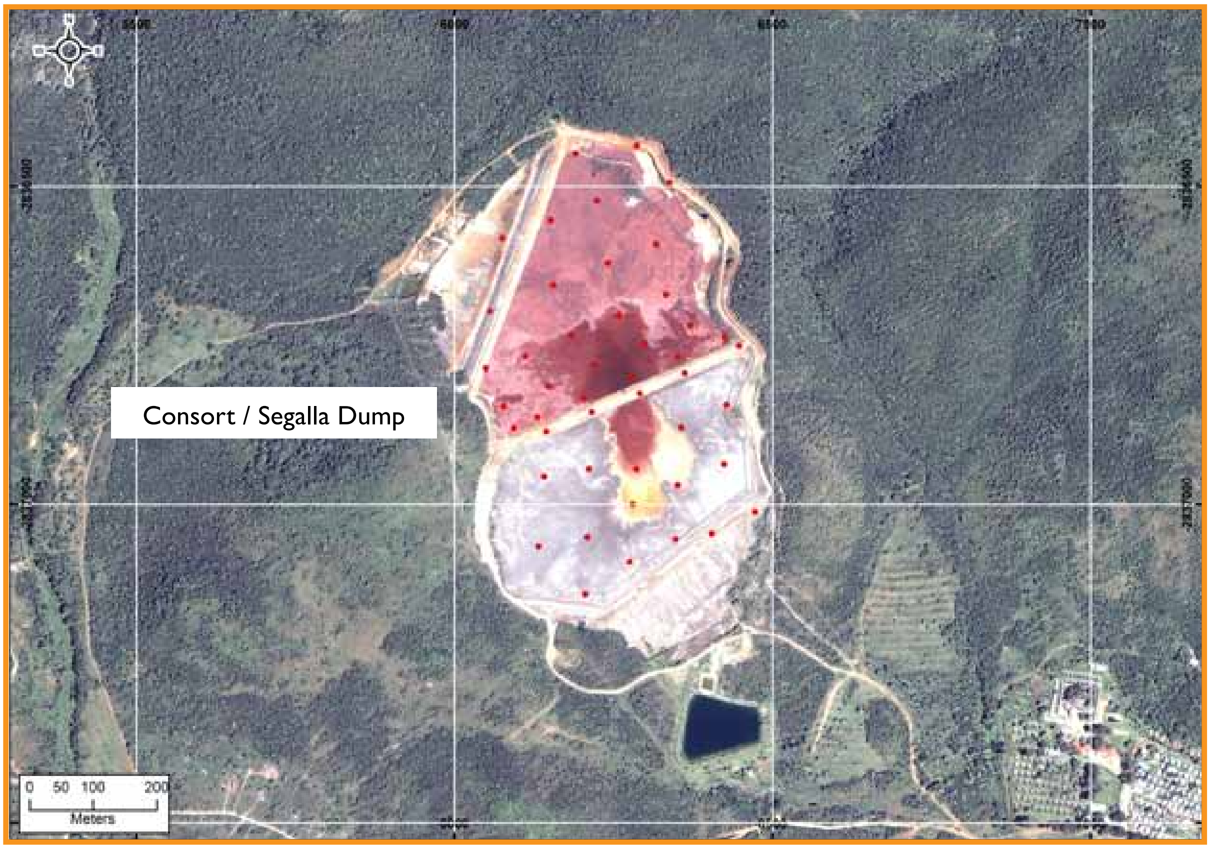
This 2-month course provides community members the opportunity to master the trade of welding.

As highlighted through an interview with the Chairman of the Co-op, Bongani, this course is much more than just a place to learn, it has given these men and women hope for the future.

Bongani is married with two children, he was previously unemployed and in his own words his future was 'hopeless', now he is able to make money by selling the window frames they have made to the school under construction.

# Near-Term Production: Bramber Tailings Retreatment Project



## Project Summary

| | | |
|---|---|---|
| **Name of project** | The Bramber Tailings Retreatment Project | |
| **Location** | Mpumalanga Province (South Africa) | |
| **Status** | Feasibility underway | |
| **Holding company** | Barberton Mines (Pty) Ltd | |
| **Controlling company** | Pan African (100% ownership) | |
| **Geological setting** | Gold tailings originating from the Fairview Mine | |
| **Products mined** | Gold | |
| **Production forecast** | Tonnes per annum | 1,000,000 to 1,200,000t |
| | Recovered Grade * | 0.76g/t |
| | Content per annum | 24,000 oz - 29,000 oz |
| **Estimated capital cost** | £22.5 million | |
| **Extraction method** | CIL plant | |
| **LOM** | 3 years (Bramber only, excluding other surface dumps under investigation) ** | |
| **Key management** | Project Manager | Pieter Wiese |
| | Metallurgical Consultant | Eugene Nel |

* Assuming an average recovery of 52%.
** Should other tailings sources prove viable, the LOM could be extended to 10 years at a processing rate of 1.2Mt per annum.

## Milestone Achievements for 2011

| Key event | Achievement | Completion date |
|---|---|---|
| Tailings Storage Facility ('TSF') Auger Drilling | Completed | March 2011 |
| Resource Statement | Initial resource verification | June 2011 |
| | Reserve conversion | July 2011 |
| Metallurgical test work | Initial metallurgical tests completed | June 2011 |
| Engineering Design | Awarded to Matomo | June 2011 |

## Project Milestones Objectives for 2012

| Key Event | Objective | Target Date |
|---|---|---|
| Feasibility Study Design | Process Flow Design (PFD) | October 2011 |
| Construction tender | Appoint construction contract | December 2011 |
| Detailed design and Execution | Commence Plant Construction | January 2012 |
| Engineering Completion | Plant construction completed | October 2012 |
| Commissioning | Plant hot and cold commissioning | November 2012 |
| EIA | EIA extension, application and permitting | October 2012 |
| TSF | Tailing Storage Facility design and construction (as per plant schedule) | October 2012 |
| Production Start Up | Estimated first production | January 2013 |

## Bramber Tailings Project Resource Estimation

The Group is pleased to report a South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC') compliant gold Mineral Resource for the Bramber Tailings project of 148,000oz (3.13Mt @1.47g/t).

Subsequent to the completion of metallurgical test work on the dump material, recoveries were determined to be 52%. The Group is also pleased to report a SAMREC compliant gold Mineral Reserve for the Bramber Tailings project of 76,000oz. (3.13Mt @0.76g/t).

A total of 308 auger drill holes were drilled on a grid of 20 metres by 20 metres, representing a total of approximately 6,074 metres. Samples of each hole were taken at 1.5 metres intervals and composited at 3 metre intervals, representing a total of 2,344 samples taken for assaying. Modelling and geological profiling of the boreholes confirmed two distinct positional populations across the tailings dam which is the result of historical deposition that took place in two separate compartments, a higher grade BIOX® tail section and a lower grade concentrator/flotation tail section.

Geostatistical modelling indicates 74,600oz (758kt @ 3.06g/t in situ) for the BIOX® section and 72,900oz (2.369Mt @ 0.96g/t in situ) for the concentrator/flotation section. This represents a total resource of 147,500oz (3.130Mt @ 1.47g/t in situ).

A total of 10 composite samples representative of the tailings dam were submitted for metallurgical recovery test work. Initial excess cyanide test work indicated recoveries varying from 45% to 55%. Kinetic test work was also done to determine residence time, which guides the process flow design for optimum plant configuration. Indicative recoveries of 52% have been determined.

The feasibility study covering plant design, final process flow design, volume throughput, chemical and reagent consumption, recoveries and capital and operating expenditure will be completed by Q2 of the 2012 financial year. If feasible, a new plant will be constructed to treat approximately 1.2Mt per annum of tailings for three years. An Order of Magnitude estimate study completed by Matomo estimates the capital cost of the project at approximately ZAR250 million (approximately £22.9 million). Plant construction is estimated to take 12 months.

The Group has also completed initial auger drilling on another 9Mt of tailings, which if viable could extend the Life of Project from approximately three to ten years and increase the annual production profile at the mine by approximately 20,000oz. The initial drilling programme has been completed and the associated metallurgical test work applicable to the completed expansion is expected within the next quarter. The 100 auger holes drilled equates to 1,804 metres. The 1,368 samples taken at 1.5 metre increments were composited at 3 metre intervals, for a total of 872 combined samples submitted for gold content determination. A total of 10 composites, representing the various dumps, were submitted for metallurgical test work. Final results of assays and metallurgical test work are still pending.

Of the total Mineral Resource, 24%, by volume (51% by gold content), originated from the BIOX® process. The flotation process produced the balance.

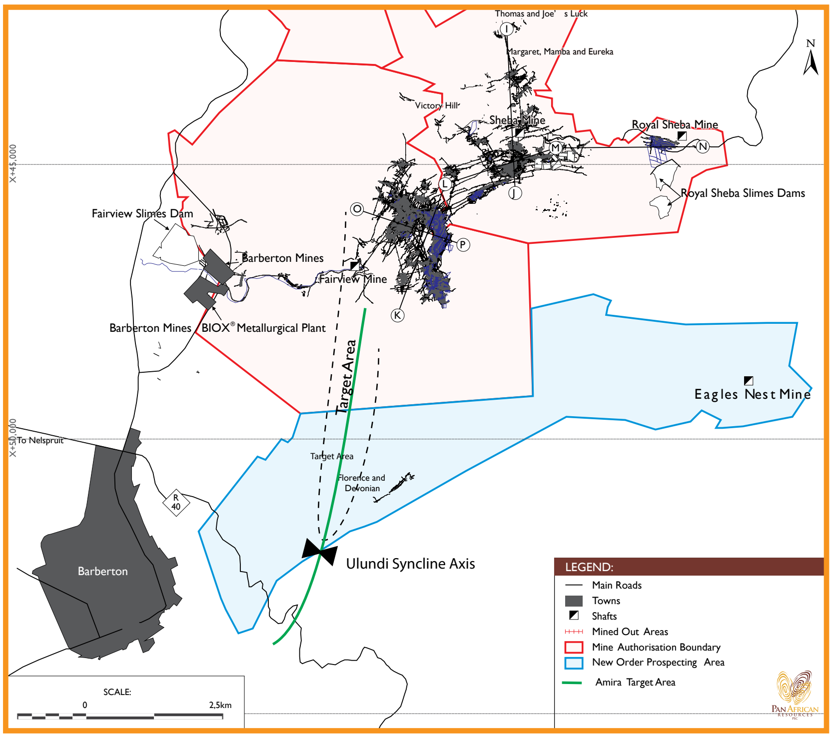
## Sinqobile Vegetable Project

The Sinqobile Vegetable Project has allowed members of the community the benefit of access to seeds, fertilizer as well as the expertise of Gail Makhanya.

Gail is a recent Agriculturist graduate from the Tswane University of Technology. She has been hired on a 12-month contractual basis, beginning in May 2011, to advise and teach project participants. She focuses on finance, the science of growing vegetables as well as time management.

The chairperson of the Co-operation, Lindiwe, was running her own vegetable garden before the formalisation of the Sinqobile project. She has gained skills in both agriculture and business which will help her develop for the future.

# Amira Exploration Project, Barberton Mines




## Project Summary

| | | |
|---|---|---|
| **Name of project** | Amira project | |
| **Location** | Mpumalanga Province (South Africa) | |
| **Status** | Exploration | |
| **Holding Company** | Barberton Mines (Pty) Ltd | |
| **Controlling Company** | Pan African (100% ownership) | |
| **Geological setting** | Prospecting area to the south of the Fairview Mine | |
| **Products mined** | Gold | |
| **Estimated capital cost** | £0.20 million | |
| **Exploration method** | Diamond and Reverse Circulation ('RC') drilling | |
| **LOM** | Potential extension to Barberton Mines | |
| **Key management** | General Manager | Casper Strydom |
| | Exploration Manager | Roelf le Roux |

During 2006, Barberton Mines obtained a new order prospecting right, covering 1,900 hectares over ground previously held under claims, directly to the south of the Fairview mining licence.

The bulk of the gold production at Barberton Mines, and thus more than half of the total Barberton Greenstone Belt, is associated with sheared competency contrasting litho boundaries. The litho boundary most commonly found to host mineralised shears, is the boundary between the silicified, fuchsitic altered Zwartkoppie ('ZK') unit and the greywacke and shale of the Sheba Formation. This ZK unit occurs in the Barberton Mines mining and prospecting area as folds, thrust into the over lying greywacke and shale. This whole sequence was subsequently refolded around the Ulundi Syncline ('Amira Project').

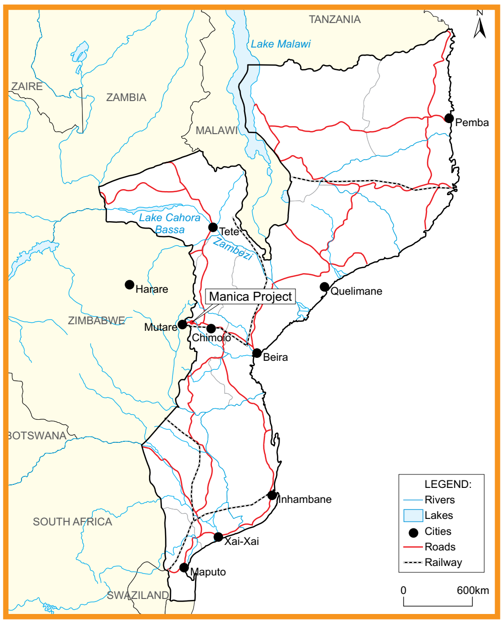
During the late 1990's Amira International Ltd, through researchers based at the University of Western Australia, carried out a research project at Barberton Mines. The aim of the project was to reconstruct the deformational process that coincided with the mineralising event. The fold closure of the Ulundi Syncline was shown to be a favourable feature to concentrate mineralising fluid flow (gold deposition). After extensive desktop studies, compiling more than a hundred years of exploration data and a recent airborne geophysical survey, drill targets were selected based on known mineralisation models and the best interpretation of the structural regime of the Barberton Mines ore bodies at Fairview and Sheba mines. Numerous anomalies, similar in footprint size to the Fairview anomaly, were identified over the Amira project.

The fold closure of the Ulundi syncline is the first drill target to be tested by surface diamond drilling with a budget of £0.20 million during the 2012 financial year. Two diamond drill holes, each to a depth of 1,000 metres, are planned for the next year. If these holes confirm the geological model and present evidence for gold mineralising fluid flow, then follow-up diamond drilling and RC drilling will be carried out.

Harper Tailings Dam, Barberton

# Manica gold project, Mozambique

## Geographic Location




## Project Summary

| | | |
|---|---|---|
| **Name of project** | The Manica gold project | |
| **Location** | Manica Province (Mozambique) | |
| **Status** | Scoping study (metallurgical test at pre-feasibility level) | |
| **Holding Company** | Explorator Limitada | |
| **Controlling Company** | Pan African (100% ownership) | |
| **Geological setting** | Sediments and metavolcanics within the Odzi-Mutare-Manica greenstone belt | |
| **Product** | Gold | |
| **Production estimate*** | Open Pit | Approximately 50,000oz |
| | Underground | Approximately 100,000oz |
| **Estimated capital cost** | USD 150 to USD180 million | |
| **Extraction method** | Based on an optimised open pit mine design followed by underground mining, applying a sublevel open stoping methodology. The project team is currently investigating the viability of an alternative processing route including BIOX® and ultrafine grind. | |
| **LOM** | Scoping design indicates 16 years at 100koz gold per annum (open pit and underground mining option). The open pit operation is expected to have an 8 year LOM. | |
| **Key management** | Project Manager | Craig Hutton |
| | Metallurgical Consultant | Graeme Farr |

* Still at Scoping level of design.

## Project summary

Exploration Licence converted to Mining Licence on 30 March 2011, this licence is valid for 25 years and is renewable for a further 25 years.

In May 2011 Pan African declared a revised resource of 2.97Moz at 1.83 g/t.

| Key Events 2011 | Date completed | Cost |
|---|---|---|
| Mine design Oxide Study | December 2010 | £0.05 million |
| Metallurgical Design | December 2010 | £0.11 million |
| Open Pit plus underground | December 2010 | £0.05 million |
| Metallurgical Review | December 2010 | £0.01 million |
| Mineral Resource Modelling | May 2011 | £0.02 million |

## Strategic review

It is the intent of the board to list the Manica project as a separate exploration entity on an international exchange in Q3 / Q4 of the 2012 financial year, subject to market conditions and investor sentiment. The Company believes this approach will not only fast track development, but will result in optimum returns for shareholders.


"Pan African Resources' CSI has opened doors for many hopeless young people around Barberton and its surrounding communities."

## Fortunate Ngomane
## Corporate and Social Investment

## What Fortunate has to say:

"Pan African Resources' CSI has opened doors for many hopeless young people around Barberton and its surrounding communities.

A community skills development centre was established in Barberton's Sinqobile Township with the aim of developing skills in welding, sewing, bread baking and brick making. All skills developed at the centre are free to community members.

Furthermore, Pan African Resources is busy with the construction of a primary school at the Sinqobile Township, which will accommodate 950 children, with the hope of providing better educational facilities to previously disadvantaged children.

Pan African further assists local community organisations, such as the Sinqobile Vegetable Project. This project is currently operating on land donated by Barberton Mines, and receives technical and business mentoring regularly, also marketing and financial assistance when required."

# New Business

## Strategy

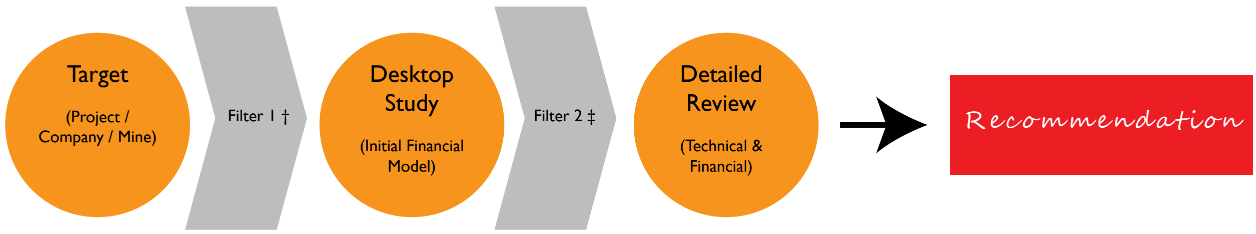
As part of its growth strategy, Pan African adopted a two tier approach for the 2011 financial year. Firstly, it focused on the organic growth of its own assets. Secondly, it focused on external growth by identifying and evaluating mainly gold and platinum projects in South Africa that are at an advanced exploration stage (JORC/SAMREC Resource declared, ready for Pre-Feasibility Study) or further advanced (at Bankable Feasibility Study, Mine Development and Construction, or Production stage).

Main target areas are the known Wits and Greenstone-type gold deposits in South Africa, with further focus on projects holding a robust resource/reserve base that can be developed and mined at low-cost, yielding high margins and with significant opportunity for long-term growth.

## Process

Targets are identified on the basis of grade, audited ounces in the ground, size and type of orebody, and mineability. Other filters applied include economic and political risk as well as level of services and infrastructure.

Once a project has passed through the strategic filters, a desktop study is carried out, culminating in a financial model indicating the project worth (NPV, IRR, Pay-back, etc.). A business case is then presented to the Pan African board, before a full due diligence is undertaken.




† Filter 1: Type/size/grade of orebody; economic/political risk; infrastructure/services
‡ Filter 2: NPV; IRR; other financial parameters

## New Business Focus

The focus during the 2011 financial year was organic growth projects as well as gold and platinum group metal projects in South Africa.

Three acquisition opportunities were reviewed during the year. However, the major focus was on progressing the Bramber Tailings Retreatment Project, the identification and evaluation of other potential surface sources at the Group's Barberton Mines and completing the Manica feasibility, all of which are described in the CEO's Review.

# Mineral Resources Management

Pan African's MRM philosophy is that a detailed understanding of the orebody undoubtedly contributes to the optimal extraction of the core asset for our mining operations, viz: The Orebody. From this standpoint it is clear that the 'Orebody dictates' through its various characteristics. Within the accepted MRM framework, Geological, Survey and Mine planning functions on the operations are focused toward maximising the value of the residing orebodies.

## Strategy

The key operational focus is to integrate all intellectual capital and technical data, in order to enhance the Mineral Resource confidence and volume which should ultimately result in an improved LOM. The MRM framework developed and implemented, hinges on integrated areas of responsibility, necessitating a common approach and leading to a team based interaction.

In addition to this framework, the Group uses a Mineral Resource Optimiser system. This system is a computer-based tool developed to analyse and subsequently assist in optimising the mining of the resource, in such a way that long term financial returns are maximised. The optimiser utilises alternative methodology to existing pay-limit methodology and offers a number of advantages, namely:

- The unique statistical properties of the specific ore body is taken into account,
- It eliminates the need for adjustments and unpay mining,
- It allows for a scientific basis to determine the grade to operate at and maximise operational returns,
- It provides a tool to manage the mining mix and prevents high grading or sterilisation of resource blocks – optimising resource extractions and LOM, and
- It further allows for better planning with respect to development of mineral resource blocks.

During the 2012 financial year, Pan African will continue its drive towards MRM excellence through improving geological understanding, data recording quality and concentrate on ensuring sustainability through appropriately focused exploration targets.

For the purpose of this report, financial units used on the operations are not converted to £. For certain calculations $/oz was converted to ZAR/kg for the use on the operations.

## Barberton Mines (Pty) Ltd

### Barberton Mines Resource and Reserve Summary: Total Mine

| Resource Table | Resource @ March 2010 | | | | Resource @ March 2011 | | | | +/- Variance | | | | % Variance Year on Year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | g/t | t | koz | kt | g/t | t | koz | kt | g/t | t | koz | kt | g/t | t | koz |
| Measured | 5,280 | 5.91 | 31.200 | 1,000 | 2,750 | 8.45 | 23.300 | 750 | (2,530) | 3.14 | (7.900) | (250) | (47.85) | 43.01 | (25.43) | (25.43) |
| Indicated | 4,160 | 6.09 | 25.300 | 810 | 7,340 | 5.50 | 40.300 | 1,300 | 3,180 | 4.72 | 15.000 | 490 | 76.46 | (9.76) | 59.23 | 59.23 |
| Inferred | 2,330 | 7.50 | 17.500 | 560 | 2,510 | 8.01 | 20.100 | 650 | 180 | 14.50 | 2.600 | 90 | 7.83 | 6.78 | 15.14 | 15.14 |
| **Total** | 11,770 | 6.29 | 74.000 | 2,370 | 12,600 | 6.64 | 83.700 | 2,700 | 830 | 11.69 | 9.700 | 330 | 7.09 | 5.63 | 13.13 | 13.13 |
| **Total Measured & Indicated** | **9,440** | **5.99** | **56.500** | **1,810** | **10,090** | **6.30** | **63.600** | **2,050** | **650** | **10.92** | **7.100** | **240** | **6.91** | **5.23** | **12.50** | **12.50** |

| Reserve Table | Reserve @ March 2010 | | | | Reserve @ March 2011 | | | | +/- Variance | | | | % Variance Year on Year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | g/t | t | koz | kt | g/t | t | koz | kt | g/t | t | koz | kt | g/t | t | koz |
| Proved | 1,420 | 6.91 | 9.800 | 320 | 1,220 | 7.30 | 8.900 | 290 | (200) | 4.69 | (0.900) | (30) | (14.06) | 5.24 | (9.55) | (9.55) |
| Probable | 900 | 11.97 | 10.800 | 350 | 2,610 | 8.51 | 22.200 | 710 | 1,710 | 6.65 | 11.400 | 360 | 190.44 | (29.13) | 105.84 | 105.84 |
| **Total** | **2,320** | **8.87** | **20.600** | **670** | **3,830** | **8.10** | **31.100** | **1,000** | **1,510** | **6.95** | **10.500** | **330** | **65.34** | **(8.74)** | **50.90** | **50.90** |

Frans Chadwick, the Chief Surveyor at Barberton Mines, signs off mineral Resources for Barberton Mines. He is a member of the South African Council for Professional and Technical Surveyors (PLATO) (PMS0033). The reported Mineral Resource Statements are SAMREC Compliant and the Resource numbers in the Mineral Resource and Mineral Reserve tables have been rounded to reflect the appropriate level of confidence and variances may occur. Mineral Reserves are reported as subsets of Mineral Resources.

During the 2011 financial year the following significant changes to resources occurred:

- A SAMREC compliant evaluation of the Bramber slimes dam was completed. The dam was drilled on a 20 metre by 20 metre grid, sampled and evaluated by an independent evaluator.
- The dam contains 3,128,000 tonnes at 1.47g/t, adding 147,000oz to the overall resource.
- The Royal Sheba resource was reviewed and reduced along geological constraints. This reduced the volume and increased the grade.
- Based on a Concept Study of the dormant Royal Sheba mine by Turgis Mining Consultants, Royal Sheba was moved forward in the LOM plan and the resource was converted to reserve.
- The Clutha section of New Consort mine that last worked in 1997 was moved forward in the LOM plan and converted to resource.
- Deep drilling at Fairview mine resulted in significant extension to the high grade MRC indicated resource.

As a result of the above the Barberton Mines Mineral Resource inventory posted the following changes for 2011:

- Increased Barberton Mines Mineral Reserve by 336,000oz contained gold,
- Decreased Barberton Mines Measured Mineral Resource by 30,000oz contained gold,
- Increased Barberton Mines Indicated Mineral Resource by 482,000oz contained gold, and
- Increased Barberton Mines Inferred Mineral Resource by 85,000oz contained gold.

## Mineral Resources and Ore Reserves 2011 - General

As at 30 June 2011, Barberton Mines reported a Mineral Reserve of 998,000oz and Mineral Resource of 2,692,000oz contained gold. The Measured and Indicated Mineral Resources are inclusive of those Resources modified to produce the Mineral Reserves. Reserves are reported as mill delivered tonnes at the grade recovered having duly considered all modifying factors.

## Commodity Prices used

A gold price of US$1,333.00/oz was used for the conversion of Mineral Resources to ore reserves at an exchange rate of R7.00/US$ resulting in a gold price of R300,000/kg.

## Summary comment on Mineral Resource movement

Year-on-year, Barberton Mines Mineral Resources had a positive variance of 312,000oz contained gold. This was mainly as a result of confirmed depth extensions on the Fairview lower levels and the evaluation of the Bramber slimes dam.

## Summary comment on Mineral Reserve movement

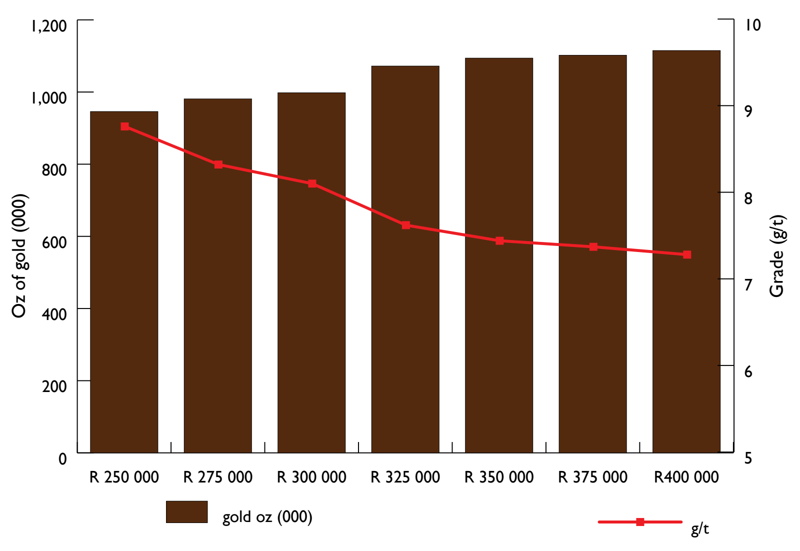
There was a year-on-year positive variance of 336,000oz with respect to the Mineral Reserves. The increase can be ascribed to the conversion of Royal Sheba mine resource to reserve. As indicated in the table below, Barberton Mines' ore reserves as at 30 June 2011 reflected a year-on-year depletion of 71,000oz.

| Mineral Resource reconciliation: 2010 to 2011 | Gold (Kg) | Gold (Koz) |
|---|---|---|
| Balance as at March 2010 | 74,026 | 2,379 |
| Mined during 2011 | 2,223 | 71 |
| Addition | 11,939 | 383 |
| Balance as at March 2011 | 83,742 | 2,692 |
| Variance | 9,717 | 3,124 |

| Mineral Reserve reconciliation: 2010 to 2011 | Gold (Kg) | Gold (Koz) |
|---|---|---|
| Balance as at March 2010 | 20,572 | 661 |
| Mined during 2010 | 2,647 | 85 |
| Addition | 13,118 | 421 |
| Balance as at March 2011 | 31,043 | 998 |
| Variance | 10,471 | 336 |

## Mineral Reserve Sensitivity

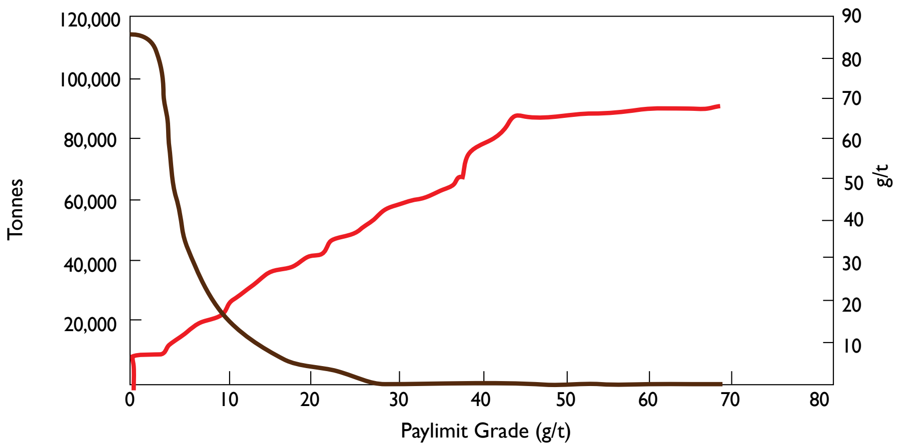
The graph below illustrates ore reserve sensitivities to a changing gold price below and above ZAR275,000/kg.



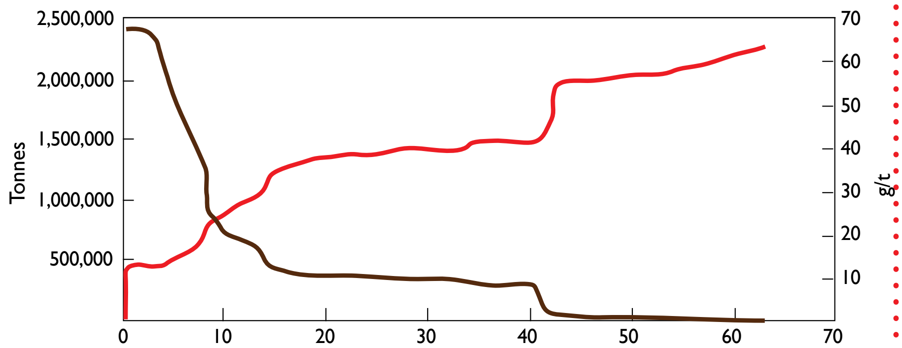
## Grade Tonnage Curves

Reserves metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tonnes and recovered grades.

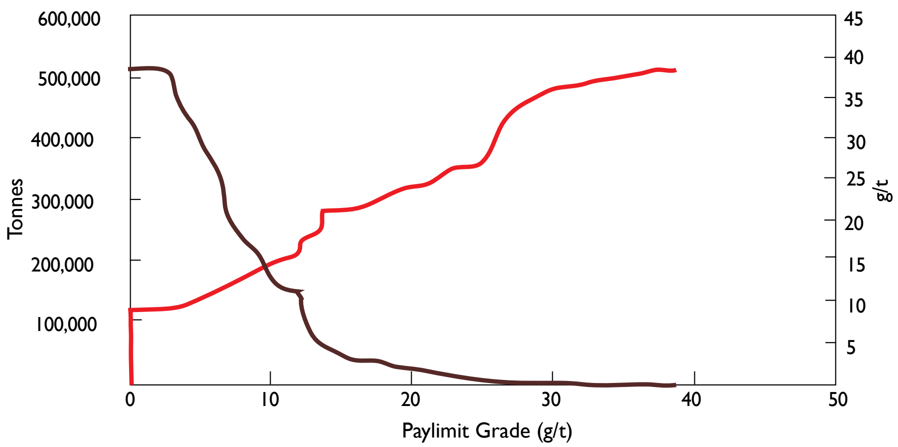
Sheba




Fairview




New Consort




Cumulative Face Tonnes Cumulative Face Grade

## Barberton Mines Cut-off and Average Grades 2012 Business Plan

The Mineral Resource Optimiser tool was applied to the mineral resource inventory. Functionally, it is based on the concept of cut-off grade calculation in order to guide the mine planning process. An optimal cut-off is determined, which calculates the lowest grade at which the ore body can be mined such that the total profits, under a specified set of mining parameters, are maximised. This calculation was performed for each major area.

Cut-off grades are determined using the optimiser program that requires the following as inputs:

- The database inventory of all Mineral Resource blocks,
- An assumed gold price – ZAR320,000/kg,
- Planned production rates for each mine,
- Mine Call Factor ('MCF'),
- Plant Recovery Factor ('PRF'), and
- Planned cash operating costs and other efficiency factors are calculated using historical achievements as a baseline.

Optimiser cut-off and average grades currently used are tabled below:

| | | Fairview | Sheba | New Consort | Total Barberton Mines |
|---|---|---|---|---|---|
| Optimal Cut-offs | g/t | 6.89 | 5.90 | 8.30 | 7.04 |
| Marginal Cut-offs | g/t | 1.70 | 1.60 | 2.27 | 1.60 |
| Average Mining Grade (face) (Optimal) | g/t | 16.65 | 13.76 | 13.11 | 16.09 |
| Average Mining Grade (head) (Optimal) | g/t | 13.57 | 12.52 | 11.80 | 13.31 |
| Marginal Tonnes (25% profit margin) | % | 38.70 | 56.60 | 54.80 | 48.70 |
| MCF | % | 81.50 | 100.00 | 90.00 | 90.90 |
| PRF | % | 90.90 | 92.70 | 90.50 | 91.00 |
| Gold Price | ZAR/g | 320 | 320 | 320 | 320 |
| Barberton: cut off | g/t | 2.0 | 2.0 | 2.0 | 2.0 |
| Average Mining Grade (face) | g/t | 11.86 | 8.09 | 8.82 | 10.36 |
| Average Mining Grade (head) | g/t | 9.67 | 7.36 | 7.93 | 9.42 |
| Paylimits @ ZAR320/g | g/t | 6.91 | 5.36 | 8.0 | 6.55 |
| Reserve Grade | g/t | 13.35 | 4.98 | 6.64 | 8.10 |

## Barberton Mines Pay-Limit Calculation

For the purpose of accurate and optimal pay-limit calculations the mine is broken up into mining districts based on geographical location and common infrastructural considerations. The reason for this is that mining costs in each district differ based on location and infrastructure. A regional pay-limit calculation is in place at all operations at Barberton Mines. Regional pay-limits for the different mining districts for the 2012 financial business plan are as follows:

### New Consort Section

| | | 3# | PC# | MMR Section | New Consort Total |
|---|---|---|---|---|---|
| Pay-limit | g/t | 6.89 | 8.70 | 14.36 | 8.79 |

### Sheba Section

| | | Above Adit Level | MRC & ZK Shafts | Sheba Total |
|---|---|---|---|---|
| Pay-limit | g/t | 6.83 | 5.71 | 5.77 |

### Fairview Section

| | | 1# | 3# | Fairview Total |
|---|---|---|---|---|
| Pay-limit | g/t | 6.00 | 7.92 | 7.71 |

## Mineral Resource to Reserve Modifying factors

The table below reflects historical achievements for Mineral Reserve Block Factor, Overall Plant Recovery Factor and MCF. Modifying factors used for converting Resources to Reserves and for the mine plan are deduced from these historical achievements.

### Resource to Reserve modifying factors applied

**New Consort**

| Efficiencies & Factors | | Current | Historical | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 11/12 Plan | 10/11 | 09/10 | 08/09 | 07/08 | 06/07 | 05/06 | 04/05 | 03/04 | 02/03 | 01/02 |
| Block Factor | % | 100.0 | 114.4 | 125.0 | 122.2 | 97.5 | 69.9 | 97.3 | 84.5 | 66.3 | 100.2 | 85.2 |
| Overall Recovery | % | 89.8 | 89.1 | 89.7 | 91.6 | 91.9 | 92.4 | 93.5 | 93.0 | 90.3 | 89.3 | 91.7 |
| Mine Call Factor | % | 90.0 | 99.5 | 89.3 | 83.4 | 86.1 | 99.8 | 107.8 | 86.2 | 85.9 | 91.7 | 86.2 |

## Fairview

| Efficiencies & Factors | | Current | Historical | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 11/12 Plan | 10/11 | 09/10 | 08/09 | 07/08 | 06/07 | 05/06 | 04/05 | 03/04 | 02/03 | 01/02 |
| Block Factor | % | 100.0 | 94.3 | 120.5 | 101.6 | 117.5 | 90.4 | 114.3 | 110.8 | 95.0 | 88.7 | 91.9 |
| Overall Recovery | % | 90.9 | 90.2 | 90.9 | 90.8 | 90.5 | 90.9 | 90.3 | 90.3 | 88.3 | 89.2 | 90.4 |
| Mine Call Factor | % | 81.5 | 84.8 | 90.0 | 80.1 | 84.0 | 82.1 | 82.5 | 85.7 | 79.4 | 90.6 | 98.7 |

## Sheba

| Efficiencies & Factors | | Current | Historical | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 11/12 Plan | 10/11 | 09/10 | 08/09 | 07/08 | 06/07 | 05/06 | 04/05 | 03/04 | 02/03 | 01/02 |
| Block Factor | % | 91.0 | 91.0 | 86.9 | 107.6 | 112.4 | 110.9 | 109.9 | 94.8 | 100.5 | 104.0 | 123.2 |
| Overall Recovery | % | 92.6 | 92.0 | 91.7 | 92.8 | 92.7 | 92.6 | 93.0 | 93.7 | 92.8 | 92.3 | 91.3 |
| Mine Call Factor | % | 100.0 | 125.9 | 126.3 | 109.8 | 90.1 | 86.1 | 92.3 | 99.9 | 111.8 | 99.7 | 98.0 |

During the past year 1,946.7 metres of reef development at an average grade of 3.90g/t and 4,399.8 metres of waste development were completed, of this development 3,547 metres was geologically mapped.

Barberton Mines collared 228 underground boreholes during the year and drilled 15,681 metres of core. A total of 84 significant intersections were returned, of which, 45 were above the pay-limit and a further 39 showed marginal grade intersections. The average value of all 45 economic intersections amounts to 42.56g/t over a width of 176 centimetres.

The specific gravity used during Mineral Resource modelling is as follows:
- Barberton Mines
  - Fairview mine – 2.83t/$m^3$
  - Sheba mine – 2.73 t/m (ZK orebody) and 2.93 t/m (MRC orebody)
  - New Consort mine – 2.88 t/$m^3$
- Manica – 2.7 t/$m^3$

Gold Pour, Fairview Mine

The following are the most significant results obtained during the year:

| Mine | Section | Borehole name | Width (centimetre) | Grade (g/t) |
|---|---|---|---|---|
| New Consort | Exploration Bullion – 45 level | 45H50 | 64 | 62.90 |
| | | 45H36 | 100 | 27.08 |
| | Exploration 37 Inter-level | 37XC-9 | 100 | 220.42 |
| | | 37XC-8 | 100 | 24.38 |
| | Depth Extension exploration – No. 3 Shaft orebody | 3#CT-2 | 320 | 55.76 |
| | | 3#DEC-23 | 320 | 27.08 |
| | | 3#DEC-6 | 100 | 70.28 |
| | MMR deep footwall exploration | 20XC-5 | 400 | 55.55 |
| | | 20XC-3 | 100 | 224.66 |
| Sheba | Resource definition of stock work orebody | 24-20ST07 | 282 | 60.63 |
| | | 24-20ST04 | 297 | 58.69 |
| | | 24-20ST04 | 296 | 56.38 |
| Fairview | Depth extension exploration of the MRC orebody | Bh 5816 | 691 | 120.03 |
| | | Bh 5803 | 693 | 65.83 |

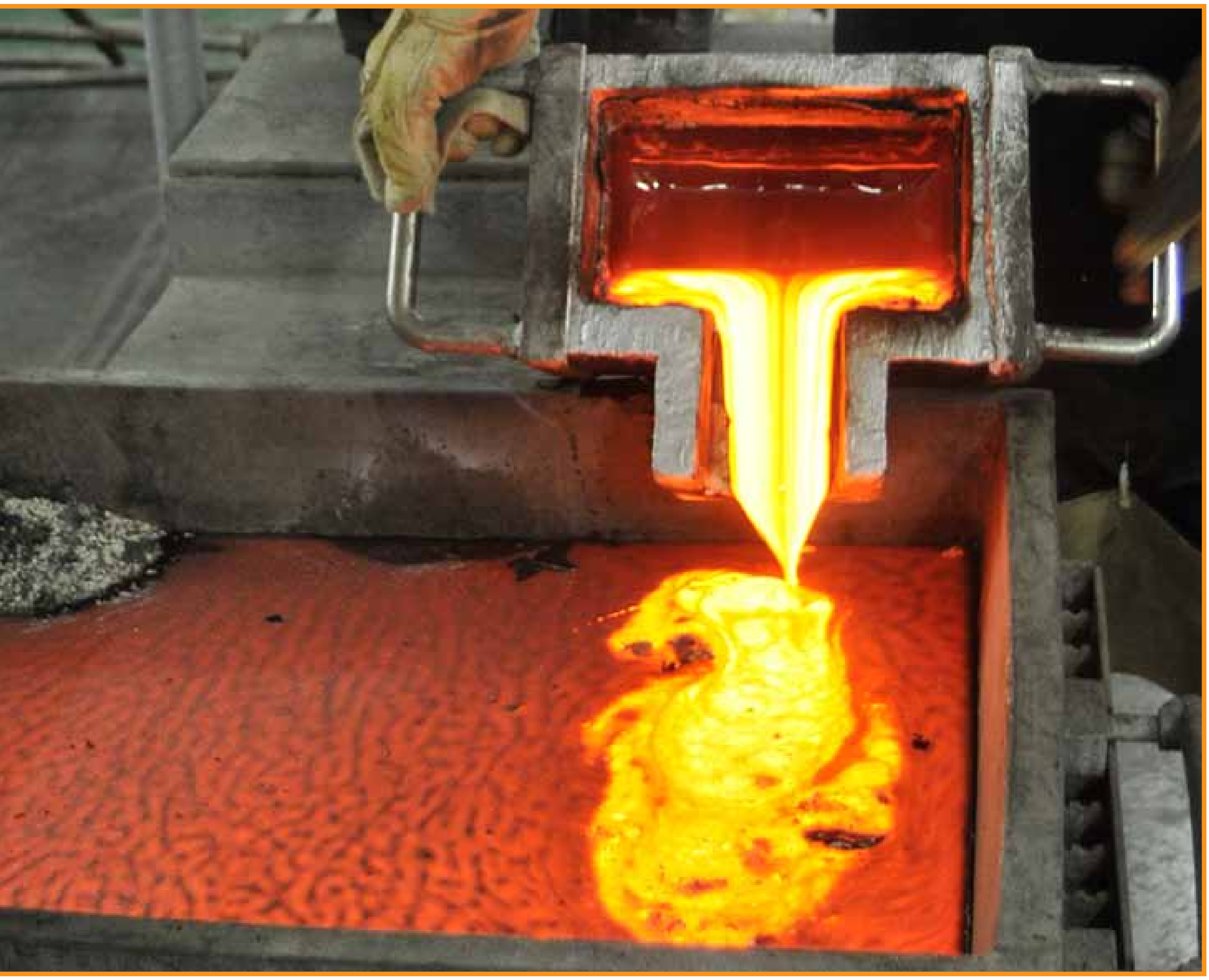
## Barberton Mines – the way forward with MRM

MRM initiatives introduced during 2011 are adding significant value to the Group.

Focus for 2012 financial year will be the following:

- Access historically mined out areas and remnant resource blocks to produce and explore in these areas,
- Focus exploration on continuing to define short term mining blocks and converting these Indicated and Inferred Mineral Resources to the higher confidence Measured category,
- Continue a longer term focus on extending and exploring the extensions of ore-bodies on all mines, and
- Focus near mine exploration on target generation and testing targets defined by the recently flown airborne geophysical survey on the prospecting area to the south of Fairview mine (the Amira project):
    - Diamond drilling is planned on the geologically modelled Ulundi Syncline fold closure on the prospect licence area.
    - The eastern strike extension of the Zwartkoppie Formation along the southern limb of the Ulundi Syncline is targeted for RC drilling during this year.

The above initiatives will not only add to the Mineral Resource base and assist the mine in improving mining flexibility, but if the surface drilling is successful it could result in a production increase for Barberton in the medium term.

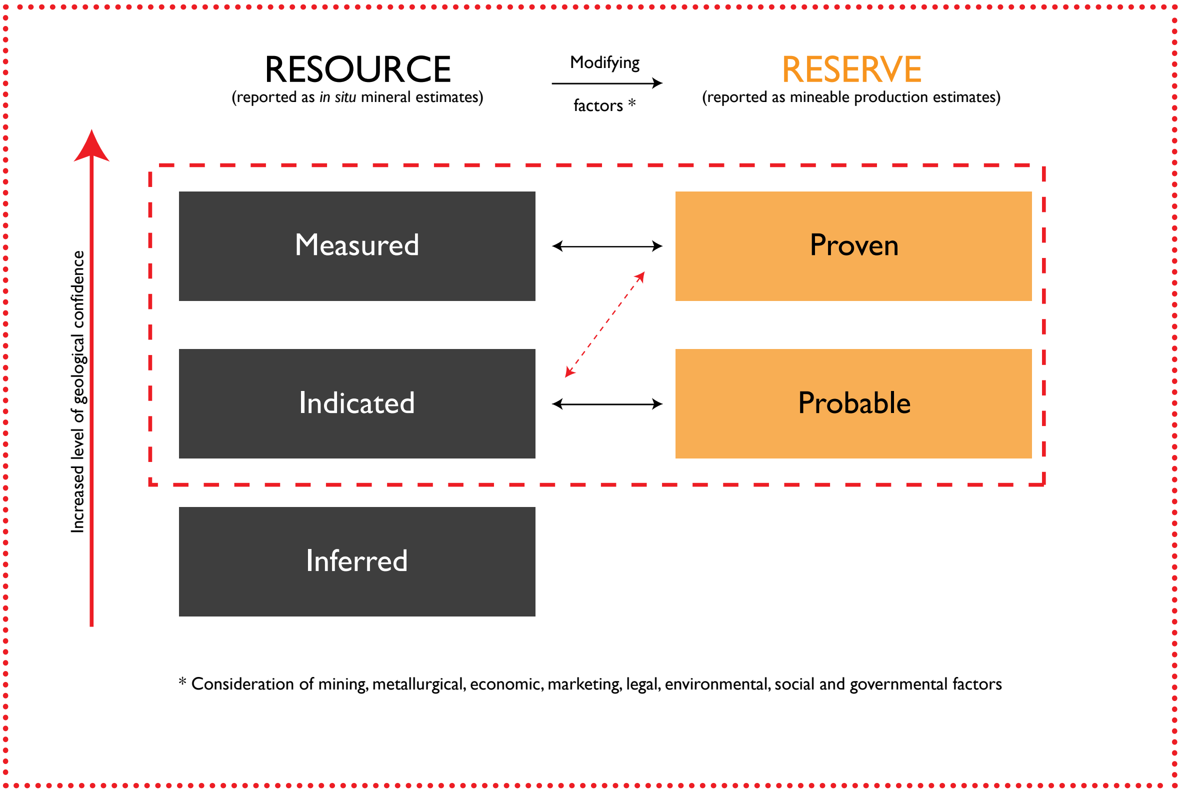


Gold Pour, Fairvew Mine

# Mineral Reporting Code

Pan African defines its Mineral Resources/Reserves in line with the SAMREC Code and its definitions.

Mineral Resource classification structure applied by the Group is outlined below:




## Mineral Resources definitions (according to SAMREC code)

### Inferred Mineral Resource:

Is part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and sampling, and assumed but not verified geologically and/or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or even of uncertain quality and reliability.

### Indicated Mineral Resource:

Is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with reasonable level of confidence. It is based on exploration, sampling and the testing of information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

### Measured Mineral Resource:

Is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

## Mineral Reserve definitions (according to SAMREC code)

An ore reserve is the economically mineable material derived from a Measured and/or Indicated Resource. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life of mine plan for an operation, must have been carried out, including consideration of and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors (the modifying factors). Such modifying factors must be disclosed.

### Probable ore reserve:

Is the economically mineable material derived from a Measured and/or Indicated Mineral Resource. It is estimated with a lower level of confidence than a proved ore reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life of mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

### Proved ore reserve:

Is the economically mineable material derived from a Measured Resource. It is estimated with a high level of confidence. It includes diluting and contaminating materials and allows for losses that are expected to occur when the material is mined. Appropriate assessments to a minimum of a pre-feasibility study for a project, or a life of mine plan for an operation, must have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Such modifying factors must be disclosed.

Pan African utilises various external consultants in modelling, and auditing, thereby ensuring internationally acceptable standards are maintained in its Mineral Resource reporting. Mineral Resource modelling for the Manica Project uses 3D geological and geostatistical modelling done within the Datamine environment. Models generated are signed off by both in-house and external competent persons all affiliated with the South African Council of Natural Scientists ('SACNAS').

Barberton Mines utilises classical evaluation techniques in its Mineral Resource modelling. The mine has identified certain areas where geological continuity and physical geological character of the orebody allows for geostatistical modelling and these methods are applied in these instances.

Frans Chadwick
12 September 2011

## The following tables represent a summary of the Group's Resources and Reserve Statements:

## Manica Resource Summary

| | Resource @ June 2010 | | | | Resource @ June 2011 | | | | +/- Variance | | | | % Variance year-on-year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mass | Grade | Contained Gold | | Mass | Grade | Contained Gold | | Mass | Grade | Contained Gold | | Mass | Grade | Contained Gold | |
| **Category** | **kt** | **g/t** | **kg** | **oz** | **kt** | **g/t** | **kg** | **oz** | **kt** | **g/t** | **kg** | **oz** | **%** | **%** | **%** | **%** |
| Measured | 8,342 | 2.40 | 20,000 | 642 | 11,561 | 1.73 | 19,978 | 642 | 3,219 | (0.67) | (22) | 0 | 38.59 | (27.92) | (0.11) | (0.05) |
| Indicated | 8,740 | 2.37 | 20,700 | 668 | 12,995 | 1.76 | 22,920 | 738 | 4,255 | (0.60) | 2,220 | 70 | 48.68 | (25.53) | 10.72 | 10.43 |
| Inferred | 16,600 | 2.34 | 38,900 | 1,251 | 25,998 | 1.90 | 49,275 | 1,586 | 9,398 | (0.45) | 10,375 | 335 | 56.61 | (19.12) | 26.67 | 26.79 |
| **Total** | **33,682** | **2.36** | **79,600** | **2,561** | **50,554** | **1.82** | **92,173** | **2,966** | **16,872** | **(0.54)** | **12,573** | **405** | **50.09** | **(22.85)** | **15.80** | **15.82** |
| **Total Measured and Indicated** | **17,082** | **2.38** | **40,700** | **1,310** | **24,556** | **1.75** | **42,898** | **1,380** | **7,474** | **(0.64)** | **2,198** | **70** | **43.76** | **(26.68)** | **5.40** | **5.35** |
| | Fairbride 2010 | | | | Fairbride 2011 | | | | +/- Variance | | | | % Variance year-on-year | | | |
| Measured | 8,342 | 2.39 | 20,000 | 642 | 11,561 | 1.73 | 20,000 | 642 | 3,219 | (0.66) | - | 0 | 38.59 | (27.70) | 0.00 | 0.05 |
| Indicated | 6,540 | 2.38 | 15,500 | 500 | 10,795 | 1.64 | 17,700 | 570 | 4,255 | (0.74) | 2,200 | 70 | 65.06 | (31.03) | 14.19 | 13.94 |
| Inferred | 15,200 | 2.28 | 34,700 | 1,114 | 24,598 | 1.83 | 45,100 | 1,449 | 9,398 | (0.45) | 10,400 | 335 | 61.83 | (19.63) | 29.97 | 30.09 |
| **Total** | **30,082** | **2.33** | **70,200** | **2,256** | **46,954** | **1.76** | **82,800** | **2,661** | **16,872** | **(0.57)** | **12,600** | **405** | **56.09** | **(24.46)** | **17.95** | **17.96** |
| **Total Measured and Indicated** | **14,882** | **2.39** | **35,500** | **1,142** | **22,356** | **1.69** | **37,700** | **1,212** | **7,474** | **(0.70)** | **2,200** | **70** | **50.22** | **(29.31)** | **6.20** | **6.13** |

Frans Chadwick, the Chief Surveyor at Barberton Mines, signs off mineral Resources for Barberton Mines. He is a member of the South African Council for Professional and Technical Surveyors (PLATO) (PMS0033). The reported Mineral Resource Statements are SAMREC Compliant and the Resource numbers in the Mineral Resource and Mineral Reserve tables have been rounded to reflect the appropriate level of confidence and variances may occur. Mineral Reserves are reported as subsets of Mineral Resources.

## Phoenix Platinum Resource and Reserve Estimate

| Project | Resource Category | Mass (kt) | 4E Metal Grade (g/t) | Mineral Resource 4E Metal (kg) | (oz) | Recovery (%) | Reserve Category | Mass (kt) | 4E Metal Grade (g/t) | Mineral Reserves 4E Metal (kg) | (oz) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Surface Tailings** | | | | | | | | | | | |
| Buffelsfontein Tailings Dams | Measured | 218 | 3.66 | 797 | 26,000 | 45% | Proved | 218 | 1.65 | 359 | 12,000 |
| | Indicated | - | - | - | - | 45% | Probable | - | - | - | - |
| | Inferred | - | - | - | - | - | - | | | | |
| | **Total** | **218** | **3.66** | **797** | **26,000** | **45%** | **Total** | **218** | **1.65** | **359** | **12,000** |
| Elandskraal Dumps and Pits | Measured | 1,149 | 2.45 | 2,813 | 90,000 | 45% | Proved | 1,149 | 1.10 | 1,266 | 41,000 |
| | Indicated | 145 | 2.03 | 295 | 9,000 | 45% | Probable | 145 | 0.92 | 133 | 4,000 |
| | Inferred | 42 | 2.00 | 84 | 3,000 | - | | | | | |
| | Total | 1,336 | 2.39 | 3,192 | 102,000 | 45% | Total | 1,294 | 1.08 | 1,399 | 45,000 |
| Kroondal Dumps | Measured | 260 | 2.00 | 520 | 17,000 | 45% | Proved | 260 | 0.90 | 234 | 8,000 |
| | Indicated | 30 | 2.00 | 60 | 2,000 | 45% | Probable | 30 | 0.90 | 27 | 1,000 |
| | Inferred | 120 | 2.00 | 240 | 8,000 | - | | | | | |
| | Total | 410 | 2.00 | 820 | 27,000 | 45% | Total | 290 | 0.90 | 261 | 9,000 |
| **Total Surface Tailings** | | **1,964** | **2.45** | **4,809** | **155,000** | **45%** | **Total** | **1,802** | **1.12** | **2,018** | **66,000** |
| **Current Arisings** | | | | | | | | | | | |
| Buffelsfontein Tailings Dams | Measured | 1,597 | 3.66 | 5,845 | 188,000 | 45% | Proved | 1,597 | 1.65 | 2,630 | 85,000 |
| | Indicated | 443 | 3.66 | 1,622 | 52,000 | 45% | Probable | 443 | 1.65 | 730 | 23,000 |
| | Inferred | 642 | 3.66 | 2,348 | 75,000 | | | | | | |
| **Total Current Arisings** | | **2,682** | **3.66** | **9,815** | **316,000** | **45%** | **Total** | **2,040** | **1.65** | **3,360** | **108,000** |
| **Total Measured and Indicated (Proved and Probable)** | | | | | | | | | | | |
| Surface Tailings & Current Arisings | Measured | 3,224 | 3.09 | 9,975 | 321,000 | 45% | Proved | 3,224 | 1.39 | 4,489 | 146,000 |
| | Indicated | 618 | 3.20 | 1,977 | 64,000 | 45% | Probable | 618 | 1.44 | 890 | 28,000 |
| **Total** | | **3,842** | **3.11** | **11,952** | **384,000** | **45%** | **Total** | **3,842** | **1.40** | **5,378** | **174,000** |
| **Grand Total (Surface Tailings + Current Arisings)** | | | | | | | | | | | |
| **Total Surface and Current Arisings** | | **4,646** | **3.15** | **14,624** | **470,000** | **45%** | **Total** | **3,842** | **1.40** | **5,378** | **174,000** |

The reported Mineral Resource Statements are SAMREC Compliant and the Resource numbers in the Mineral Resource and Mineral Reserve tables have been rounded to reflect the appropriate level of confidence and variances may occur. Overall mineral inventory checked and signed off by Venmyn Rand.
* Resource estimation completed by D van den Heefer, Geologix. ** Reserve conversion done by E Nel (Pr.Tech.Eng)(MBA), ENC Minerals.

## Pan African Combined Resource and Reserve Conversion Table

| | Resource @ June 2010 | | | | Resource @ June 2011 | | | | +/- Variance | | | | % Variance year on year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | g/t | kg | koz | kt | g/t | kg | koz | kt | g/t | kg | koz | kt % | g/t % | kg % | koz % |
| **Measured** | 13,620 | 5.91 | 51,200 | 1,650 | 14,310 | 3.03 | 43,300 | 1,390 | 690 | (2.88) | (7,900) | (260) | 5.07 | (48.79) | (15.43) | (15.76) |
| **Indicated** | 10,700 | 6.09 | 40,800 | 1,310 | 20,330 | 3.11 | 63,200 | 2,040 | 9,630 | (2.98) | 22,400 | 730 | 90.00 | (48.96) | 54.90 | 55.73 |
| **Inferred** | 17,530 | 7.50 | 52,200 | 1,680 | 28,510 | 2.43 | 69,400 | 2,240 | 10,980 | (5.07) | 17,200 | 560 | 62.64 | (67.55) | 32.95 | 33.33 |
| **Total** | 41,850 | 3.45 | 144,200 | 4,640 | 63,150 | 2.79 | 175,900 | 5,670 | 21,300 | (0.66) | 31,700 | 1,030 | 50.90 | (19.16) | 21.98 | 22.20 |
| **Total Measured and Indicated** | **24,320** | **3.78** | **92,000** | **2,960** | **34,640** | **3.07** | **106,500** | **3,430** | **10,320** | **(0.71)** | **14,500** | **470** | **42.43** | **(18.73)** | **15.76** | **15.88** |

| | Reserve @ June 2010 | | | | Reserve @ June 2011 | | | | +/- Variance | | | | % Variance year on year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | kt | g/t | kg | koz | kt | g/t | kg | koz | kt | g/t | kg | koz | kt % | g/t % | kg % | koz % |
| **Proved** | 1,420 | 6.91 | 9,800 | 320 | 1,220 | 7.30 | 8,900 | 290 | (200) | 0.39 | (900) | (30) | (14.08) | 5.64 | (9.18) | (9.38) |
| **Probable** | 900 | 11.97 | 10,800 | 350 | 2,610 | 8.51 | 22,200 | 710 | 1,710 | (3.47) | 11,400 | 360 | 190.00 | (28.95) | (105.56) | 102.86 |
| **Total** | 2,320 | 8.88 | 20,600 | 670 | 3,830 | 8.12 | 31,100 | 1,000 | 1,510 | (0.76) | 10,500 | 330 | 65.09 | (8.55) | 50.97 | 49.25 |

* Frans Chadwick, the Chief Surveyor at Barberton Mines, signs off mineral Resources for Barberton Mines. He is a member of the South African Council for Professional and Technical Surveyors (PLATO) (PMS0033). The reported Mineral Resource Statements are SAMREC Compliant and the Resource numbers in the Mineral Resource and Mineral Reserve tables have been rounded to reflect the appropriate level of confidence and variances may occur. Mineral Reserves are reported as subsets of Mineral Resources.


"Before this course, the ladies were jobless and hopeless."

# Bread Making Course
# Sinqobile Life Skills Centre

## The Story:

This 15 day course is facilitated by Melody Madlala. The participants in this course are accepted on "Commitment" which means that they pay no money but have to give their commitment as if they were fully paying students.

Melody says that before this course, the ladies were jobless with no marketable skills. Once they completed this course, they were able to provide food for their families as well as possibly get a job in a bakery or the like.

Any surplus goods baked are donated to the nursery school in Sinqobile township.

## Our Integrated Strategy


**Objectives:**
Gives directive and mandate to the strategic direction of the Group.

**Methodology:**
Assessment of shareholder and stake-holder interests and opportunities.

**Result:**
Move the Group from a gold producer to a precious metals producer, whilst focus-ing on the external environment in order to capitalise on opportunities.

**Objectives:**
To align internal and external stakeholders of our business.

**Methodology:**
- Investor roadshows
- Internal roadshows (quarterly)
- Straight talk
- Community activities

**Result:**
Internal and external constituents who have bought into and support our strategy.

**Objectives:**
To recap our strategy, induct new Exco members and make the strategy an integral part of Exco's function.

**Methodology:**
A 2-day follow-up workshop (interactive and visually based) focused on authoring the Group's 'constitution' in terms of systems, structures, communication, empowerment.

**Result:**
Internal and external constituents who have bought into and support our strategy.

**Objectives:**
1. Creating a shared understanding about the DNA of business today.
2. Developing a clear strategy road map & action plan.

**Methodology:**
A 3-day workshop - intense and interactive conversations using visuals, to create a common language, according to an underlying strategic logic.

**Result:**
A shared view among Exco & Manco about where we are today, where we need to be in 3 years and how we plan to get there.

## The Pan African Sustainability Philosophy

There are so many expert opinions in the marketplace about the meaning of sustainability, Pan African takes cognisance of them, but ultimately we follow our own view, which is one of self-regulation. Government has set targets for the mining industry in terms of social development, Broad Based Black Economic Empowerment ('BBBEE') and community upliftment. At Pan African we strive to not only meet these criteria but to exceed them.

We do not believe in merely ticking the correct boxes, we believe in creating a community where opportunity and development is available to all in the surrounding areas of our projects, especially in the Barberton area where unemployment is at a level of more than 60%. Pan African believes in uplifting the community in a sustainable manner, which means that we provide funding and support to our community projects with the goal that they will one day become fully sustainable, profit organisations in their own right. An example of this belief is the Umjindi Jewellery Project.

## Sustainability Contacts

The sustainability panel was made up of the following people, who would gladly answer any further questions that you may have:

| | | |
|---|---|---|
| Thandeka Ncube (Chairperson) | +27 (0) 11 305 8900 | tncube@shanduka.co.za |
| Andre van den Bergh | +27 (0) 011 243 2900 | andre@paf.co.za |
| Nicole Spruijt | +27 (0) 11 243 2900 | nicole@paf.co.za |

### Sub-Committees

#### Sustainability Report Committee

Thandeka Ncube – Chairperson
Andre van den Bergh
Nicole Spruijt

#### Transformation Committee

Casper Strydom
Ron Holding
Jan Nelson
Andre van den Bergh
Thandeka Ncube
Busi Sitole

#### With special thanks to:

Fortunate Ngomane
Gugu Dlamini

At Pan African, we believe that our employees and the communities surrounding our operations are the heart of the business.

Dear Stakeholders,

In line with building a profitable and sustainable mining Group, two of our key focus areas are our people and our community. At Pan African, we believe that our employees and the communities surrounding our operations are the heart of the business. We therefore strive to conduct our business in a manner that promotes a culture of learning and development for our people and the community. The community of Barberton has an unemployment rate of more than 60%, whilst the mine produces high grade gold and is the single largest employer for the area. With such a high unemployment rate the surrounding community is a victim of socio-economic challenges that breed in such unfavourable conditions. It is with this background that we develop programmes seeking to address and combat the socio-economic challenges rampant in the community.

The programmes we discuss in detail are in response to, and in line with, the needs highlighted by our stakeholders. We are especially proud of the skills centre, where the youth can find a place to improve and develop their skills making them employable at the mine and beyond. We are also very proud of the Sinqobile Vegetable Project where unemployed women are producing vegetables that they market to nearby food retailers. Through this project these women are able to feed their families, where in most cases they are heads of households.

We recognise that our programmes in sustainability need to reach out to more segments of the community and in the coming financial year, the strategy is to develop the projects in partnership with other rural development projects currently being implemented by Government. This will ensure the impact we seek to make in our community and with our people is sustainable.

Thandeka Ncube

Thandeka Ncube
Executive: Transformation

## Sustainability Objectives Achieved

| No. | Item | Achieved | Comment |
|---|---|---|---|
| 1 | Complete the implementation of a SHEC risk-based management system by the second quarter of 2011. | Yes | SHEC system has been implemented and is operational. |
| 2 | Focus on the improvement and alignment of SHEC training material. | Training material loaded onto the SHEC system. Ongoing development and maintenance of training development. | On target. |
| 3 | Complete the first water purification plant. | Yes | ASTER® has been constructed and is operating at New Consort Mine. ASTER® stands for Activated Sludge Tailings Effluent Remediation. The slimes dam water contains thiocyanate which is formed by the interaction of free cyanide with sulphur. The presence of both cyanide and thiocyanate in the tailings water prevents the recycling of this water back to the process plant.<br>This means that 'clean water' has to be taken in to the plant to be used in the metallurgical process. This clean water is then contaminated by the metallurgical process and cannot be discharged downstream into the river. What is achieved by the ASTER® process is that the contaminated water from the tailings facility is 'cleaned' through a biological degradation process of the contaminants: thiocyanate and cyanide. The water is then suitable to be reused in the metallurgical process.<br><br>Limited clean water is then diverted to the metallurgical process which means that the contamination of clean water resources has been eliminated. |
| 4 | Secure water licences were submitted to the authorities in 2009. | Received Fairview and New Consort Mines water licences | The Sheba water licence is expected to be issued by Q2 of the 2012 financial year.<br>The Fairview and New Consort licence conditions are onerous and the mine is currently in discussions with the Department of Water Affairs and Forestry ('DWAF') to address compliance matters. |
| 5 | Evaluate the feasibility of a solar power plant at Barberton. | Yes | Installed and feeding into the 308KW Substation in the village. It supplies 960KW.<br>Achieving the energy supplies expected. |
| 6 | Consolidate our SHEC initiatives into a 5 year plan with clear outcomes, objectives and accountability. | Yes. | |

## Governance and Risk Management

| No. | Risk Source | Risk Impact | Action required to counter risk |
|---|---|---|---|
| 1 | Mining flexibility at Fairview (50% of gold produced from one stope - limited access platforms). | Reduced gold output and reduction in grade of Barberton Mines mining mix (4g/t impact on average mining grade). | • Increase mining platforms from one to three in Q2 the 2012 financial year.<br>• Increase diamond drilling ahead of development to counter stop-start of stopes.<br>• Capital expenditure to focus on 2 Shaft and 3 Shaft at Fairview. |
| 2 | AMCU impact at Fairview on top of a 'tough' mine plan. | 50% of Fairview employees strike for two to three weeks (loss of production shifts). | • Grow surface stockpiles from Fairview and New Consort old low-grade stockpiles, as well as Eagles Nest.<br>• Barberton to interdict AMCU should a certificate be issued by the Council for Conciliation, Mediation and Arbitration (CCMA). |
| 3 | Continued low-grade impact from New Consort (non-profit centre-costs). | Non-delivery of gold that puts pressure on 'make-up' from Sheba and Fairview. | • Continue with the aggressive development and exploration programme during 2012.<br>• Investigate targets in the 3 and 7 Shaft areas and bring them to account. |
| 4 | VTN - contract sweepings (account for 20% of BARBERTON MINES production). | Underperformance of high yield delivery;<br>Management focus,<br>Inventory build-up,<br>Payment margins squeezed. | • Focus management's attention on VTN performance.<br>• Re-evaluate the sweeping and vamping inventories that are available for VTN and the cost thereof.<br>• Apply the MRM strategy to VTN's operations. |
| 5 | BIOX® recoveries. | Crusher requires replacement - down-time & oil flotation plant. | • Have complete crusher on stand-by. |
| 6 | New tailings facility at Barberton Mines awaiting DMR approval. | Mine can be stopped. | • Continuous follow-up with DMR to approve Environmental Impact Assessment ('EIA'). |
| 7 | Group growth profile. | Sustaining revenue build-up post 2018. | • Require strategic asset acquisition. |
| 8 | Group cash costs. | Strengthening of ZAR to US$. | • Develop corporate strategy. |
| 9 | Unemployment at >60% in the area around Barberton Mines. | Increase of criminal activity and social demand on asset seizure. | • More focused on corporate social and development programme - create more employment opportunities. |
| 10 | Concept of nationalisation. | New government approach in tax, dust levy and royalty structures. | • Exco & board strategic workshop with respect to stakeholder risk required. |

# Stakeholders

## Broad Based Black Economic Empowerment ('BBBEE') or Black Economic Empowerment ('BEE')

The term 'BEE' or 'BBBEE' is used a great deal in South Africa, but what does it really mean? Pan African believes it means uplifting groups of the population previously excluded from full economic participation in the Country and empowering these groups to actively contribute to the growth of the South African economy.

Pan African is committed to the principles and objectives of BBBEE and reports on its achievements based on the BBBEE pillars below:

### Ownership

Pan African has a valuable relationship with its BEE partner, Shanduka Resources via its wholly owned subsidiary, Shanduka Gold. Shanduka owns 26% of the Group, but has a more active role than fulfilling government requirements regarding BEE. Shanduka plays a vital role in bringing skills to the table of Pan African, for example our new Executive: Finance, Busi Sitole is from the Shanduka arena, as is our Transformation expert, Thandeka Ncube. These ladies bring a wealth of skills previously unattainable to Pan African. In addition to Thandeka and Busi, our board has been restructured to accommodate increased Shanduka representation.

### Human Resources Development and Employment Equity

The Group complies with both the Employment Equity Act and the Skills Development Act and is on track to meet the Mining Charter scorecard of 40% Historically Disadvantaged South Africans representation at senior and top management at Barberton Mines.

### Procurement and Enterprise Development

Pan African supports the development of Small and Medium Black owned Enterprises. At Barberton Mines, 34% of the procurement budget was spent with Black enterprises.

### Community Development and Corporate Social Investment

Detail of the community projects underway is in the table on page 84.

## Communication

Pan African has identified two groups of stakeholders: internal stakeholders (employees, contractors and others) and external (investors, media, suppliers and others).

In line with the different needs of each group, Pan African has developed two distinct communication strategies.

### Internal Communications:

A formalised Exco was created during the year under review, with the ultimate goal of aligning the Pan African strategy with the team's passions. A number of conversations were held and the outcomes were illuminating.

Straight Talk – newsletter
A quarterly newsletter is distributed to the management at Barberton Mines and is then disseminated to each branch of the Group.

Quarterly Roadshow
In conjunction with the dissemination of the quarterly newsletter, Straight Talk, Jan Nelson presents this newsletter to employees from a shift boss level upwards. Any messages are then relayed from the shift bosses downwards.

## External Communications:

Press Releases
Regulatory press releases are disseminated through SENS (JSE) and PRN (AIM).

Roadshows
Jan Nelson is often on the road talking to investors in the USA, UK and Europe.

Investor Presentations
Bi-annual investor presentations are held to announce Pan African's financial results.

Website
The Pan African website is updated according to AIM Rule 26 on a regular basis. The website is reworked annually.

Ad hoc
Other communication when required via email, telephone and post.

# Safety, Health, Environment and Community ('SHEC')

Pan African strives to guard the health and safety of those who work at or visit our operations. We remain committed to protecting the environment and preventing pollution whilst ensuring the wellbeing of the communities in which we operate. Our approach is to be reverent of local laws in this regard.

## Safety and Health

During the year a Risk Management framework was implemented providing two specific functional levels, i.e. a strategic and operational function. The strategic function focuses on risk management of international and national concerns, inclusive of legal and regulatory requirements. We are of the opinion that this management system is delivering the intended outputs.

The continued success of the SHEC system's integrity is highly dependent on the undivided attention of the different role players - operational management to ensure that information is updated continuously and as correct as possible, while corporate management accept the responsibility to ensure punctual compliance on all respects.

In the execution of our integrated Safety and Health Management System we will continue to:

- Identify the hazards that may negatively affect the safety and health of our people, the environment and the community,
- Enforce a high standard for physical conditions in the workplace and at our sites through the active participation of all role players, internal audits, planned inspections and enthusiastic co-operation auditing to be conducted in detail to ensure all aspects of the working place is inspected,
- Maintain the mindset of zero tolerance towards sub standard work, unsafe conditions and acts by focusing on the reporting of hazards to ensure an effective safety management system for all,
- Prompt our people to accept and maintain healthy and safe lifestyles,
- Maintain a positive attitude towards our commitment to eliminate sub standard acts or conditions by being positive mentors and role players, and
- At all times maintain and provide world-class medical care, social and health guidance to support our people should the need arise.

## Environmental incidents.

| | 2011 | 2010 |
|---|---|---|
| Level 1 - Non conformance, but with no impact to the environment. | 6 | 1 |
| Level 2 - Limited impact and non ongoing incident or when the intervention was effective. | 6 | 8 |
| Level 3 - Ongoing or incident that could not be contained, but not seriously affecting the environment. | 2 | 5 |
| Level 4 - Non compliance that result in medium-term impact, but not have an operational-threatening event (usually that is where reporting to Government departments will start). | 1 | - |
| Level 5 - Serious events with long term impacts and /or with live threatening impacts for communities and the environment. | - | - |

The level 4 incident was reported to the Department of Water Affairs. This incident was at Fairview, when the return water dam overflowed in December 2010 during heavy rains caused by a cloud burst. The incident occurred before the commissioning of the new return water dams of the tailings dam extension. The new clear water dam capacity is such that it should prevent a recurrence.

## Community

Community Development and Corporate Social Investment for the 2011 financial year

| Description | Milestones achieved | Milestones not achieved | Planned milestones 2012 financial year | Amount spent |
|---|---|---|---|---|
| **Sinqobile Life Skills Centre** | | | | |
| Sinqobile Life Skills Centre is situated in the Sinqobile township, four kilometres from Fairview Mine.<br><br>The training centre provides training in welding, bread baking, brick making and sewing. The centre also accommodates a local home based care facility / soup kitchen that provides meals on a daily basis to the local HIV/AIDS and TB patients and orphans. | • The Executive Mayor officially launched the centre on 15 October 2010.<br>• The centre has trained:<br>– 22 local youths of both genders in arc welding,<br>– 15 women in bread baking and<br>– 16 women in sewing.<br>• Provision of meals on a daily basis to the orphans and TB and HIV/ AIDS patients.<br>• Establishment and registration of a formal business (welding cooperative) that supplies quality steel window frames to the newly established Sinqobile Primary School. | • Business development in bread baking and sewing courses.<br>• Training in brick making. | • Quality dressmaking course in boiler maker suits (overalls) as per the South African Bureau of Standards ('SABS') standards, entrepreneurship assessment and business development, and supply (job creation) of quality boiler maker suits to Barberton Mines and other surrounding companies.<br>• Brick making training and production as per the SABS standards, business development and marketing. | £0.03 million |


| Description | Milestones achieved | Milestones not achieved | Planned milestones 2012 financial year | Amount spent |
|---|---|---|---|---|
| **Sinqobile Vegetable Project** | | | | |
| This project is also situated at Sinqobile township. It produces fresh vegetables and provides the produce to local supermarkets, schools, and households. The project has 14 beneficiaries. | • Registration of a primary agricultural cooperative.<br>• Provision of two hectare piece of land.<br>• Provision of seedlings and seeds.<br>• Provision of water and electricity.<br>• Provision of mentoring and monitoring daily.<br>• Marketing and business management skills.<br>• Adult Basic Education and Training ('ABET') classes to three beneficiaries. | • Commitment from seven other beneficiaries.<br>• Opening of bank account.<br>• Transferring of business management skills to beneficiaries. | • Business management and mentoring.<br>• Establishment of a new agricultural project at Mlambongwane. | £0.02 million |

| Description | Milestones achieved | Milestones not achieved | Planned milestones 2012 financial year | Amount spent |
|---|---|---|---|---|
| **Umjindi Jewellery Project** | | | | |
| The project is situated in Barberton and trains young people in jewellery manufacture. | The following targets were met:<br>• Renovations and construction as per the required standards.<br>• Marketing and sales through local exhibitions.<br>• Acquisition of funds from Department of Economic Development, mainly for expansion of security and display cabinets.<br>• Implementation of the Jacaranda Tree project. | Increased number of learners. | Jewellery export to various countries across Europe. | £0.11 million |

| Description | Milestones achieved | Milestones not achieved | Planned milestones 2012 financial year | Amount spent |
|---|---|---|---|---|
| **Sinqobile Primary School** | | | | |
| A new primary school to be constructed at Sinqobile township which will accommodate children that are currently studying at Fairview Primary, New Consort Primary, Dixie Farm Primary, Kaap Vallei Primary and Khanyisa Primary school. | • Site clearance.<br>• Fencing.<br>• Land surveying.<br>• Finalisation of building plans. | Construction of first phase. | Construction of first phase which includes eight classrooms, one ablution block, a Grade R block and a sports field. | £0.07 million |
| **Social Development** | | | | |
| These are projects originating as a result of an intensive consultation process to identify specific needs within our adjacent communities. | • Provision of meals to five home based care facilities.<br>• Establishment of a new home based care facility at Mlambongwane.<br>• Donation to St John Mission for the housing of HIV/AIDS patients and orphans.<br>• Donation to Kohin group (life orientation coaches in local primary schools).<br>• Donation of building material to two local schools – for the establishment of soup kitchens.<br>• Donation of building material to local churches infrastructure development.<br>• Establishment of the Barberton Transformation Trust.<br>• Supply of school uniforms and food parcels to 100 local Aids orphans.<br>• Financial contribution to the local school athletics programme.<br>• Donation of meals to local winter classes for the Grade 12's. | Implementation of socio-economic programmes in our community. | Successful implementation of the Barberton Transformation Trust. | £0.08 million |

## Barberton Transformation Trust

The charter defines a 'Social Fund' as:

> A trust fund that provides financing for investments targeted at meeting the needs of poor and vulnerable communities as informed by commitments made by companies in terms of their social and labour plans.

It is therefore evident that the charter requires mining companies, either individually or collectively, to establish a trust fund into which multinational suppliers of capital goods can deposit their contributions.

Barberton Mines recently established the Barberton Transformation Trust (the 'Trust') with the explicit aim of improving the quality of life of local communities around the mine through local economic development, job creation and socio-economic development. In addition to its SLP obligations, Barberton Mines will provide some ZAR4.0 million seed funding into the Trust for a range of developmental projects. At the same time the Trust is being offered as a vehicle to suppliers of Barberton Mines for socio-economic and enterprise development projects. In this manner the Trust aims to raise a further ZAR8.0 million for developmental projects in the area. The Trust has been structured so that the contributions of suppliers will count towards their BBBEE Scorecards.

By increasing the pool of funding available for development, the Trust aims to undertake more projects than what its own resources allow and in this way undertake larger, more sustainable projects. Presently the Trust is reviewing its project portfolio and is interacting with suppliers.

## Rehabilitation Provision

The Group is exposed to environmental liabilities relating to its mining operations. Estimates of the cost of environmental and other remedial work such as reclamation costs, close down and restoration as well as pollution control are made on an annual basis, based on the estimated LOM, following which payments are made to a rehabilitation trust set up as required by South African Laws and Regulations. The provision represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over the LOM.

The rehabilitation trust fund and rehabilitation provision balances as at 30 June 2011 were £3.0 million and £3.4 million respectively. In addition to this, the Group has issued a bank guarantee of £0.2 million in favour of the DMR in the event available funds are not sufficient to cover the rehabilitation liability when it becomes due.

### Biodiversity and land management.

The rehabilitation plan is focused on restoring disturbed areas by making use of the most natural methods possible, such as:

- Kraal manure from a local farmer is used as organic matter to improve the quality of the soil,
- Portulacaria Afra - common names: Porkbush, Spekboom - 328 trees of Portulacaria afra have been planted on the footprints, 100 at the T-dump and 238 on the side slopes of Segalla Tailings dam. Recent research has shown that this tree has an excellent 'carbon sponge' as it has the ability to absorb free carbon from the atmosphere which is used to make plant tissue, and
- Coir Geotextile – is used for the TSF side slopes to minimise and prevent soil erosion.

Solar Panels, Barberton Mines.

# Pan African's Policies Regarding our Stakeholders

## Code of Ethics

On 1 November 2009, Pan African committed to the following code of ethics

'As leaders and employees of Pan African, we hereby commit ourselves to the highest ethical conduct and agree to:

- Respect the laws of the Republic of South Africa and of any other country in which we may operate or visit.
- Live the principle of integrity in all our activities and refrain from any behaviour, overt and otherwise, that may damage the organisation's image and or performance of whatever nature.
- Treat our employees and any other person with dignity, respect and in a just manner irrespective of race, religion, gender, disability, age, or nationality or any other characteristic.
- Be honest in all our dealings and undertake to distance ourselves from any activity that has the potential of being regarded as incoherent with what is expected of a responsible company and individual.
- Avoid any potential conflict of interest and when it may exist, disclose it to affected parties without any delay.
- Reject any form of bribery and act upon any non-compliance as strongly as possible.
- Accept the full responsibility and ultimate accountability when we make decisions that may impact on the health and safety of our employees and the communities in which we operate, and take full responsibility for the environment and the well-being of the communities.
- Assist in developing our colleagues and teams to become worthy team players and responsible South African citizens.'

## Monitoring of Ethical Performance

Visual campaigns have been launched to emphasise the importance of ethical behaviour in the Group. Ethical performance is monitored on a quarterly basis through the CEO's road shows and feedback sessions as well as the Exco management reviews. Senior management is further rated on ethical behaviour on a regular basis. Policies regarding procurement and other services further ensure that ethical behaviour is well understood and enforced. The Group is not aware of any material non-compliance related to its internal code of ethics by directors and/or senior employees.

## SHEC Policy

Pan African Resources PLC is unashamedly committed to protect the environment and prevent pollution while taking care of the health and safety of those who work at or visit our sites in a manner that is respectful of international standards and local laws, as well as the well-being of the communities in which we operate. The most important legacy we want to leave is a contented community, well-equipped and positioned for the future.

**Our guiding principles are:**

- Identify the hazards and risks that may have a negative impact on the health and safety of our people and those visiting our sites, the environment in which we operate, and anything that may be to the detriment of the communities in which we operate.
- Develop SHEC management systems ensuring the implementation and maintenance of processes and other controls required to achieve our goal of zero incidents, injuries and illnesses.
- Encourage employees to adopt and embrace a lifestyle that is healthy, safe and conscious of the importance of the environment.

**In support of this, we will:**

- Provide our leaders with the means to improve our SHEC performance continuously while holding them accountable for the outcomes.
- Facilitate leadership to understand the SHEC responsibilities and accountabilities and demonstrate their commitment visibly through their actions in the quest for zero incidents, injuries and illnesses.
- Treat legal requirements as minimum standards and, in the absence thereof, apply leading practice.
- Ensure compliance with adopted SHEC standards and management systems by means of regular audits and performance review.
- Encourage employee and stakeholder involvement and buy-in through training, communication and regular meetings.
- Reduce our environmental footprint by:
  - Improving energy efficiency and natural resource consumption
  - Improving the use, re-use and recycling of materials
  - Protecting and restore natural biodiversity while reducing greenhouse gas emissions

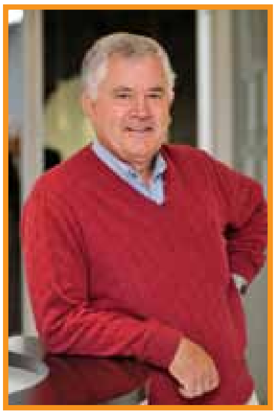
- Understand the needs of our communities while developing support programmes to ensure its upliftment and well-being.
- Assist communities in which we operate with health safeguarding programmes and sustainable wealth creating initiatives.
- Insist that suppliers and contractors provide us with products and services in support of our goals and objectives.

# Board of Directors

## Non Executive Directors

Cyril Ramaphosa (59)
Non-Executive Chairman
Appointment date: 17 September 2009
Qualifications: BProc
Committees:
Nominations (Chairman)

Cyril Ramaphosa joined the board of South African Breweries Ltd in 1997 and was appointed to the board of SABMiller PLC upon its listing on the London Stock Exchange in 1999. He is Executive Chairman of the Shanduka Group, non Executive Chairman of the MTN Group Limited, Joint Non-Executive Chairman of Mondi plc and Mondi Limited and holds directorships in Macsteel Global B.V., The Bidvest Group, Standard Bank and Alexander Forbes. He also serves on the board of the Commonwealth Business Council.



Keith Spencer (61)
Lead independent, Non-Executive Deputy Chairman
Appointment date: 8 October 2007
Qualifications: BSc Eng (Mining)
Committees:
SHEC (Chairman)
Audit
Nominations

Keith is a qualified mining engineer with 35 years of practical mining experience. In 1984, Keith was appointed as General Manager of Greenside Colliery and in 1986 moved to Kloof Gold Mine as General Manager. In 1989, he was appointed as Consulting Engineer for Gold Fields of South Africa to the following mines: Doornfontein Gold Mine, Driefontein Consolidated Gold Mine, Greenside Colliery and Tsumeb Base Metals mine. He also served as Managing Director of Driefontein Consolidated, Chairman and Managing Director of Deelkraal Gold Mine, and as a board member of all gold mines belonging to Gold Fields of South Africa. In 1999, Keith joined Metorex Limited, first as a private consultant and after 2 years as a permanent member of the executive managing the Wakefield Coal operations, O'okiep Copper Company, Barberton Gold Mines, and Metmin Manganese Mine. In 2001, Keith became the Operations Director for Metorex Limited. Keith has managed some of the largest gold mines in the world.

Rob Still (56)
Independent, Non-Executive Director
Appointment date: 9 September 2004
Qualifications: BCom (Hons), CTA
Committees:
Audit (Acting Chairman)
Remuneration
Rob has vast experience in mining, specialising in mining finance. He started his career as a Chartered Accountant, becoming a partner of Ernst & Whinney before leaving in 1986 to co-found Rhombus Exploration Limited. Since then he has been involved in the mining industry world-wide and has held executive and non-executive directorships in companies listed in South Africa, Australia, Canada and the UK. He has participated in the evaluation and development of several new mining projects including Rhovan, Ticor Titanium, Pangea Gold Fields Limited, Southern Mining Corporation Limited (Corridor Sands), Great Basin Gold Limited (Burnstone) and Zimbabwe Platinum Mines Limited.

## Executive Directors

Jan Nelson (41)
Chief Executive Officer
Appointment date: 1 September 2005
Qualifications: BSc (Hons)
Committees:
SHEC

After obtaining his honours degree in Geology, Jan embarked on a career in gold exploration and mining in South Africa, Zimbabwe and Tanzania. He has over 15 years' experience and, within this period, held positions in mine management and operations with Harmony Gold Mining Company Limited, Hunter Dickenson and Gold Fields Limited. Jan was instrumental in transforming the Group from an exploration Company to a gold mining Group. He was the driver behind the acquisition of Barberton Mines and was also instrumental in acquiring Phoenix Platinum, which will add further revenue to the Group. He has built up a competent mining team that is well positioned to grow the Group to a mid-tier precious metals producer.

*Cobus Loots (33)*
*Financial Director*
Appointment date: 26 August 2009
Qualifications: CA(SA), CFA® Charterholder

Cobus Loots is a principal with Shanduka Resources (Pty) Ltd. He is a qualified Chartered Accountant (SA) and a CFA® Charterholder. He served articles with Deloitte & Touche, and was an audit manager with the firm before leaving in order to pursue a career in finance. Cobus' experience includes mining specific acquisitions and finance, as well as management of both exploration and producing mineral assets.

## Post Financial Year End

Phuti Malabie (40)
Non-Executive Director
Appointment date: 20 July 2011
Qualifications: BA Economics, MBA

Phuti is the CEO of Shanduka Group (Pty) Ltd. She joined Shanduka in 2004 as the Managing Director of Shanduka Energy (Pty) Ltd. She was previously the head of the Project Finance South Africa unit at the Development Bank of Southern Africa. Prior to that she was Vice President at Fieldstone, an international firm specialising in the financing of infrastructure assets. Her academic qualifications are a BA Economics from Rutgers University (State University of New Jersey, USA) (1993) and an MBA from De Montfort University in Leicester, UK (1996). She completed the Kennedy School of Government Executive Education Programs' Global Leadership and Public Policy for the 21st Century', at Harvard University in 2008. She is a board member of a number of Shanduka Group investee companies.

Rowan Smith (46), Non-Executive Director
Appointment date: 17 September 2009
Date of Resignation: 20 July 2011

## Board Purpose & Function

The Board's purpose is to ensure corporate governance, risk, strategy and shareholder interests are priorities at all times in order to fulfil their main role, which is overseeing the positive performance of the Group.

Except or as disclosed, Pan African is not aware of any director, or of the families of any directors, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Pan African Group which has affected or will materially affect Pan African or its investment interest or subsidiaries.

## Board changes and composition

According to the Articles of Association the Board may consist of not less than four and not more than eight members. At the end of the financial year under review, the Board consisted of 6 members. Changes reflected below are post year under review:

Resignations:
Mr Rowan Smith resigned on 20 July 2011.

Appointments:
Ms. Phuti Malabie was appointed to the board on 20 July 2011.

## Succession Plan

The Nominations Committee, which functions as a sub-committee of the Board, is tasked with ensuring succession planning for both executive and non-executive board positions.

## Board Meetings

During the year under review, the Board of Pan African held a board meeting per quarter as required by the Articles of Association. Meeting dates and attendance are set out below:

| Name | 19 October 2010 | 17 February 2011 | 20 April 2011 | Special Board Meeting | 11 August 2011* |
|---|---|---|---|---|---|
| Cyril Ramaphosa | √ | √ | √ | √ | √ |
| Keith Spencer | √ | √ | √ | √ | √ |
| Jan Nelson | √ | √ | √ | √ | √ |
| Cobus Loots | √ | √ | √ | √ | √ |
| Rowan Smith | √ | √ | X | √ | X |
| Rob Still | √ | √ | √ | √ | √ |
| Phuti Malabie | ~ | ~ | ~ | ~ | √ |

√ Attended X did not attend ~ Appointment post financial year end * Post financial year end

## Chairman and CEO Roles

The roles of Chairman and Chief Executive Officer are held by two different people and are separate and distinct. Although the Chairman, Cyril Ramaphosa, is not independent, the benefit of his experience and expertise is deemed by the board to outweigh any potential conflict related to his position. In addition, the board has nominated Mr. Keith Spencer as lead independent director, as required by the JSE.

## Board Induction & Training

All board members have vast experience and therefore no additional formal training or induction is considered necessary. The existing board members are available at all times to ensure the smooth induction of any new board member. Where board members require additional training, the Group makes resources available.

## Access to Management & Independent Advice

The board members have access to the Executive Management of the Group at all times. All board members are entitled to seek independent third party expert advice, when considered necessary. From time to time members of Executive Management are requested to attend board meetings in order to present projects or updates.

## Delegation of Authority

The board has formed various committees in order to allow directors to excel in areas where their experience lies and, in doing so, the board as a whole has delegated authority in certain areas to the relevant sub-committees and directors, who report back to the board on a regular basis. Despite this delegation of authority, the entire board remains responsible for the performance of its duties.

## Board Self-Assessment

The board performs a self-assessment on an annual basis, to ensure it has the requisite skills and experience to fulfil its duties. Any weaknesses or inadequacies are addressed in a timely manner. In addition to this, each committee is reviewed quarterly and should corrective measures be needed from time to time, this is effected immediately.

The board evaluates the composition and performance of sub-committees at each board meeting. Currently, the Group Audit Committee comprises only two independent directors. A third independent director will be appointed to the Audit Committee in the next year.

## External Advisors

There are no external advisors that regularly attend board or other committee meetings.

## Executive Directors

The executive directors all have employee contracts with the Group and are remunerated by the Company for services performed (please refer to Note 32).

## Non-Executive Directors

In accordance with the Company's Articles of Association, non-executive directors are entitled to directors' fees (please refer to note 32). These fees are paid quarterly.

## Rotation of Directors

In accordance with the Group's Articles of Association, one third of the board retire by rotation annually, and any directors appointed between AGM's need to be re-elected. This year, Keith Spencer, Cyril Ramaphosa and Phuti Malabie will seek re-election at the forthcoming AGM.

## Board Composition

The Group board composition has been considered to ensure that there is a clear balance of power and authority at board level, such that no individual has unfettered powers of decision-making.

# Board of Directors (continued)

## Board Committees

The board has instituted the committees listed below to allow the directors best suited in terms of skills and experience to manage various divisions of responsibility. The formation of these committees does not in any way absolve the board of its overall responsibility to the shareholders and the Group, and as such each committee is required to report back to the board at each board meeting.

| Directors | Appointed | Resigned | Meetings Attended | Responsibilities |
|---|---|---|---|---|
| **Audit Committee** | | | | |
| Rob Still (Acting Chairman) | 18 August 2008 | | 25 August 2010<br>17 February 2011<br>14 June 2011<br>5 September 2011 | • Ensuring the financial performance, position and prospects of the Group are properly monitored, controlled and reported.<br>• Meeting the auditors and reviewing their reports relating to accounts and internal controls.<br>• Reviewing the expertise and experience of the Financial Director on an annual basis.<br>• Reviewing the use of external auditors for non-audit purposes. |
| Keith Spencer | 17 September 2009 | | 25 August 2010<br>17 February 2011<br>14 June 2011<br>5 September 2011 | |

- The Audit Committee has reviewed the expertise and experience of the Financial Director, and his expertise and experience are considered appropriate for his position.
- All non-audit services rendered by the Group's external auditors during the year was approved by the Audit Committee.
- As part of its functions, the Audit Committee regularly reviews work performed by the internal auditors on the Group's systems on internal control, and also requires reports from management on the effectiveness of controls. Where appropriate, executive management's performance evaluations and measures include requirements relating to the improvement of internal controls. No weaknesses in financial control that are considered material and that resulted in actual material financial loss, fraud or material errors during the year have been identified by the Audit Committee.
- The audit committee believes the current financial control environment is adequate.
- The audit committee has satisfied itself of the fact that the auditor was independent of the Group, the appropriateness of the financial statements and the strength of the internal financial controls of the Group. The Audit Committee considers factors such as fees for non-audit services performed, the relative size of the Pan African audit fee in relation to total fees received, as well as personal and other relationships, when assessing the independence of the external auditors.
- The audit committee believes that it has complied with its legal, regulatory or other responsibilities.

| Directors | Appointed | Resigned | Meetings Attended | Responsibilities |
|---|---|---|---|---|
| **Remuneration Committee** | | | | |
| Rob Still (Chairman) | 9 September 2004 | | 20 October 2010<br>20 April 2011<br>29 July 2011 | • Reviewing the performance of the executive directors, employees and executive management.<br>• Determining remuneration and the basis of the service agreements with due regard to the interests of shareholders.<br>• Determining the payment of any bonuses to executive directors and the granting of options to employees, including executive directors, under the Group's share option scheme. |
| Rowan Smith | 20 October 2009 | 20 July 2011 | 20 April 2011 | |

| Directors | Appointed | Resigned | Meetings Attended | Responsibilities |
|---|---|---|---|---|
| **Nominations Committee** | | | | |
| Cyril Ramaphosa (Chairman) | 20 October 2009 | | 19 October 2010<br>20 April 2011 | • Determining the slate of director nominees for election to the board.<br>• Identifying and recommending candidates to fill vacancies occurring between shareholder meetings.<br>• Reviewing, evaluating and recommending changes to the Group's corporate governance guidelines.<br>• Reviewing the Group's policies and programme that relate to matters of corporate citizenship, including public issues of significance to the Group and its stakeholders. |
| Keith Spencer | 20 October 2009 | | 19 October 2010<br>20 April 2011 | |
| Rob Still | 19 March 2010 | | 19 October 2010<br>20 April 2011 | |
| **SHEC Committee** | | | | |
| Keith Spencer (Chairman) | 12 October 2009 | | 13 October 2010<br>25 November 2010<br>16 February 2011<br>20 April 2011 | • Establishing a Safety, Health, Environment and Community policy framework for the Group.<br>• Strategically reviewing the safety performance of all operations compared to the policy framework.<br>• Implement corrective measures when necessary to achieve the objectives of the policy framework. |
| Jan Nelson | 12 October 2009 | | 13 October 2010<br>25 November 2010<br>16 February 2011 | |
| Mario Gericke † | 12 October 2009 | 11 November 2010 | 13 October 2010 | |
| Ron Holding † | 12 October 2009 | 11 November 2010 | 13 October 2010<br>25 November 2010<br>16 February 2011<br>20 April 2011 | |
| Karishma Sewpersad ‡ | 12 October 2009 | 31 July 2011 | 13 October 2010 | |

† - Exco member, not board member
‡ - Consultant from Shanduka

The executive directors and senior management review both the mining operations and the exploration projects on a formal basis each month. This includes a detailed review of the technical and financial parameters, as well as capital requirements and expenditure. All parameters are measured against the strategic plans and any variations are discussed and action plans are put in place to rectify such deviations. The investment and technical decisions form part of the board's responsibilities.

# Executive Management Team – Pan African

| Name | Age | Qualification | Designation |
|---|---|---|---|
| Jan Nelson | 41 | BSc (Hons) Geology | Chief Executive Officer |
| Cobus Loots | 33 | BCom (Hons)<br>CA(SA)<br>CFA® Charterholder | Chief Financial Officer |
| Ron Holding | 59 | NDT Mining Metalliferous (Wits)<br>AMM (SA)<br>MDP (UCT) | Executive: Mining |
| Pieter Wiese | 48 | BSc (Hons) Geology | Executive: New Business |
| Busi Sitole | 34 | BCom (Hons)<br>CA (SA) | Executive: Finance |
| Casper Strydom | 53 | National Higher Diploma<br>Metalliferous Mining<br>Mine Managers Certificate | General Manager: Barberton Mines |
| Thandeka Ncube | 42 | BA Social Sciences<br>MBA | Executive: Transformation |
| Andre van den Bergh | 54 | Diploma in HR Management<br>Diploma in LR Management | Executive: Human Resources |
| Jenny Yates | 42 | BA Hons LLB | Executive: Legal |
| Nicole Spruijt | 33 | BA Communications<br>BA (Hons) Corporate Communications | Executive: Public Relations |

# Management Team – Barberton Mines

| Name | Age | Qualification | Designation |
|---|---|---|---|
| Casper Strydom | 53 | National Higher Diploma Metalliferous Mining Mine Managers Certificate | General Manager |
| Pierre Human | 50 | Mine Managers Certificate of Competency | Manager: Mining |
| Hans Grobler | 49 | Government Certificate of Competency (Mines and Works), ECSA registration and obtained a National Higher Diploma in Mechanical Engineering (Cum Laude) | Manager: Engineering |
| Neal Reynolds | 28 | BCom (Hons) CA(SA) | Manager: Finance and Administration |
| Essie Esterhuizen | 52 | National Certificate: Personnel Management Skills Development Facilitator | Manager: Human Resources |
| Jonathan Irons | 45 | National Higher Diploma Extractive Metallurgy | Manager: Metallurgy |
| Brian Chirove | 43 | BSc Engineering (Hons) Mining | Manager: Mineral Resources |

# Corporate Governance and Compliance

Pan African strives to comply with the UK Companies Act, King Code III and the JSE Listing Requirements as far as is possible for an organisation of this size.

## Nominated Adviser and Broker – United Kingdom

RBC Capital Markets is the Group's Nominated Adviser (NOMAD) and Broker. The duty of the NOMAD and Broker is to advise the Group on compliance concerning the AIM Rules and continuing obligations of an AIM quoted company.

## Sponsor

Macquarie First South Capital (Pty) Ltd ('Macquarie) is the Group's appointed sponsor, in accordance with the Listings Requirements of the JSE. Macquarie is responsible for advising the Group on compliance concerning the JSE Listings Requirements and continuing obligations of a JSE listed company.

## Company Secretary

St James's Corporate Services Limited was appointed company secretary on 8 July 2008. All directors have access to the advice and services of the company secretary who is responsible to the board for ensuring compliance procedures and regulations of a statutory nature. Furthermore, all directors are entitled to seek independent professional advice concerning the affairs of the Group at the Group's expense, should they believe that course of action would be in the best interest of the Group.

The company secretary, in conjunction with the Group's legal advisors, is responsible for drawing the attention of the directors to their legal duties and in collaboration with the Group's NOMAD and Sponsor, is responsible for ensuring that new directors are effectively informed in terms of their duties and responsibilities.

Further, the company secretary, together with the Group's investor relations' representatives, provides a direct communication link with investors and liaises with the Group's share registrars on all issues affecting shareholders. The company secretary maintains the statutory books of the Company and also provides mandatory information required by various regulatory bodies and stock exchanges on which the Company is listed.

## Restrictions on Share Dealings

All directors and employees are prohibited from dealing in shares during any period in which price sensitive information is available. The Chief Executive Officer distributes memoranda, informing the affected parties of these periods. Should a senior employee or director wish to trade Pan African shares, written permission must be granted from either the Chief Executive Officer or Financial Director.

## Awards Received

No awards were received during the period under review.

## Interim Results

Currently external auditors do not review interim results.

## Significant changes regarding size, structure, or ownership

No significant changes occurred during the period under review.

## Internal audit

The Audit Committee is responsible for overseeing internal audit in the Pan African Group. Currently the internal audit function within Pan African is outsourced to BDO South Africa. The primary goals of internal audit are to evaluate the group's risk management, internal control and corporate governance processes and ensure that they are adequate and are functioning correctly. The Audit Committee ensures that the internal auditing function is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value, as well as safeguarding and improving the operations of the Group. The internal auditors report directly to the Chairman of the Audit Committee, and at all times have access to Pan African directors.

An internal audit programme is approved annually by the Audit Committee and defines the reviews to be undertaken during each financial year and focuses on the adequacy and effectiveness of systems of internal control and on risk management.

The internal audit coverage plan is considered to be "risk based' as it focuses on those areas of the business that are deemed to present the greatest risk to the business in term of financial loss, loss of other assets, misstatement or lack/circumvention of internal controls. The internal audit plan is reviewed and updated by the Audit Committee, with input from Executive Management and External auditors, on a regular basis.

During the year, the internal auditors reviewed, inter alia, the following:

- Procurement – May 2010, and
- Payroll – November 2010

The internal auditors further assist in areas where their specific expertise is required, such as when a new management information system is implemented.

## Information Technology ('IT')

The majority of IT services and support in the Pan African Group is outsourced, with service level agreements in place with regular service providers. Barberton Mines is currently in the process of selecting and implementing a new IT system, critical to the organisation's operations. Whilst there are many potential benefits to be gained from successful implementation of new technology, there are also a number of risks that arise and these must be managed. Management needs to have a high level of confidence that the system has been successfully implemented, operates effectively, and provides the expected levels of business and management support. In addition, because the system will have a direct impact on the way data and financial information is transacted, the accuracy of data and the existence and effectiveness of controls is critical. The Group's internal auditors are assisting with the selection, implementation and post-implementation review of the new Barberton IT system.

# Compliance Summary and Gap Analysis

The following matters have been identified as disclosure and corporate governance deficiencies within the Group, when the principles of King III are applied. The Group will work with external consultants in further implementing King III requirements in the next year. The list below is not exhaustive, but rather indicates the matters currently considered as mandatory by King III.

| King III Principle | Current Deficiency | Corrective Action Proposed |
|---|---|---|
| Principle 1.3 of King III | • The report states that the board is focused on corporate governance by focusing on King III compliance. However the report does not provide information on assessment or monitoring of internal ethics performance. An internal code of ethics is disclosed, however, there are no statistics on performance against the company's internal code of ethics. | To be included in the next Annual Report. |
| Principle 2.18 of King III | • The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent. | |
| Principle 2.22 of King III | • A recent evaluation of the board & its committees has not been reported upon and there is no overview of this evaluation. | To be included in the next Annual Report. |
| Principle 2.26 of King III | • There is limited disclosure on the Remuneration Policy. | A separate remuneration report will be included in the next Annual Report. The Group has further appointed a dedicated executive to address current shortcomings. |
| | • There is no disclosure of the three most highly-paid employees who are not directors of the company. | |
| | • There is no explanation of the policy on base pay and no mention of any policy to pay salaries on average at above median. | |
| | • There is limited disclosure on contracts and severance policies. | |
| | • Base pay and bonuses: there is no disclosure on policies, any overriding conditions for the award of bonuses and targets relating to performance | |
| | • To align shareholders' and executives' interests, vesting of share incentive awards should be conditional on achieving performance conditions. Such performance measures and the reasons for selecting them is not disclosed. | |
| | • There is no explanation and justification of any material payments that may be viewed as being ex gratia in nature. | |

| King III Principle | Current Deficiency | Corrective Action Proposed |
|---|---|---|
| Principle 3.10 of King III | • No final charter has been adopted for the Audit Committee, and terms of reference for the Internal Audit function remains outstanding.<br>• There is no statement on information about any other responsibilities assigned to the audit committee by the board.<br>• The audit committee should comprise at least 3 members who are non-executive with the chairman being independent non-executive.<br>• There is no statement on information about any other responsibilities assigned to the audit committee by the board. | Charters for internal audit and the Audit Committee, as well as a formal terms of reference for the Audit Committee, will be finalised and presented to the board for approval in the next year and is to be included in the next Annual Report. |
| Principle 7.3 of King III | • Internal Audit should provide a comment on the Group's Internal Control environment. | To be included in the next Annual Report. |
| Principle 4.10 of King III | • The annual report does not contain a review of a potentially risky venture. The risk should be analysed and the probability of occurrence of the risk event be determined and disclosed. | To be included in the next Annual Report. |
| Principle 8.2 of King III | • There is no disclosure on the nature of the dealing with stakeholders and the outcome of these dealings. | To be included in the next Annual Report. |
| Principle 9.3 of King III | • No independent assurance has been performed on sustainability information. | The Group is working with independent consultants to ensure readiness for independent assurance in the next year. An assurance readiness plan will be developed, whereby the Group will start off by obtaining assurance on key sustainability indicators, and then extend the scope of assurance over time. |
| Overall | • There is no formal policy detailing the procedures for appointments to the Board.<br>• There is no formal policy detailing the procedures for how the board composition has been considered to ensure that there is a clear balance of power and authority at board level, such that no individual has unfettered powers of decision-making. | The Board applies rigorous criteria for the selection of new members. A formal policy will however be adopted in the next year. |


"I Love the way (Pan African's) growing every day.
I can see the growth, the big improvement and the way it has brought me up from a cleaner to an office secretary. I also appreciate the people who work here for this company they teach me things every day. And I know one day I will be in a high position."

## Marshila Matlalapoo
## Receptionist, Corporate Office

### Her Story:

Marshila Matlalapoo, was the office cleaner on contract through an external company. Pan African hired her on a full-time basis to train her into the position of receptionist. Ongoing in-house and external training has been provided to fully develop her skills.

Marshila is a single mother to a three year old little boy, who before Pan African took her on full-time, was living on a salary which was barely covering her transport. She now has the flexibility and opportunity to educate her son, upgrade her living standards and grow into the role reflected by her passion.

# Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2011.

## Principal Activities

The Group's principal activity during the year was of gold mining and exploration activities. A full review of the activities of the business and of future prospects are contained in the Chief Executive Officer's Report which accompanies these financial statements, with financial and non-financial key performance indicators shown below.

## Key performance indicators

The Group produces management reports on a monthly basis that highlight several Key Performance Indicators ('KPIs') from a corporate, operational and management perspective to assess the financial position of the Group. These are highlighted on page 108.

## Results and Dividends

The results for the year are disclosed in the Consolidated Statement of Comprehensive Income on page 114. The salient features of these results can be found on page 2.

The Board of Directors proposes a final dividend for the year ended 30 June 2011 of £7.4 million (2010: 5.4 million) which, calculated on 1,444,040,711 issued shares currently outstanding, equates to 0.5135p per share (2010: Final dividend of 0.3723p declared), and is to be approved by shareholders at the forthcoming annual general meeting of the Company.

## Policy for payment of creditors

It is the Group's policy to settle all agreed transactions within the terms established with suppliers. The Group's credit days are a maximum of 60 days.

## Risk Management

The key business risks to which the Group is exposed have been considered and addressed on page 80.

A separate risk committee is not considered necessary as this role is fulfilled by the board, its sub-committees as well as that of executive management. The identification and management of critical risks is a strategic focus area for executive management, reviewed on a monthly basis, and together with action plans, reported regularly to the Board. Executive management has the ability to call for emergency board meetings, should the need arise. Risk registers for each business segment is in place. The Board has reviewed the current risks to the business, and at the time of reporting, believes that the current business risks do not exceed the risk appetite of the Group.

Residual risks include the Rand gold price, government and regulatory frameworks, as well as unforeseen natural disasters.

The Board believes that the current processes of identifying and dealing with risks is effective.

## Internal control

The board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and Group assets. The directors monitor the operation of internal controls. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any such system of internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

Internal financial control procedures undertaken by the board include:

- Review of monthly financial reports and monitoring performance.
- Review of internal audit reports and follow-up action of weaknesses identified by these reports.
- Review of competency and experience of senior management staff.
- Prior approval of all significant expenditure including all major investment decisions.
- Review and debate of treasury and other policies.

The board has reviewed the operation and effectiveness of the Group's system of internal control for the financial year and the period up to the date of approval of the financial statements.

## Going Concern

The board confirms that the business is a going concern and that it has reviewed the business' working capital requirements in conjunction with its future funding capabilities for at least the next 12 months and has found them to be adequate. The Group is debt free and has secured a three-year revolving credit facility with Nedbank Limited. The Group has not yet utilised the facility as it currently has sufficient cash on hand. Management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Should the need arise the Group can cease most exploration and capital activities, and by doing so conserve cash.

## Events after the reporting period

Mr Rowan Smith resigned as Non-Executive Director on 20 July 2011, and Ms Phuti Malabie was appointed on the same date. The Group announced on 19 August 2011 that it was considering listing the Manica project as a stand-alone entity on an international exchange

## Directors

The following were directors during the year under review:
Mr C M Ramaphosa (Chairman)
Mr K C Spencer*
Mr J P Nelson
Mr J A J Loots
Mr R G Still *
Mr R M Smith

* Independent

## Auditors

Deloitte LLP have been appointed as auditors until the conclusion of the next Annual General Meeting.

Each of the persons who is a director at the date of approval of this annual report confirms that:

- So far as the director is aware, there is no relevant information of which the Group's auditors are unaware, and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with S418 of the UK Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board,

Jan Nelson
Chief Executive Officer

# Key Performance Indicators (KPIs)

| Level | KPI | Measurable | 2011 | 2010 | % change | Achievement | Comment |
|---|---|---|---|---|---|---|---|
| Corporate | (US$/oz) | Costs | 781 | 650 | 20.21 | Moderate | Increased largely due to strong ZAR and increases in the cost of electricity. |
| | Gold Sold | Revenue | 92,197 | 98,091 | (6.01) | Poor | Decrease due to a reduction in tonnes mined at Barberton Mines. |
| | Capital Expenditure | Growth | £21.0 million | £5.9 million | 255.93 | Good | Mainly attributable to Phoenix plant capitalised construction expenditures and IFM payments plus strong focus on investment in development and maintenance of Barberton Mine. |
| | Tax | Effective tax rate | 35.01% | 34.55% | 1.33 | Good | Current year effective rate has increased due to increase in revenue as a result of favourable gold price. |
| Mining | Tonnes | Volume | 296 Kt | 313 Kt | (5.43) | Poor | Tonnes negatively affected by AMCU strike and limited mining flexibility at Fairview (50% of gold produced from one stope - limited access platforms). |
| | (g/t) | Quality | 10.55 g/t | 10.61 g/t | (0.57) | Moderate | Focus on increasing resources and sustainable head grades. |
| | (%) total recovery | Gold Sales | 91.00% | 91.00% | 0.00 | Moderate | No significant change. |
| | BEE | Mining title | 26.00% | 26.00% | 0.00 | Good | The Group complies with relevant legislation. |
| | Fatal accidents | Safety | - | 1 | (100) | Good | Safety still remains the Group's top priority and focus area. |
| Growth | Resource Base | Sustainability | 5,67Moz | 4,63Moz | 22.33 | Good | The increase of resource base at Barberton resulted from additional drilling and underground development, which led to a re-definition of geological envelopes and geostatistical re-evaluation. At Manica a geostatistical re-evaluation provided greater geological confidence to project indicated and inferred mineralised envelopes further along dip. |

# Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the International Accounting Standard ("IAS") Regulation to prepare the Group financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board,

Jan Nelson
Chief Executive Officer

Jacobus Loots
Financial Director

# Independent Auditor's Report – South Africa

## To The Members Of Pan African Resources Plc

We have audited the Group annual financial statements and annual financial statements of Pan African Resources Plc, which comprise the consolidated and separate statements of financial position as at 30 June 2011, the consolidated and separate statements of comprehensive income, changes in equity and consolidated and separate statements of cash flows for the financial year then ended, a summary of significant accounting policies and other explanatory notes 1 to 36.

## Directors' Responsibility For The Financial Statements

The Group's directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall consolidated and separate financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the Group annual financial statements and annual financial statements present, in all material respects, the consolidated and separate financial position of Pan African Resources Plc as at 30 June 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Per IT Marshall
Partner
12 September 2011

Deloitte & Touche – Registered Auditors

Building 1 and 2, Deloitte Place

The Woodlands, 20 Woodlands Drive, Woodmead, Sandton, 2196

Johannesburg, South Africa

National executive: GG Gelink Chief Executive AE Swiegers Chief Operating Officer GM Pinnock Audit DL Kennedy Risk Advisory NB Kader Tax & Legal Services L Geeringh Consulting L Bam Corporate Finance JK Mazzocco Human Resources CR Beukman Finance TJ Brown Clients NT Mtoba Chairman of the Board MJ Comber Deputy Chairman of the Board.

A full list of partners and directors is available on request.

# Independent Auditor's Report – United Kingdom

## To The Members Of Pan African Resources Plc

We have audited the financial statements of Pan African Resources Plc for the year ended 30 June 2011 which comprise Group and Parent Company Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Cash Flow Statement, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended,
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent company financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit.

Deborah Thomas Senior statutory auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
12 September 2011

# Certificate of the Company Secretary

I hereby certify that Pan African has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act 2006. All such returns are true, correct and up to date.

St James's Corporate
Services Limited

St James's Corporate Services
12 September 2011

# Consolidated Statement of Comprehensive Income

## for the year ended 30 June 2011

| | Notes | Group 30 June 2011 (Audited) £ | Group 30 June 2010 (Audited) £ | Company 30 June 2011 (Audited) £ | Company 30 June 2010 (Audited) £ |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Gold sales | 4 | 79,208,399 | 68,506,394 | - | - |
| Realisation costs | | (157,763) | (162,791) | - | - |
| **On - mine revenue** | | 79,050,636 | 68,343,603 | - | - |
| Cost of production | 5 | (45,345,417) | (40,553,886) | - | - |
| Depreciation | 16 | (2,885,243) | (3,125,093) | - | - |
| **Mining Profit** | | 30,819,976 | 24,664,624 | - | - |
| Other (expenses)/income | 8 | (2,796,657) | (1,929,787) | 20,471,875 | 8,165,247 |
| Impairment | | - | (335,401) | - | (335,401) |
| Royalty costs | | (2,368,239) | (837,378) | - | - |
| **Net income before finance income and finance costs** | | 25,655,080 | 21,562,058 | 20,471,875 | 7,829,846 |
| Finance income | 4 & 9 | 802,022 | 661,645 | 772,957 | 468,490 |
| Finance costs | 9 | (40,128) | (67,915) | - | (79) |
| **Profit before taxation** | **10** | 26,416,974 | 22,155,788 | 21,244,832 | 8,298,257 |
| Taxation | 13 | (9,248,309) | (7,655,913) | - | - |
| **Profit after taxation** | | 17,168,665 | 14,499,875 | 21,244,832 | 8,298,257 |
| **Other comprehensive income:** | | | | | |
| Foreign currency translation differences | | 3,814,677 | 2,379,762 | 1,855,200 | - |
| **Total comprehensive income for the year** | | 20,983,342 | 16,879,637 | 23,100,032 | 8,298,257 |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | 17,168,665 | 14,277,232 | 21,244,832 | 8,298,257 |
| Non-controlling interest | | - | 222,643 | - | - |
| | | 17,168,665 | 14,499,875 | 21,244,832 | 8,298,257 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | 20,983,342 | 16,809,093 | 23,100,032 | 8,298,257 |
| Non-controlling interest | | - | 70,544 | - | - |
| | | 20,983,342 | 16,879,637 | 23,100,032 | 8,298,257 |
| **From continuing operations:** | | | | | |
| Basic Earnings per share (pence) | 14 | 1.20 | 1.04 | - | - |
| Diluted Earnings per share (pence) | 14 | 1.19 | 1.03 | - | - |

# Consolidated Statement of Financial Position

## at 30 June 2011

| | Notes | Group 30 June 2011 (Audited) £ | Group 30 June 2010 (Audited) £ | Company 30 June 2011 (Audited) £ | Company 30 June 2010 (Audited) £ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment and mineral rights | 16 | 59,052,015 | 37,495,010 | 189,657 | 27,642 |
| Other intangible assets | 17 | 14,214,426 | 13,087,880 | - | - |
| Goodwill | 18 | 21,000,714 | 21,000,714 | - | - |
| Investments | 19 | - | - | 53,259,921 | 53,259,921 |
| Rehabilitation trust fund | 20 | 3,013,385 | 2,740,546 | - | - |
| | | 97,280,540 | 74,324,150 | 53,449,578 | 53,287,563 |
| **Current assets** | | | | | |
| Inventories | 21 | 1,457,202 | 1,126,374 | - | - |
| Receivables from subsidiaries | 34 | - | - | 27,146,884 | 10,984,384 |
| Trade and other receivables | 22 | 4,254,401 | 3,794,659 | 121,000 | 162,337 |
| Cash and cash equivalents | 23 | 10,123,822 | 12,756,262 | 11,546,466 | 14,240,891 |
| | | 15,835,425 | 17,677,295 | 38,814,350 | 25,387,612 |
| **TOTAL ASSETS** | | 113,115,965 | 92,001,445 | 92,263,928 | 78,675,175 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | 24 | | | | |
| Share capital | | 14,440,406 | 14,095,406 | 14,440,406 | 14,095,406 |
| Share premium | | 50,932,830 | 49,732,830 | 50,932,830 | 49,732,830 |
| Translation reserve | | 8,310,542 | 4,495,865 | 1,855,200 | - |
| Share option reserve | | 861,450 | 754,394 | 777,585 | 739,519 |
| Retained income | | 37,607,283 | 25,814,783 | 22,102,231 | 6,233,564 |
| Realisation of equity reserve | | (10,701,093) | (10,701,093) | - | - |
| Merger reserve | | (10,705,308) | (10,705,308) | 1,560,000 | 1,560,000 |
| Equity attributable to owners of the parent | | 90,746,110 | 73,486,877 | 91,668,252 | 72,361,319 |
| | | | | | |
| **Total equity** | | 90,746,110 | 73,486,877 | 91,668,252 | 72,361,319 |
| **Non - Current liabilities** | | | | | |
| Long term provisions ** | 26 | 3,386,591 | 3,222,780 | - | - |
| Long term liabilities ** | 27 | 181,285 | 115,418 | 27,329 | - |
| Deferred taxation | 28 | 9,841,695 | 8,092,332 | - | - |
| | | 13,409,571 | 11,430,530 | 27,329 | - |
| **Current liabilities** | | | | | |
| Trade and other payables * | 25 | 8,193,750 | 6,507,053 | 568,347 | 575,838 |
| Payable to other group companies | | - | - | - | 5,738,018 |
| Shareholders for dividend | | - | - | - | - |
| Current tax liability | | 766,534 | 576,985 | - | - |
| | | 8,960,284 | 7,084,038 | 568,347 | 6,313,856 |
| **TOTAL EQUITY AND LIABILITIES** | | 113,115,965 | 92,001,445 | 92,263,928 | 78,675,175 |

*Trade and other payables includes an amount of £1,465,299 (£41,411 for the Company) relating to the leave pay accrual which was classified as a short term provision in the prior year. This is in accordance with IAS:19 Employee Benefits. The leave pay accrual balance as at 30 June 2009 was £1,151,895.

** Long term liabilities includes an amount of £115,418 relating to the post retirement benefits which was classified as a long term provision in the prior year. This is in accordance with IAS:19 Employee Benefits. The post retirement benefits balance as at 30 June 2009 was £136,602.

The financial statements of Pan African Resources plc, registered number 3937466 were approved by the Board of directors on 07 September 2011 and signed on its behalf by :

Jan Nelson
Chief Executive Officer

Jacobus Loots
Financial Director

# Consolidated and Company Statement Of Cash Flows

## for the year ended 30 June 2011

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| | Notes | £ | £ | £ | £ |
| **NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES** | 36 | 16 610 289 | 18 325 307 | (5 680 503) | (128 716) |
| **INVESTING ACTIVITIES** | | | | | |
| Dividends received | | - | - | 21 650 960 | 9 032 496 |
| Additions to property, plant and equipment, mineral rights | 16 | (21 033 991) | (5 935 346) | (181 183) | (17 075) |
| Additions to intangibles | 17 | (800 619) | (976 373) | - | - |
| Loans to subsidiaries | | - | - | (14 614 028) | (642 941) |
| Funding of rehabilitation trust fund | | 122 145 | 147 458 | - | - |
| **NET (CASH USED IN) / GENERATED FROM INVESTING ACTIVITIES** | | (21 712 465) | (6 764 261) | 6 855 749 | 8 372 480 |
| **FINANCING ACTIVITIES** | | | | | |
| Borrowings repaid | | - | (954 759) | - | (954 759) |
| Loans from subsidiaries | | - | - | (5 738 018) | 5 738 018 |
| Shares issued | 24 | 1 545 000 | 48 000 | 1 545 000 | - |
| Share issue costs | | - | (5 866) | - | (5 866) |
| **NET CASH FROM / (USED IN) FINANCING ACTIVITIES** | | 1 545 000 | (912 625) | (4 193 018) | 4 777 393 |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | (3 557 176) | 10 648 421 | (3 017 772) | 13 021 157 |
| Cash and cash equivalents at the beginning of the year | | 12 756 262 | 2 389 301 | 14 240 891 | 1 507 134 |
| Effect of foreign exchange rate changes | | 924 736 | (281 460) | 323 347 | (287 400) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 23 | 10 123 822 | 12 756 262 | 11 546 466 | 14 240 891 |

# Consolidated and Company Statement of Changes in Equity

## for the year ended 30 June 2011

| GROUP | Share Capital | Share Premium account | Translation reserve | Share option reserve | Retained earnings | Realisation of equity reserve | Merger reserve | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 30 June 2009 | 11,125,891 | 37,899,997 | 1,964,004 | 549,690 | 11,537,551 | - | (10,705,308) | 3,988,577 | 56,360,402 |
| Issue of shares | 2,969,515 | 11,838,699 | - | - | - | (10,701,093) | - | (4,059,121) | 48,000 |
| Share issue costs | - | (5,866) | - | - | - | - | - | - | (5,866) |
| Current year movement | - | - | 2,531,861 | - | - | - | - | (152,099) | 2,379,762 |
| Profit for the year | - | - | | - | 14,277,232 | - | - | 222,643 | 14,499,875 |
| Share Based payment - Charge for the year | - | - | - | 204,704 | - | - | - | - | 204,704 |
| Balance at 30 June 2010 | 14,095,406 | 49,732,830 | 4,495,865 | 754,394 | 25,814,783 | (10,701,093) | (10,705,308) | - | 73,486,877 |
| Issue of shares | 345,000 | 1,200,000 | - | - | - | - | - | - | 1,545,000 |
| Current year movement | - | - | 3,814,677 | - | - | - | - | - | 3,814,677 |
| Profit for the year | - | - | - | - | 17,168,665 | - | - | - | 17,168,665 |
| Dividends paid | - | - | - | - | (5,376,165) | - | - | - | (5,376,165) |
| Share Based payment - Charge for the year | - | **-** | **-** | 107,056 | **-** | **-** | **-** | **-** | **107,056** |
| Balance at 30 June 2011 | 14,440,406 | 50,932,830 | 8,310,542 | 861,450 | 37,607,283 | (10,701,093) | (10,705,308) | - | 90,746,110 |
| **COMPANY** | | | | | | | | | |
| Balance at 30 June 2009 | 11,125,891 | 37,899,997 | - | 626,003 | (2,064,693) | - | 1,560,000 | - | 49,147,198 |
| Issue of shares | 2,969,515 | 11,838,699 | - | - | - | - | - | - | 14,808,214 |
| Share issue costs | - | (5,866) | - | - | - | - | - | - | (5,866) |
| Current year movement | - | - | - | - | - | - | - | - | - |
| Profit for the year | - | - | - | - | 8,298,257 | - | - | - | 8,298,257 |
| Dividend Issue | - | - | - | - | - | - | - | - | - |
| Charge for the year | - | - | - | 113,516 | - | - | - | - | 113,516 |
| Balance at 30 June 2010 | 14,095,406 | 49,732,830 | - | 739,519 | 6,233,564 | - | 1,560,000 | - | 72,361,319 |
| Issue of shares | 345,000 | 1,200,000 | - | - | - | - | - | - | 1,545,000 |
| Current year movement | - | - | 1,855,200 | - | - | - | - | - | 1,855,200 |
| Profit for the year | - | - | - | - | 21,244,832 | - | - | - | 21,244,832 |
| Dividend Expense | - | - | - | - | (5,376,165) | - | - | - | (5,376,165) |
| Share Based payment - Charge for the year | - | - | - | 38,066 | - | - | - | - | 38,066 |
| Balance at 30 June 2011 | 14,440,406 | 50,932,830 | 1,855,200 | 777,585 | 22,102,231 | - | 1,560,000 | - | 91,668,252 |

# Notes to the Financial Statements: Accounting Policies & Financial Reporting Terms

## 1. General Information

Pan African is a Company incorporated in England and Wales under the Companies Act 1985. The Group has a dual primary listing on the AIM Market ('AIM') of the London Stock Exchange and JSE Limited ('JSE'). The nature of the Group's operations and its principal activities relate to gold and PGE mining and exploration activities. The financial statements are presented in Pounds Sterling. Foreign operations are included in accordance with the policies set out below. The individual financial results of each Group Company are maintained in their functional currencies, which are determined by reference to the primary economic environment in which it operates.

Effective 1 July 2010, the Group changed its functional currency from Pounds Sterling to South African Rands, to reflect the Group's primary economic environment and operating currency. For the purpose of the consolidated financial statements, the results and financial position of each Group Company is expressed in Pounds Sterling. The financial statements have been prepared on the going concern basis.

The financial statements have also been prepared in accordance with the International Financial Reporting Standards ('IFRS') adopted by the European Union and South Africa.

## 2. Accounting Policies

### Basis Of Preparation And General Information

The annual financial statements have been prepared under the historical cost basis, except for certain financial instruments which are stated at fair value. The principal accounting policies are set out below and are consistent in all material respects with those applied in the previous year, except where otherwise indicated.

### Historical Reverse Acquisition

On 31 July 2007 the Company acquired 74% of Barberton Mines in a share-for-share transaction. IFRS3 'Business Combinations' defines the acquirer in a business combination as the entity that obtains control. Accordingly, the combination was accounted for as a reverse acquisition.

### Going Concern

The financial position of the Group, its cash flows and liquidity position are described in note 29. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk.

Management is not aware of any material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. Based on the current status of the Group's finances, the directors have formed a judgement, at the time of approving the Financial Statements, that there is a reasonable expectation that the Group has, or will have, adequate resources to enable the Group to continue to meet its financial commitments for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

### New And Revised International Financial Reporting Standards Not Yet Adopted

The Group applies all applicable IFRS in preparation of the financial statements. Consequently, all IFRS statements that were effective at 30 June 2011 and are relevant to its operations have been applied.

At the date of authorisation of these financial statements, the following standards and interpretations, which have been applied in these financial statements, were in issue and effective as at 30 June 2011.

| | New/Revised International Financial Reporting Standards | Effective Date |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards<br>— Amendments relating to oil and gas assets and determining whether an arrangement contains a lease | Annual periods beginning on or after 1 January 2010 |
| IFRS 2 | Share-based Payment<br>— Amendments relating to group cash-settled share-based payment transactions | Annual periods beginning on or after 1 January 2010 |
| IFRS 3 | Business Combinations<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 July 2010 |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IFRS 8 | Operating Segments<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IAS 1 | Presentation of Financial Statements<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IAS 7 | Statement of Cash Flows<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IAS 17 | Leases<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IAS 27 | Consolidated and Separate Financial Statements<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 July 2010 |
| IAS 32 | Financial Instruments: Presentation<br>— Amendments relating to classification of rights issues | Annual periods beginning on or after 1 February 2010 |
| IAS 36 | Impairment of Assets<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards<br>— Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters | Annual periods beginning on or after 1 July 2010 |
| IAS 39 | Financial Instruments: Recognition and Measurement<br>— Amendments resulting from April 2009 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2010 |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | Annual periods beginning on or after 1 July 2010 |

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

| New/Revised International Financial Reporting Standards | | Effective Date |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2011 |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards<br>— Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' | Annual periods beginning on or after 1 July 2011 |
| IFRS 1 | First-time Adoption of International Financial Reporting Standards<br>— Additional exemption for entities ceasing to suffer from severe hyperinflation | Annual periods beginning on or after 1 July 2011 |
| IFRS 7 | Financial Instruments: Disclosures<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2011 |
| IFRS 7 | Financial Instruments: Disclosures<br>— Amendments enhancing disclosures about transfers of financial assets | Annual periods beginning or after 1 July 2011 |
| IFRS 9 | Financial Instruments<br>— Classification and Measurement | Annual periods beginning on or after 1 January 2013 |
| IFRS 10 | Consolidated Financial Statements | Annual periods beginning on or after 1 January 2013 |
| IFRS 11 | Joint Arrangements | Annual periods beginning on or after 1 January 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities | Annual periods beginning on or after 1 January 2013 |
| IFRS 13 | Fair Value Measurement | Annual periods beginning on or after 1 January 2013 |
| IAS 1 | Presentation of Financial Statements<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2011 |
| IAS 1 | Presentation of Financial Statements<br>— Amendments to revise the way other comprehensive income is presented | Annual periods beginning on or after 1 July 2012 |
| IAS 12 | Income Taxes<br>— Limited scope amendment (recovery of underlying assets) | Annual periods beginning on or after 1 January 2012 |
| IAS 19 | Employee Benefits<br>— Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects | Annual periods beginning on or after 1 January 2013 |
| IAS 24 | Related Party Disclosures<br>— Revised definition of related parties | Annual periods beginning on or after 1 January 2011 |
| IAS 27 | Consolidated and Separate Financial Statements<br>— Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011) | Annual periods beginning on or after 1 January 2013 |
| IAS 28 | Investments in Associates<br>— Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) | Annual periods beginning on or after 1 January 2013 |
| IAS 34 | Interim Financial Reporting<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2011 |
| IFRIC 13 | Customer Loyalty Programmes<br>— Amendments resulting from May 2010 Annual Improvements to IFRSs | Annual periods beginning on or after 1 January 2011 |
| IFRIC 14 | AS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction<br>— November 2009 Amendments with respect to voluntary prepaid contributions | Annual periods beginning on or after 1 January 2011 |

The impact of the adoption of the these standards and interpretations still needs to be considered, but is not expected to have a material impact on the financial results.

## Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) to 30 June each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Inter-company transactions and balances between Group entities are eliminated on consolidation.

## Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal Groups) that are classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations, which are recognised and measured at fair value less costs-to-sell.

Goodwill arising on acquisition is recognised as an asset, and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of net fair value of the assets, liabilities and contingent liabilities recognised.

## Change In Ownership Interest

In terms of IAS 27, changes in a parent's ownership interest in a subsidiary that do not result in a change of control are accounted for as equity transactions.

## Property, Plant And Equipment

### Mining assets

Mining assets, including mine development costs and mine plant facilities, are recorded at cost less provision for impairment and accumulated depreciation.

Expenditure incurred after feasibility stage to develop new ore bodies, to define mineralisation in existing ore bodies, to establish or expand productive capacity and expenditure designed to maintain productive capacities, is capitalised until commercial levels of production are achieved.

### Mineral and surface rights

Mineral and surface rights are recorded at cost less provision for impairment and accumulated depreciation.

### Land

Land is shown at cost and is not depreciated.

### Gain or loss on disposal or retirement of assets

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## Depreciation

Mining assets, mineral and surface rights mining assets, mine development costs, mineral and surface rights and plant mine facilities are depreciated over the estimated LOM to their residual values using the units-of-production method based, on estimated proved and probable ore reserves.

Other mining plant and equipment is depreciated on the straight-line basis over the shorter of the LOM or their estimated useful lives.

## Depreciation Of Non-Mining Assets

Buildings and other non-mining assets are recorded at cost and depreciated on the straight-line basis over their expected useful lives, which vary between three to ten years.

## Research, Development, Mineral Exploration And Evaluation Costs

Research, development, mineral exploration and evaluation costs are expensed in the year in which they are incurred until they result in projects that the group:

- Evaluate as being technically or commercially feasible,
- Has sufficient resources to complete development, and
- Can demonstrate will generate future economic benefits

Once these criteria are met, all directly attributable development costs and on-going mineral exploration and evaluation costs are capitalised within other intangible assets. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Capitalised pre-production expenditure is assessed for impairment in accordance with the group accounting policy stated below.

## Impairment (except for goodwill)

At each Statement of Financial Position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, both the value in use and the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Impairment losses are immediately recognised as an expense. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

## Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units ('CGU')expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the CGU, pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, associate or jointly-controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-deductible or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction, which affects neither tax nor accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded within equity, or where they arise from the initial accounting for a business combination. In a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.
The carrying amount of deferred tax assets are reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or parts of the assets to be recovered.

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

## Provisions

Provisions are recognised when the Group has a legal or constructive obligation resulting from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## Lease Assets

The Group leases certain property plant and equipment. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the Group. Other leases are classified as operating leases.

Finance lease assets are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

## Operating Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability.

## Foreign Currencies

Transactions in currencies other than the functional currency of the relevant subsidiary are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such other currencies are translated at the rates ruling at the Statement of Financial Position date. Profits and losses arising on exchange are recorded in the Statement of Comprehensive Income. In order to hedge its exposure to foreign exchange risks, the Group may enter into forward contracts. On consolidation, the assets and liabilities of the Group's foreign operations are translated into Pounds Sterling at exchange rates ruling at the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from the translation of foreign operations are classified as equity and are recognised as income or expenses in the period in which the operation is disposed. Translation differences on foreign loans to subsidiaries which are classified as equity loans are also accounted for as equity.

## Consumable Stores And Product Inventories

Consumable stores are valued at the lower of cost, determined on a weighted average basis, and estimated net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Obsolete and slow-moving consumable stores are identified and are written down to their economic or realisable values. Product inventories are valued at the lower of cost, determined on a weighted-average basis, and net realisable value. Costs include direct mining costs and mine overheads.

## Retirement And Pension Benefits

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed schemes are dealt with as defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan and are charged as an expense as they fall due.

## Post-Retirement Benefits Other Than Pension

Historically Barberton Mines provided retirement benefits by way of medical-aid scheme contributions for certain employees. The practice has been discontinued for some years. The net present value of estimated future costs of company contributions towards medical aid schemes for these retirees is recorded as a provision on the Group Statement of Financial Position. The provision is reviewed annually with movements in the provision recorded in the Statement of Comprehensive Income.

## Equity Participation Plan

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Statement of Financial Position date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with corresponding adjustments to the equity-settled employee benefits reserve.

## Cash Participation Plan

Cash-settled share-based payments to employees are measured at the fair value of the cash instruments at the grant date. The fair value determined at the grant date of the cash-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of cash instruments that will eventually vest. At each Statement of Financial Position date, the Group revises its estimate of the number of cash instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with corresponding adjustments to the cash-settled employee benefits liability.

## Provision For Environmental Rehabilitation Costs

Long-term environmental obligations are based on Barberton Mines and Phoenix Platinum's environmental plans, in compliance with current environmental and regulatory requirements. The provision is based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the Statement of Financial Position date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines. The estimated cost of rehabilitation is reviewed annually and adjusted as appropriate for changes in legislation or technology. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant cleanup at closure.

## Contributions To Rehabilitation Trust

Contributions are made to a dedicated environmental rehabilitation trust to fund the estimated cost of rehabilitation during and at the end of the life of the group's mines. The trust's assets are recognised separately on the balance sheet as non-current assets at fair value. Interest earned on funds invested in the environmental rehabilitation trust is accrued on a time proportion basis and credited to the provision for environmental rehabilitation costs.

## Provision For Closure Costs

The Group provides for closure costs other than rehabilitation costs, if any, when the directors have prepared a detailed plan for closure of the particular operation, the remaining life of which is such that significant changes to the plan are unlikely, and the directors have raised a valid expectation in those affected that it will carry out the closure by starting to implement that plan or announcing its main features to those affected by it.

## Revenue Recognition

Sales represents the value of minerals sold, excluding value-added tax, and is recognised when goods are delivered and risk and reward has passed, and is measured at the fair value of the consideration received or receivable. Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rates applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Revenue is recognised when the buyer takes title, provided that:

- It is probable that delivery will be made,
- The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised,
- The buyer specifically acknowledges the deferred delivery instructions, and
- The usual payment terms apply.

## Loans And Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classed as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less impairment if necessary. Interest income is recognised by applying the effective interest rate, except for short-term receivables, when the recognition of interest would be immaterial.

## Impairment Of Financial Assets

Financial assets, other than those at Fair Value Through Profit and Loss ('FVTPL'), are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been negatively impacted.

## Derecognition Of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownerships of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## Financial Liabilities And Equity Instruments Issued By The Group

### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

### Financial liabilities

Financial liabilities are classified as either financial liabilities FVTPL or "other financial liabilities".

Financial liabilities at FVTPL Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- It has been incurred principally for the purpose of repurchasing in the near future, or
- It is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking, or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- The financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis, or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. The Group has no financial liabilities classified as FVTPL.

### Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

### Derecognition of financial liabilities

The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or they expire.

### Derivative financial instruments

In the ordinary course of its operations, the Group may enter into a variety of derivative financial instruments to manage its exposure to commodity prices, volatility of interest rates and foreign exchange rate risk.

Derivatives are initially recognised at cost at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in Statement of Comprehensive Income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in Statement of Comprehensive Income depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## Hedge Accounting

The Group may designate certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk or firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is effective in offsetting changes in fair values or cash flows of the hedged item.

## Fair Value Hedge

Changes in the fair value of any derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the Statement of Comprehensive Income relating to the hedged item. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

## Cash flow hedge

The effective portion of changes in the fair value of any derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line of the Statement of Comprehensive Income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the Statement of Comprehensive Income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the Group revokes the hedging relationships, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

## Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand and demand deposits, and other short-term highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Pan African Resources executive committee. Management has determined the operating segments of the group based on the reports reviewed by the executive committee that are used to make strategic decisions. The executive committee considers the business principally according to the nature of the products and service provided, with the segment representing a strategic business unit. The reportable operating segments derive their revenue primarily from mining, extraction, production and selling of gold and PGM's.


Gold Pour, Fairview

## 3. Critical Accounting Estimates And Judgements

In preparing the annual financial statements in terms of IFRS, the Group's management is required to make certain judgements, estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reported year and the related disclosures. The estimates and judgements are based on historical experience, current and expected future economic conditions and other factors. Actual results may differ from these estimates.

### Critical accounting estimates and judgements made by management

The following judgements, that have the most significant effect on the amounts recognised in the financial statements, have been made by management in the process of applying the Group's accounting policies:

- Estimates made in determining the present obligation of environmental provisions including decommissioning and rehabilitation,
- Estimates made in determining the recoverable amount of assets, this includes the estimation of cash flows and the discount rates used,
- Estimates made in determining the life of the mines:
  - The Life of Mine is determined from development plans based on mine management's estimates and includes total mineral reserve and a portion of the mineral resource. These plans are updated from time to time and take into consideration the actual current cost of extraction, as well as certain forward projections. These projections are reviewed by the board. During the 2011 financial year, the LOM was increased from 10 to 17 years.
  - Estimates made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted, and
  - Estimates of mineral resources and ore reserves in accordance with the SAMREC code (2000) for South African properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.
- Estimates of the carrying value of goodwill and intangible assets,
- Estimates of the fair value of assets at acquisition are made in accordance with IFRS and take into account the replacement value of assets, and
- Estimates involved in feasibility studies related to exploration and growth projects.

| | | Group | Group | Company | Company |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| | | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| 4 | REVENUE | | | | |
| | Gold sales | 79,208,399 | 68,506,394 | - | - |
| | Finance income | 802,022 | 661,645 | 772,957 | 468,490 |
| | | 80,010,421 | 69,168,039 | 772,957 | 468,490 |
| 5 | COST OF PRODUCTION | | | | |
| | Salaries and wages | (20,926,658) | (18,064,485) | - | - |
| | Mining | (6,364,329) | (5,494,006) | - | - |
| | Processing* | (4,757,202) | (3,939,696) | - | - |
| | Engineering & technical services* | (3,702,615) | (4,404,500) | - | - |
| | Electricity | (4,445,681) | (3,528,059) | - | - |
| | Security | (3,034,428) | (2,714,009) | - | - |
| | Administration and Other | (2,114,504) | (2,409,131) | - | - |
| | | (45,345,417) | (40,553,886) | - | - |

*In the current year the Load Haul Dump truck costs were reallocated from Processing to Engineering and technical services.

## 6 SEGMENTAL ANALYSIS

A segment is a distinguishable component of the Group that is engaged in providing products or services in a particular business sector (business segment), which is subject to risk and rewards that are different to those of other segments. The Group's business activities were conducted through three business segments, firstly in Barberton Mines located in Barberton South Africa, the Group's corporate and exploration activities and Phoenix Platinum Mining. The Chief Executive Officer reviews the operations in accordance with the disclosures presented below.

| | 30 June 2011 | | | | 30 June 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Barberton Mines | Phoenix Platinum* | Corporate & Growth Projects | Group | Barberton Mines | Phoenix Platinum* | Corporate & Growth Projects | Group |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| **Revenue** | | | | | | | | |
| Gold sales | 79,208,399 | - | - | 79,208,399 | 68,506,394 | - | - | 68,506,394 |
| Realisation costs | (157,763) | - | - | (157,763) | (162,791) | - | - | (162,791) |
| **On - mine revenue** | 79,050,636 | - | - | 79,050,636 | 68,343,603 | - | - | 68,343,603 |
| Cost of production | (45,345,417) | - | - | (45,345,417) | (40,553,886) | - | - | (40,553,886) |
| Depreciation | (2,885,243) | - | - | (2,885,243) | (3,125,093) | - | - | (3,125,093) |
| **Mining Profit** | 30,819,976 | - | - | 30,819,976 | 24,664,624 | - | - | 24,664,624 |
| Other expenses ** | (288,930) | (12,943) | (2,494,784) | (2,796,657) | (173,988) | - | (1,755,799) | (1,929,787) |
| Impairment costs | - | - | - | - | - | - | (335,401) | (335,401) |
| Royalty costs | (2,368,239) | - | - | (2,368,239) | (837,378) | - | - | (837,378) |
| **Net income / (loss) before finance income and finance costs** | 28,162,807 | (12,943) | (2,494,784) | 25,655,080 | 23,653,258 | - | (2,091,200) | 21,562,058 |
| Finance income | 29,065 | - | 772,957 | 802,022 | 193,155 | - | 468,490 | 661,645 |
| Finance costs | (40,128) | - | - | (40,128) | (67,836) | - | (79) | (67,915) |
| **Profit /(loss) before taxation** | 28,151,744 | (12,943) | (1,721,827) | 26,416,974 | 23,778,577 | - | (1,622,789) | 22,155,788 |
| Taxation | (9,251,933) | 3,624 | - | (9,248,309) | (7,655,913) | - | - | (7,655,913) |
| **Profit /(loss) after taxation** | 18,899,811 | (9,319) | (1,721,827) | 17,168,665 | 16,122,664 | - | (1,622,789) | 14,499,875 |
| **Other comprehensive income:** | | | | | | | | |
| Foreign currency translation differences | 1,737,540 | 269,848 | 1,807,289 | 3,814,677 | 1,936,738 | 443,024 | - | 2,379,762 |
| **Total comprehensive income / (loss) for the year** | 20,637,351 | 260,529 | 85,462 | 20,983,342 | 18,059,402 | 443,024 | (1,622,789) | 16,879,637 |

*Costs directly attributable to Phoenix Platinum, along with attributable overheads, are capitalised to capital under construction.
** Other expenses are excluding inter-company management fees and dividends.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Segmental Assets** | 43,333,140 | 16,990,521 | 31,791,590 | 92,115,251 | 43,420,283 | 4,858,063 | 22,722,385 | 71,000,731 |
| **Segmental Liabilities** | 20,212,973 | 1,556,006 | 600,876 | 22,369,855 | 18,049,443 | 85,206 | 379,919 | 18,514,568 |
| **Goodwill** | - | - | - | 21,000,714 | - | - | - | 21,000,714 |
| **Net Assets (excluding goodwill)** | 23,120,167 | 15,434,515 | 31,190,714 | 69,745,396 | 25,370,840 | 4,772,857 | 22,342,466 | 52,486,163 |
| **Capital Expenditure** | 6,773,729 | 14,079,722 | 180,540 | 21,033,991 | 5,918,271 | - | 17,075 | 5,935,346 |

All assets are held within South Africa with the exception of £10.7 million (2010:£8.7 million) relating to Manica which is held in Mozambique.

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|

## 7 OPERATING LEASES

At the financial year end, the Group and Company had outstanding commitments under non-cancellable operating leases mainly in respect of office equipment, security cameras, building rentals and compressors, which fall due as follows:

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|
| Not later than one year | 194,641 | 204,240 | 108,451 | 41,407 |
| Later than one year and no later than five years | 381,925 | 121,350 | 344,077 | 19,865 |
| | 576,566 | 325,590 | 452,528 | 61,272 |
| Minimum lease payments under operating leases recognised as an expense in the year: | 226,374 | 182,762 | 48,532 | 23,237 |

Leases are negotiated for an average term of three to five years.

## 8 OTHER (EXPENSES) /INCOME

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|
| Dividends received - subsidiaries | - | - | 21,650,960 | 9,032,496 |
| Management Fees | - | - | 1,306,054 | 885,163 |
| Foreign exchange (loss) / gain | (40,366) | 101,369 | (40,366) | 101,369 |
| Operating leases | (226,374) | (182,762) | (48,532) | (23,237) |
| Company depreciation | (25,416) | (9,980) | (25,416) | (9,980) |
| Directors fees | (243,445) | (216,785) | (243,445) | (216,785) |
| Auditors fees | (119,549) | (120,352) | (72,999) | (79,472) |
| Salaries head office | (764,356) | (708,060) | (764,356) | (708,060) |
| Investor and public relations | (218,886) | (153,861) | (218,886) | (153,861) |
| New Business | (266,969) | (49,079) | (266,969) | (49,079) |
| Legal fees | (186,074) | (63,087) | (60,368) | (63,087) |
| Sundry other expense | (705,222) | (527,190) | (743,802) | (550,220) |
| | (2,796,657) | (1,929,787) | 20,471,875 | 8,165,247 |

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 9 FINANCE INCOME / (COSTS)

| | | | | |
|---|---|---|---|---|
| Interest received - Bank | 802,022 | 661,645 | 772,957 | 468,490 |
| Interest paid - Bank | (40,128) | (67,915) | - | (79) |
| | 761,894 | 593,730 | 772,957 | 468,411 |

## 10 PROFIT BEFORE TAXATION

Profit for the year has been arrived at after charging:

| | | | | |
|---|---|---|---|---|
| Management fee expense / (income) | | | | |
| - Metorex | - | 335,289 | - | - |
| - Shanduka | 81,761 | 76,688 | - | - |
| - Barberton Mines | - | - | (1,306,054) | (885,163) |
| Equity settled share option expense (Refer to note 33) | 107,056 | 204,704 | 38,066 | 113,516 |
| Cash settled share options expense (Refer to note 27) | 68,414 | - | 26,919 | - |
| Depreciation | 2,885,243 | 3,125,093 | 25,416 | 9,980 |
| Impairment costs | - | 335,401 | - | 335,401 |
| Staff costs | 21,691,014 | 18,772,545 | 764,356 | 708,060 |
| Royalty costs* | 2,368,239 | 837,378 | - | - |
| Operating leases | 226,374 | 182,762 | 48,532 | 23,237 |

* Royalty costs increased by 182.82% due to Barberton Mines commencing payment of the new South African mining royalty tax upon its implementation in March 2010 which resulted in the 2010 financial year only incurring 4 months royalty expense. Therefore in the current year, full year's revenue was subject to the South African mining royalty tax.

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 11 AUDITOR'S REMUNERATION

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 10,500 | 10,000 | 10,500 | 10,000 |
| Audit of the consolidated financial statements | 68,965 | 48,180 | 68,965 | 48,180 |
| Audit of the Company's subsidiaries pursuant to legislation | 46,551 | 40,880 | - | - |
| (Over) / Under provision of audit fee in the prior year | (7,817) | 19,280 | (7,817) | 19,280 |
| Total audit fees | 118,199 | 118,340 | 71,648 | 77,460 |
| Other services rendered by the Auditors | 1,351 | 2,012 | 1,351 | 2,012 |
| Total Non-Audit Fees | 1,351 | 2,012 | 1,351 | 2,012 |

All fees are paid within South Africa with the exception of £28,624 (2010:£25,500) which is paid to the UK.

## 12 STAFF COSTS

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|
| The average number of employees were: | | | | |
| Corporate and Growth Projects | 11 | 12 | 10 | 10 |
| Mining | 1,757 | 1,783 | | |
| | 1,768 | 1,795 | 10 | 10 |
| Their aggregate remuneration comprised: | | | | |
| Salary and Wages | 20,227,325 | 17,503,662 | 737,120 | 682,278 |
| Other Retirement Costs (Refer to note 30) | 1,463,689 | 1,268,883 | 27,236 | 25,782 |
| | 21,691,014 | 18,772,545 | 764,356 | 708,060 |

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 13 TAXATION

| | | | | |
|---|---|---|---|---|
| INCOME TAX EXPENSE | | | | |
| South African normal taxation | | | | |
| - current year | 8,151,100 | 7,283,602 | - | - |
| - prior year | 10,421 | (356,490) | - | - |
| Deferred taxation | | | | |
| - current year | 1,086,788 | 728,801 | - | - |
| Total taxation charge | 9,248,309 | 7,655,913 | - | - |
| | | | | |
| Profit before taxation | 26,416,974 | 22,155,788 | 21,244,832 | 8,298,257 |
| Taxation at the domestic taxation rate of 28% | 7,396,753 | 6,203,621 | 5,948,553 | 2,323,512 |
| Non-deductible expenses/ (exempt income) | 29,976 | 151,229 | (5,917,782) | (2,503,143) |
| Taxation rate differential | 1,821,580 | 1,301,063 | - | - |
| Tax effect of utilisation of tax losses | - | - | (30,771) | 179,631 |
| Taxation expense for the year | 9,248,309 | 7,655,913 | - | - |

| Effective taxation rates | % | % | % | % |
|---|---|---|---|---|
| Statutory rate | 28.00 | 28.00 | 28.00 | 28.00 |
| Taxation rate differential | 6.90 | 5.87 | | |
| Non-deductible expenses/ (exempt income) | 0.11 | 0.68 | (27.86) | (30.16) |
| Tax effect of utilisation of tax losses | - | - | (0.14) | 2.16 |
| Effective taxation rate | 35.01 | 34.55 | 0.00 | 0.00 |

There are no significant unrecognised temporary differences associated with undistributed profits of overseas subsidiaries. South African mining tax on mining income is determined according to a formula which takes into account the profit and revenue from mining operations. South African mining taxable income is determined after the deduction of all mining capital expenditure, with the proviso that this cannot result in an assessed loss. Capital expenditure amounts not deducted are carried forward as unredeemed capital expenditure to be deducted from future mining income. The Group has no unredeemed capital carried forward deductible against future profits.

## 14 EARNINGS PER SHARE

### Basic and Diluted Earnings Per Share

Basic and diluted earnings per share are based on the Group's profit for the year attributable to owners of the parent, divided by the weighted average number of shares in issue during the year.

| | 30 June 2011 Net profit | 30 June 2011 Weighted average number of shares | 30 June 2011 Earnings Per share (Pence) | 30 June 2010 Net profit | 30 June 2010 Weighted average number of shares | 30 June 2010 Earnings Per share (Pence) |
|---|---|---|---|---|---|---|
| From continuing operations | | | | | | |
| Basic EPS | 17,168,665 | 1,432,666,738 | 1.20 | 14,277,232 | 1,366,268,709 | 1.04 |
| Share options | - | 6,157,835 | (0.01) | - | 13,611,714 | (0.01) |
| Diluted EPS | 17,168,665 | 1,438,824,573 | 1.19 | 14,277,232 | 1,379,880,423 | 1.03 |

### Headline Earnings Per Share

Headline earnings per share is based on the Group's headline earnings divided by the weighted average number of shares in issue during the year.

Reconciliation between earnings and headline earnings from continuing operations:

| | 30 June 2011 Net profit | 30 June 2011 Weighted average number of shares | 30 June 2011 Earnings Per share (Pence) | 30 June 2010 Net profit | 30 June 2010 Weighted average number of shares | 30 June 2010 Earnings Per share (Pence) |
|---|---|---|---|---|---|---|
| Earnings as reported | 17,168,665 | 1,432,666,738 | 1.20 | 14,277,232 | 1,366,268,709 | 1.04 |
| Adjustments: | | | | | | |
| Impairment costs | - | 1,432,666,738 | - | 335,401 | 1,366,268,709 | 0.03 |
| Headline earnings per share * | 17,168,665 | 1,432,666,738 | 1.20 | 14,612,633 | 1,366,268,709 | 1.07 |
| Share options | | 6,157,835 | (0.01) | | 13,611,714 | (0.01) |
| Diluted headline earnings per share | 17,168,665 | 1,438,824,573 | 1.19 | 14,612,633 | 1,379,880,423 | 1.06 |

* Headline earnings per share is required to be disclosed in terms of the Listing Requirements of the JSE Limited.

| | Group (Pence) 30 June 2011 | Group (Pence) 30 June 2010 |
|---|---|---|
| Net asset value per share | 6.28 | 5.21 |
| Tangible net asset value per share | 3.85 | 2.80 |

## 15 DIVIDENDS

The Board of Directors recommend a final dividend for the year ended 30 June 2011 of 0.5135p per share (2010: Final dividend of 0.3723p paid), to be approved by shareholders at the forthcoming annual general meeting of the Company.

| | Land* | Mineral Rights and Mining Property | Building and Infrastructure | Plant and Machinery | Capital Under Construction | Shafts and Exploration | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |

## 16 PROPERTY PLANT AND EQUIPMENT AND MINERAL RIGHTS

### Group

| | Land* | Mineral Rights and Mining Property | Building and Infrastructure | Plant and Machinery | Capital Under Construction | Shafts and Exploration | Other | Total |
|---|---|---|---|---|---|---|---|---|
| COST | | | | | | | | |
| Balance at 30 June 2009 | 27,636 | 10,856,214 | 1,589,448 | 11,466,433 | - | 20,196,910 | 326,062 | 44,462,703 |
| Additions | - | - | 24,760 | 1,811,948 | - | 4,081,563 | 17,075 | 5,935,346 |
| Impairment** | - | - | - | - | - | - | (294,916) | (294,916) |
| Foreign currency translation reserve | 2,706 | 1,062,711 | 156,442 | 1,184,752 | - | 2,117,419 | 120 | 4,524,150 |
| Balance at 30 June 2010 | 30,342 | 11,918,925 | 1,770,650 | 14,463,133 | - | 26,395,892 | 48,341 | 54,627,283 |
| Transfer from other intangible assets*** | - | 1,061,675 | - | - | - | - | - | 1,061,675 |
| Additions | - | 8,019,557 | 124,366 | 2,317,359 | 6,056,098 | 4,332,003 | 184,608 | 21,033,991 |
| Disposal | - | - | - | - | - | - | - | - |
| Foreign currency translation reserve | 1,648 | 826,948 | 98,054 | 820,725 | 92,121 | 1,499,424 | 9,028 | 3,347,948 |
| Balance at 30 June 2011 | 31,990 | 21,827,105 | 1,993,070 | 17,601,217 | 6,148,219 | 32,227,319 | 241,977 | 80,070,897 |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| Balance at 30 June 2009 | - | (2,266,469) | (637,028) | (3,604,411) | - | (6,145,041) | (8,519) | (12,661,468) |
| Charge for the year | - | (358,353) | (112,550) | (961,664) | - | (1,682,546) | (9,980) | (3,125,093) |
| Foreign currency translation reserve | - | (234,186) | (66,229) | (385,903) | - | (659,394) | - | (1,345,712) |
| Balance at 30 June 2010 | - | (2,859,008) | (815,807) | (4,951,978) | - | (8,486,981) | (18,499) | (17,132,273) |
| Charge for the year**** | - | (203,797) | (65,287) | (1,373,257) | - | (1,242,902) | (25,416) | (2,910,659) |
| Foreign currency translation reserve | - | (158,369) | (45,299) | (289,825) | - | (479,823) | (2,634) | (975,950) |
| Balance at 30 June 2011 | - | (3,221,174) | (926,393) | (6,615,060) | - | (10,209,706) | (46,549) | (21,018,882) |
| CARRYING AMOUNT | | | | | | | | |
| At 30 June 2010 | 30,342 | 9,059,917 | 954,843 | 9,511,155 | - | 17,908,911 | 29,842 | 37,495,010 |
| At 30 June 2011 | **31,990** | **18,605,931** | **1,066,677** | **10,986,157** | **6,148,219** | **22,017,613** | **195,428** | **59,052,015** |

## 16 PROPERTY PLANT AND EQUIPMENT AND MINERAL RIGHTS (Continued)

### Company

| | Land* | Mineral Rights and Mining Property | Building and Infrastructure | Plant and Machinery | Capital Under Construction | Shafts and Exploration | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| COST | | | | | | | | |
| Balance at 30 June 2009 | - | - | - | - | | - | 29,066 | 29,066 |
| Additions | - | - | - | - | | - | 17,075 | 17,075 |
| Balance at 30 June 2010 | - | - | - | - | | - | 46,141 | 46,141 |
| Additions | - | - | - | - | | - | 181,183 | 181,183 |
| Foreign currency translation reserve | | | | | | | 8,882 | 8,882 |
| Balance at 30 June 2011 | - | - | - | - | | - | 236,206 | 236,206 |
| ACCUMULATED DEPRECIATION | | | | | | | | |
| Balance at 30 June 2009 | - | - | - | - | | - | (8,519) | (8,519) |
| Charge for the year | - | - | - | - | | - | (9,980) | (9,980) |
| Balance at 30 June 2010 | - | - | - | - | | - | (18,499) | (18,499) |
| Charge for the year | - | - | - | - | | - | (25,416) | (25,416) |
| Foreign currency translation reserve | | | | | | | (2,634) | (2,634) |
| Balance at 30 June 2011 | - | - | - | - | | - | (46,549) | (46,549) |
| CARRYING AMOUNT | | | | | | | | |
| At 30 June 2010 | - | - | - | - | - | - | 27,642 | 27,642 |
| **At 30 June 2011** | - | - | - | - | - | - | 189,657 | 189,657 |

* Details of land are maintained in a register held at the offices of Barberton Mines, which may be inspected by a member or their duly authorised agents. The Group reviews the residual values used for purposes of depreciation calculations annually.

** The final impairment of the exploration machinery in the Central African Republic which was finally written off in the closure and deregistration of the company.

*** Reclassification of Phoenix exploration expenditures from exploration and evaluation assets to Property plant and equipment as per IFRS6 ("Exploration for and evaluation of mineral resources") due to technical feasibility and commercial viability of the project being demonstrated.

****The direct mining depreciation excluding other depreciation totals £2,885,243 as reflected as disclosed in Statement of Comprehensive Income. The other depreciation which is not mining related of £25,416 is now reflected in Other (expenses)/income in note 8.

| | | Group |
|---|---|---|
| | | £ |
| | | 30 June 2011 |

## 17 OTHER INTANGIBLE ASSETS

### EXPLORATION AND EVALUATION ASSETS

| | | |
|---|---|---|
| Balance at 30 June 2009 | | 12,038,616 |
| Exploration expenditure | | 976,373 |
| Foreign currency translation reserve | | 72,891 |
| Balance at 30 June 2010 | | 13,087,880 |
| Transfer to property plant and equipment and mineral rights | note 16 | (1,061,675) |
| Exploration expenditure | | 800,619 |
| Foreign currency translation reserve | | 1,387,602 |
| Balance at 30 June 2011 | | 14,214,426 |

The exploration and evaluation assets relate to the Manica project in Mozambique.

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 18 GOODWILL

Goodwill acquired in a business combination is allocated at acquisition to the CGUs that are expected to benefit from that business combination.

| | Group 30 June 2011 £ | Group 30 June 2010 £ | Company 30 June 2011 £ | Company 30 June 2010 £ |
|---|---|---|---|---|
| Opening and Closing Balance | 21,000,714 | 21,000,714 | - | - |

The Group tests the goodwill carrying amount annually for impairment, or more frequently if there are indications that goodwill may be impaired. The goodwill carrying amount is not considered to be impaired and the review was performed in accordance with the Group's accounting policies.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates of 12.10% (2010:12%) for Barberton Mines and 12.6% (2010:12%) for Manica Gold Project, which reflect current market assessments of the time value of money and the risks specific to the CGUs to the extent not already reflected in the cash flows being discounted, an average gold price of US$1,372 and exchange rate of ZAR7.50 to the dollar over the life of projects. The life of projects were estimated at 17 years for Barberton Mines, and 10 years for the Manica gold project. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

| | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|

## 19 INVESTMENTS

| | | |
|---|---|---|
| Investments | 53,259,921 | 53,259,921 |

At 30 June 2011 the Company held the following shares in subsidiary undertakings:

| Name of Undertaking | Country of Incorporation | Principal Activity | Proportion of capital effectively held by Company | Carrying Amount 2011 | Carrying Amount 2010 |
|---|---|---|---|---|---|
| Barberton Mines | South Africa | Mining | 100% | 45,770,663 | 45,770,663 |
| Explorator Limitada | Mozambique | Exploration | 100% | 88,972 | 88,972 |
| Mistral Resource Development Corporation | British Virgin Isles | Exploration | 100% | 584,705 | 584,705 |
| Brampton Capital Overseas Limited | British Virgin Isles | Exploration | 100% | 2,485,000 | 2,485,000 |
| Phoenix Platinum | South Africa | Mining | 100% | 4,330,581 | 4,330,581 |
| | | | | 53,259,921 | 53,259,921 |

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 20 REHABILITATION TRUST FUND

| | | | | |
|---|---|---|---|---|
| Funds held in trust fund | 3,013,385 | 2,740,546 | - | - |

## 21 INVENTORIES

| | | | | |
|---|---|---|---|---|
| Consumable Stores | 1,555,693 | 1,222,381 | - | - |
| Provision for obsolete stock | (98,491) | (96,007) | - | - |
| | 1,457,202 | 1,126,374 | - | - |

## 22 TRADE AND OTHER RECEIVABLES

| | | | | |
|---|---|---|---|---|
| Trade receivables | 1,880,730 | 2,905,338 | 49,400 | 48,589 |
| Other receivables and prepayments | 624,948 | 347,054 | 71,600 | 86,483 |
| VAT Receivable | 1,748,723 | 542,267 | - | 27,265 |
| | 4,254,401 | 3,794,659 | 121,000 | 162,337 |

The average credit period is:

| | | | | |
|---|---|---|---|---|
| Number of days | 9 | 15 | | |

The ageing of trade receivables is current and is consistent with that of prior year.
No interest is charged on trade receivables.
Before accepting any new customers, the Group uses a credit bureau or performs a credit assessment to assess the potential customer's credit limit and credit quality. The Group only transacts with credit worthy customers and large institutions within South Africa.
The fair value of trade receivables is not materially different from the carrying value presented. No receivables have been pledged as security.

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents | 10,123,822 | 12,756,262 | 11,546,466 | 14,240,891 |

CREDIT FACILITIES

The Group has the following credit facilities at 30 June 2011:

| | | | | |
|---|---|---|---|---|
| Nedbank Limited<br>Revolving credit Facility | 13,712,029 | - | - | - |
| Absa Bank Limited<br>overdraft facility | 1,828,271 | 1,647,389 | - | - |
| Guarantee | 619,112 | 587,222 | - | - |
| Credit Card | 9,141 | 8,670 | - | - |
| | 16,168,553 | 2,243,281 | - | - |

The Group has secured a three year revolving credit facility with Nedbank Limited. The facility carries an interest rate of JIBAR plus 3% and is secured against a portion of Barberton Mines' fixed assets and guaranteed by Pan African Resources and Phoenix Platinum. The overdraft facility and asset finance facilities are unsecured. The overdraft facility attracts interest at prime in South Africa. The Group has not yet utilised the facilities as it has sufficient cash on hand.

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|

## 24 SHARE CAPITAL

Authorised

| | | | | |
|---|---|---|---|---|
| 2,000,000,000 (2010: 2,000,000,000) ordinary shares of £0.01 each | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| Issued and fully paid up 1,444,040,711 (2010: 1,409,540,711) ordinary shares of £0.01 each | 14,440,406 | 14,095,406 | 14,440,406 | 14,095,406 |

The following cash issue of shares were made during the year:
During the period under review the Company announced the issue and allotment of:

- 34,500,000 new ordinary shares in respect of share options exercised:
- On 25 August 2010 4,000,000 shares issued to N Steinberg at 4 pence per share.
- On 6 October 2010 6,000,000 shares issued to J Nelson at 2 pence per share.
- On 4 November 2010 4,000,000 shares issued to R Still at 4 pence per share.
- On 4 November 2010 7,500,000 shares issued to Pangea Exploration (Pty) Ltd ("Pangea") at 4 pence per share.
- On 10 November 2010 3,000,000 shares issued to J Yates at 5.5 pence per share.
- On 25 November 2010 4,000,000 shares issued to M Bevelander at 7 pence per share.
- On 25 November 2010 4,000,000 shares issued to E Victor at 5.5 pence per share.
- On 25 November 2010 2,000,000 shares issued to E Victor at 7 pence per share.

Current number of share options outstanding at 30 June 2011 is 18,503,750 (2010: 55,145,000).
Participation is the share-based and other long-term incentive shemes is restricted to employees and directors.

Rob Still exercised all outstanding share options on 4 November 2010 and his shareholding equates to less than 5% of the Group's total number of shares in issue.

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|

## 25 TRADE AND OTHER PAYABLES

| | | | | |
|---|---|---|---|---|
| Trade and other payables | 6,264,168 | 4,064,830 | 273,730 | 200,338 |
| Accruals* | 1,868,026 | 2,442,223 | 233,061 | 375,500 |
| VAT Payable | 61,556 | - | 61,556 | - |
| Total Trade and other Payables | 8,193,750 | 6,507,053 | 568,347 | 575,838 |

*Accruals include an amount of £1,465,299 (£41,411 for the company) relating to the leave and bonus pay accrual which was classified as a short term provision in the prior year. This is in accordance with IAS:19 Employee Benefits.

The average credit period is:

| | | |
|---|---|---|
| Number of days | 50 | 37 |

The fair value of trade payables is not materially different from the carrying value presented.

## 26 PROVISIONS

| | Rehabilitation | Total | Rehabilitation | Total |
|---|---|---|---|---|
| Balance at 30 June 2009 | 2,796,503 | 2,796,503 | - | - |
| Provided during the year | 147,458 | 147,458 | - | - |
| Utilised during the year | - | - | - | - |
| Foreign currency translation | 278,819 | 278,819 | - | - |
| Balance at 30 June 2010 | 3,222,780 | 3,222,780 | - | - |
| Utilised during the year | (11,214) | (11,214) | - | - |
| Foreign currency translation | 175,025 | 175,025 | - | - |
| Balance at 30 June 2011 | 3,386,591 | 3,386,591 | - | - |

Rehabilitation trust fund

The Group is exposed to environmental liabilities relating to its mining operations. Estimates of the cost of environmental and other remedial work such as reclamation costs, close down and restoration and pollution control are made on an annual basis, based on the estimated life of the mine, following which payments are made to a rehabilitation trust set up as required by South African Laws and Regulations. The provision represents the net present value of the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over the life of mine.

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 27 LONG-TERM LIABILITIES

| | Group £ 30 June 2011 | Group £ 30 June 2010 | Company £ 30 June 2011 | Company £ 30 June 2010 |
|---|---|---|---|---|
| Cash Settled Share Options* | | | | |
| Opening Balance | - | - | - | - |
| Expense for the year | 68,414 | - | 26,919 | - |
| Foreign currency translation | 1,042 | - | 410 | - |
| Closing Balance | 69,456 | - | 27,329 | - |
| | | | | |
| Post Retirement Benefits | | | | |
| Opening Balance | 115,418 | 136,602 | - | - |
| Utilised for the year | (9,710) | (33,407) | - | - |
| Foreign currency translation | 6,121 | 12,223 | - | - |
| Closing Balance | 111,829 | 115,418 | - | - |
| | | | | |
| Total | 181,285 | 115,418 | 27,329 | - |

*On 9 May 2011, Pan African established a cash settled share appreciation programme entitling selected executives and employees of the Pan African Group, as approved by the board of Directors of Pan African, to be allocated notional shares in Pan African. These notional shares will confer the conditional right on the participant to be paid a cash settlement equal to the appreciation in the Pan African share price from the date of allocation to the date of surrender or deemed surrender of notional shares. Participation in the share appreciation program is subject to the agreement of a selected participant and acceptance by said participant of the rules and regulations governing the share appreciation programme.

The share appreciation settlement will be determined no later than the sixth anniversary of the date that the notional shares were allocated. However the participant can elect, subject to approval by PAR Remuneration Committee ("Remco"), to surrender his/her notional shares and receive the share appreciation settlement at a date prior to the sixth anniversary date.

The share appreciation settlement will be regarded as remuneration for income tax purposes and thus will be subject to the deduction of PAYE and all other taxes and contributions via the payroll of the relevant Pan African Group Company, which are for the account of the participant.

No share appreciation settlement shall be made until after the period, calculated from the date the notional shares were allocated, of:

- two years has elapsed, in which event not more than 25% of the total number of notional shares allocated,
- three years has elapsed, in which event not more than 50% of the total number of notional shares allocated,
- four years has elapsed, in which event all of the notional shares allocated,
- or any lesser amount of notional shares, may be surrendered. Notional shares which a participant is entitled to surrender are referred to as "surrenderable notional shares".

Remco may, by resolution, cause any of these dates to be anticipated or, with the consent of the participant concerned, postponed to such extent as it may determine.

The participant is entitled, within a period of 60 days after the date of resignation, to surrender all his/her surrendable notional shares and request the payment of the share appreciation bonus in respect thereof. If the participant is subject to retirement (including early retirement approved by the company after the age of 55 in terms of company policy), retrenchment, death or permanent disability, the participant or the participants estate is entitled, within a period of 6 months after the termination date, to surrender all his/her surrenderable notional shares and request the payment of the share appreciation settlement in respect thereof.

Participation in share-based and other long-term incentive schemes is restricted to employees and directors.

Details of the share options outstanding during the year, in relation to this scheme, are as follows:

Pan African Cash Settled Share Options

| | 30 June 2011 | | 30 June 2010 | |
|---|---|---|---|---|
| | **Weighted average exercise price (Rands)** | **Number of options** | **Weighted average exercise price (Rands)** | **Number of options** |
| Outstanding at 1 July | - | - | - | - |
| Granted during the year | 1.15 | 33,669,103 | - | - |
| Exercised during the year | - | - | - | - |
| Forfeited in the year | - | - | - | - |
| Outstanding and exercisable at 30 June | 1.15 | 33,669,103 | - | - |

These fair values were calculated using the Binomial pricing model. The inputs in the model were as follows:

| | | |
|---|---|---|
| Weighted average share price | 1.12 | - |
| Weighted average exercise price | 1.15 | - |
| Expected volatility | 70.33% | - |
| Expected Life | 4-5 years | - |
| Risk free rate | 7.56-7.84% | - |
| Expected Dividend Yield | 4.00% | - |

The Group recognised total expenses of £68,414 (2010: £ Nil) relating to cash-settled share based payments transactions during the reporting period.

## Vesting Schedule

| Description | Grant date | Vesting period (years) | Vesting period (days) | Vesting date | Valuation (Rand) | Options granted | Options expected to vest |
|---|---|---|---|---|---|---|---|
| Tranche 1 | 9 May 2011 | 2 | 731 | 9 May 2011 | 0.54 | 8,417,276 | 7,596,592 |
| Tranche 2 | 9 May 2011 | 3 | 1,096 | 9 May 2011 | 0.56 | 8,417,276 | 7,216,762 |
| Tranche 3 | 9 May 2011 | 4 | 1,461 | 9 May 2011 | 0.58 | 16,834,551 | 13,711,847 |
| Totals | | | | | | 33,669,103 | 28,525,201 |

| | | Group | Group | Company | Company |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| | | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 28 DEFERRED TAXATION

### Deferred Tax Liabilities

| | | Group 30 June 2011 £ | Group 30 June 2010 £ | Company 30 June 2011 £ | Company 30 June 2010 £ |
|---|---|---|---|---|---|
| Property, plant and equipment | | 10,469,324 | 8,881,636 | - | - |
| Provisions | | (623,950) | (789,304) | - | - |
| Other | | (3,679) | - | - | - |
| Net deferred tax liabilities | | 9,841,695 | 8,092,332 | - | - |

### Reconciliation of deferred tax liabilities:

| | | Group 30 June 2011 £ | Group 30 June 2010 £ | Company 30 June 2011 £ | Company 30 June 2010 £ |
|---|---|---|---|---|---|
| Net deferred liabilities at the beginning of the year | | 8,092,332 | 6,752,432 | - | - |
| Deferred tax charge for the year | 13 | 1,086,788 | 728,801 | - | - |
| Translation difference | | 662,575 | 611,099 | - | - |
| Net deferred liabilities at the end of the year | | 9,841,695 | 8,092,332 | - | - |

Deferred tax assets not recognised for PAR company amounted to £2,385,719 (2010: £2,157,007).

## 29 FINANCIAL INSTRUMENTS

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

Components of Capital:

| | Group 30 June 2011 £ | Group 30 June 2010 £ | Company 30 June 2011 £ | Company 30 June 2010 £ |
|---|---|---|---|---|
| Cash and cash equivalents | (10,123,822) | (12,756,262) | (11,546,466) | (14,240,891) |
| Net interest-bearing assets | (10,123,822) | (12,756,262) | (11,546,466) | (14,240,891) |
| Equity | 90,746,110 | 73,486,877 | 91,668,252 | 72,361,319 |
| Net debt to equity ratio (%) | (0.11) | (0.17) | (0.13) | (0.20) |

| | Group | Group | Company | Company |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |

## 29 FINANCIAL INSTRUMENTS (Continued)

Categories of Financial Instruments:

| | | | | |
|---|---|---|---|---|
| Financial Assets: | | | | |
| Cash and Cash Equivalents | 10,123,822 | 12,756,262 | 11,546,466 | 14,240,891 |
| Receivables | 1,880,730 | 3,794,659 | 49,400 | 162,337 |
| Financial Liabilities: | | | | |
| Trade and other payables | 8,132,194 | 5,041,754 | 506,791 | 575,838 |

### Financial Risk Management Objectives

The Group seeks to minimise the effects of financial risks by using derivative financial instruments to hedge risk exposures where appropriate. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with the policies and exposure limits is reviewed on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative use.

### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables of £4,879 (2010:£11,916) relating to other receivables, estimated by the Group's management based on the current economic environment. The credit risk on liquid funds is limited because the counterparties are dealt with in accordance with the Group's credit policy. The Group has one major customer that represents more than 5% of the trade receivables balance for the individual companies.

| | 30 June 2011 | 30 June 2010 |
|---|---|---|
| Customers Above 5% | 1,831,330 | 2,856,749 |

### Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and the gold price. Where appropriate, the Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and the commodity price risk. Market risk exposures are measured using sensitivity analysis.

## 29 FINANCIAL INSTRUMENTS (Continued)

### Foreign currency risk

The Group undertakes certain transactions in foreign currencies. Hence, exposures to exchange rate fluctuation arise. Exchange rate exposures are managed within approved policy parameters.

### Commodity price risk

The Group may enter into forward contracts to hedge their exposure to fluctuations in gold prices and exchange rates on specific transactions. The contracts are matched with anticipated future cash flows from gold sales.

### Interest rate and liquidity risk

Fluctuations in the interest rates impact on short-term investment and financing activities, giving rise to interest rate risk. In the ordinary course of business, the Group receives cash proceeds from its operations and is required to fund working capital and capital expenditure requirements. Cash is managed to ensure that surplus funds are invested to maximise returns whilst ensuring that capital is safeguarded to the maximum extent by only investing with reputable financial institutions. Contractual arrangements for committed borrowing facilities are maintained to meet the Group's normal and contingent funding needs.

### Currency and Commodity Price Risk

| Currency and Gold Price | **Closing rate at 30 June 2011** | **Average Rate for the year ended 30 June 2011** |
|---|---|---|
| Pound Sterling / Rand | 10.94 | 11.11 |
| Gold Price | $1,509 | $1,366 |

| | **Impact of 10% currency or gold price movement on profit** |
|---|---|
| Foreign currency / gold price sensitivity | |
| 2011 | 5,341,923 |
| 2010 | 4,485,530 |

The Pound Sterling carrying amount of the Group's foreign currency denominated monetary assets and liabilities at Statement of Financial Position date is as follows:

| | **South African Rands** | **GBP** | **Total** |
|---|---|---|---|
| 2011 | | | |
| Assets | 15,835,425 | - | 15,835,425 |
| Liabilities | 8,193,750 | - | 8,193,750 |
| 2010 | | | |
| Assets | 3,273,465 | 14,403,830 | 17,677,295 |
| Liabilities | 4,507,327 | 534,427 | 5,041,754 |

## 29 FINANCIAL INSTRUMENTS (Continued)

### Commodity hedges

The Group did not undertake any hedging in the current or prior year.

### Interest rate risk

The Group is exposed to interest rate risk as entities within the Group borrow and invest funds at both fixed and floating interest rates.

### Interest rate sensitivity

Based on the low level of interest-bearing balances on the Statement of Financial Position, an interest rate sensitivity is not performed as the interest rate exposure to the Group is minimal.

### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowings facilities, by continually monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities.

The Group has access to financing facilities at its mining operations, of which the total unutilised portion is currently £13,998,153 (2010: £133,720). The Group expects to meets its other obligations from operating cash flows and proceeds of maturing financial assets.

### Liquidity risk analysis

The following table indicates the Group's remaining contractual maturity from its financial liabilities:

| | **Weighted Average Interest Rate** | **Less than 12 months** | **1-5 years** | **Total** |
|---|---|---|---|---|
| Group | | | | |
| 2011 | | | | |
| Trade and other Payables | 0% | 8,132,194 | - | 8,132,194 |
| Long Term Liabilities | 0% | - | 181,285 | 181,285 |
| Other Short Term Liabilities | 0% | - | - | - |

## 29 FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk analysis (Continued)

| | Weighted Average Interest Rate | Less than 12 months | 1-5 years | Total |
|---|---|---|---|---|
| Group | | | | |
| 2010 | | | | |
| Trade and other Payables | 0% | 4,064,830 | - | 4,064,830 |
| Long Term Liabilities | 0% | - | - | - |
| Other Short Term Liabilities | 0% | - | - | - |
| Company | | | | |
| 2011 | | | | |
| Trade and other Payables | 0% | 506,791 | - | 506,791 |
| Long Term Liabilities | 0% | - | 27,329 | 27,329 |
| Other Short Term Liabilities | 0% | - | - | - |
| 2010 | | | | |
| Trade and other Payables | 0% | 200,338 | - | 200,338 |
| Long Term Liabilities | 0% | - | - | - |
| Other Short Term Liabilities | 0% | - | - | - |

### Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and liabilities recorded approximate their fair values.

## 30 POST RETIREMENT BENEFIT INFORMATION

All employees are required to be members of either the Barberton Retirement Fund, Sentinel Retirement Fund, Mine Workers Provident Fund or the Shanduka Group Provident Fund. These are defined contribution funds and are registered under and governed by the South African Pension Act, 1956 as amended. The assets of the scheme are held separately from those of the Group in funds and they are in the control of the trustees. The total costs charged to the Statement of Comprehensive Income of £1,463,689 (2010: £1,268,883) represent employer contributions payable to the schemes by the Group at rates specified in the rules of the scheme. The calculation of the provision for post retirement medical benefits is performed internally by management using the South African Revenue Services life expectancy tables as the benefits payable are a fixed amount per pensioner.

## 31 COMMITMENTS , CONTINGENT LIABILITIES AND GUARANTEES

### Group

Commitments

The Group had outstanding open orders contracted for at year end of £3,671,395 (2010: £111,905).

Authorised commitments for the new financial year not yet contracted for totalled £9,641,450.

Contingent liabilities

The Group had no contingent liability in the current financial year or prior year.

Guarantees

The Group had guarantees of £13,712,029 in favour of Nedbank Limited (2010: Nil) and £352,185 (2010: £334,044) in favour of Eskom, and £266,927 (2010: £253,178) in favour of the Department of Mineral Resources at year end.

### Company

There were no commitments, contingent liabilities and guarantees for the Company for the year ended 30 June 2011 (2010: £nil).

## 32 DIRECTORS EMOLUMENTS

The key management personnel for which remuneration has been disclosed are the directors:

| | 30 June 2011 | 30 June 2010 |
|---|---|---|
| | £ | £ |
| **Executive directors** | | |
| Emoluments | 311,592 | 260,278 |
| Share options exercised | 372,993 | - |
| Total | 684,585 | 260,278 |
| **Non-executive directors** | | |
| Emoluments | 156,328 | 153,918 |
| Total | 156,328 | 153,918 |
| Total Remuneration | 840,913 | 414,196 |

| Individual | Share options exercised | Cost to Company | Bonuses | Total 2011 | Total 2010 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **Executive** | | | | | |
| Mr J Nelson | 372,993 | 194,741 | 29,734 | 597,468 | 197,411 |
| Mr J A J Loots* | - | 87,117 | - | 87,117 | 62,867 |
| Total | 372,993 | 281,858 | 29,734 | 684,585 | 260,278 |

| Individual | | | | | |
|---|---|---|---|---|---|
| **Non-Executive** | | | | | |
| Mr R G Still | - | 38,235 | - | 38,235 | 26,823 |
| Mr J Hopwood | - | - | - | - | 24,832 |
| Mr K C Spencer | - | 43,559 | - | 43,559 | 37,720 |
| Mr R M Smith* | - | 26,135 | - | 26,135 | 22,632 |
| Mr C M Ramaphosa* | - | 48,399 | - | 48,399 | 41,911 |
| Total | - | 156,328 | - | 156,328 | 153,918 |

## 32 DIRECTORS EMOLUMENTS (continued)

*Directors fees accruing to these directors are paid by the Company to Shanduka Group (Pty) Ltd.
In terms of the cash settled share appreciation scheme, 5,805,006 share options were granted to Mr J Nelson (refer to note 27).

### Non Executive Directors

During the year under review, the non-executive directors were Mr R G Still, Mr K Spencer, Mr CM Ramaphosa and Mr RM Smith.

No retirement fund contributions are currently made by the Company on behalf of directors.

Non-executive directors are entitled to the following fees as approved annually by the Remuneration Committee for services rendered, based on their appointment to the respective board sub-committees :

| | 30 June 2011 | 30 June 2011 | 30 June 2010 | 30 June 2010 |
|---|---|---|---|---|
| | Chairperson | Member | Chairperson | Member |
| | £ | £ | £ | £ |
| Board of Directors Chairman | 41,139 | - | 35,624 | - |
| Board of Directors Deputy Chairman | 24,199 | - | 20,956 | - |
| Board of Directors | - | 18,875 | - | 16,345 |
| Remuneration Committee | 7,260 | 4,840 | 6,287 | 4,191 |
| Audit Committee | 9,680 | 7,260 | 8,382 | 6,287 |
| SHEC Committee | - | 7,260 | 0 | 6,287 |
| Nominations Committee | 7,260 | 4,840 | 6,287 | 4,191 |

| | Total options Outstanding 1 July 2010 | Average option price (pence) | Total options 30 June 2011 |
|---|---|---|---|
| Mr K C Spencer | 3,000,000 | 6.2 | 3,000,000 |
| Mr J Hopwood* | 1,000,000 | 6.2 | 1,000,000 |
| Total | 4,000,000 | 6.2 | 4,000,000 |

| | Total options Outstanding 1 July 2009 | Average option price (pence) | Total options Outstanding 30 June 2010 |
|---|---|---|---|
| Mr K C Spencer | 3,000,000 | 6.2 | 3,000,000 |
| Mr J Nelson | 6,000,000 | 2.0 | 6,000,000 |
| Mr R G Still | 4,000,000 | 2.5 | 4,000,000 |
| Mr J Hopwood | 1,000,000 | 6.2 | 1,000,000 |
| Total | 14,000,000 | - | 14,000,000 |

* Mr J Hopwood share options have fully vested and his estate has not yet exercised these options.

## 32 DIRECTORS' EMOLUMENTS (Continued)

### Directors' Interest in Shares

As at 30 June 2011 the CEO, Mr J P Nelson held 1,122,442 shares in Pan African Resources.

As at 30 June 2011 the Financial Director, Mr J A J Loots held 65,000 shares.

As at 30 June 2011 the Non Executive Director, Mr R G Still held 2,000,000 shares. Mr R G Still is a director of Pangea Exploration (Proprietary) Limited ("Pangea")) and a trustee of a family trust which owns 33.33% of Pangea. Mr R G Still, a Non-Executive Director of Pan African, is therefore deemed to have an indirect, non-beneficial interest in Pangea's holding in the Company. Pangea holds 2.90% of the current issued share capital of Pan African.

**Substantial Shareholdings**

As at 24 June 2011 the substantial shareholdings of which the Company is aware are as follows:

Shares in issue:

| Name | Number of Shares | Percentage held |
|---|---|---|
| Shanduka Gold (Pty) Ltd | 366,168,585 | 25.36 |
| Coronation Fund Managers | 217,335,477 | 15.05 |
| Investec Asset Management (South Africa) | 149,619,143 | 10.36 |
| Allan Gray Investment Council | 111,214,383 | 7.70 |

## 33 EQUITY SETTLED SHARE OPTIONS

On 1 September 2005, the Company established a share option programme relating to equity-settled share options entitling specific employees, officers, directors and qualifying consultants as approved by the board of Directors of the Company and its subsidiaries to purchase shares in the Company. The share option exercise price is determined using the closing price at which shares are traded on the JSE or AIM (as determined by the board of Directors), on the trading date immediately preceding the date upon which the board authorised the grant of the opportunity to acquire the relevant share options, as the case may be to a participant. Pursuant to resolutions of the board passed in accordance with the rules of the share option programme, shares options may be released from the share option programme to participants, share options may be exercised by participants and allocation shares may be delivered to participants as follows for allocations prior to 21 July 2008:

(i) 33.33% of the total number of shares allocated after one year has elapsed from the grant date by the participant of the grant,
(ii) up to 66.67% of the total number of shares allocated after two years have elapsed from the grant date by the participant of the grant,
(iii) the balance of the shares allocated after three years have elapsed from the grant date by the participant of the grant,

## 33 EQUITY SETTLED SHARE OPTIONS (Continued)

and for allocations subsequent to 21 July 2008 as follows:

(i) 25% of the total number of shares allocated after one year has elapsed from the grant date by the participant of the grant,
(ii) up to 50% of the total number of shares allocated after two years have elapsed from the grant date by the participant of the grant,
(iii) up to 75% of the total number of shares allocated after three years have elapsed from the grant date by the participant of the grant, and
(iv) the balance of the shares after four years have elapsed from the grant date by the participant of the grant, provided that the board may, at its discretion, anticipate or postpone such dates.

An option holder may not exercise a share option under the share option programme by later than the end of the year preceding the tenth anniversary of the grant date. Upon death of an option holder the estate would be entitled to exercise the options vested to date within twelve months of the date of death, if the options are not exercised the total available share options would lapse. The Directors have the discretion to approve the vesting of the deceased total number of unvested share options. Participation in share-based and other long-term incentive schemes is restricted to employees and directors.

The number of vested share options to which an option holder is entitled to expires after of period of six months due to retirement, redundancy or disability of the option holder.

The number and weighted average exercise price of share options is as follows:

| | **30 June 2011** | | **30 June 2010** | |
|---|---|---|---|---|
| | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** | **Number of options** |
| Outstanding at 1 July | 4.8p | 55,145,000 | 4.7p | 52,945,000 |
| Granted during the year | - | - | 6.1p | 3,400,000 |
| Exercised during the year | 4.5p | (34,500,000) | 4.0p | (1,200,000) |
| Forfeited during year | 6.2p | (2,141,250) | - | - |
| Outstanding 30 June 2011 | 5.2p | 18,503,750 | 4.8p | 55,145,000 |
| | **Vested** | **Unvested** | **Vested** | **Unvested** |
| Total number share options at year end | 11,013,750 | 7,490,000 | 40,019,583 | 15,125,417 |

## 33 EQUITY SETTLED SHARE OPTIONS (Continued)

The fair value of services received for share options granted is based on the fair value of share options granted, measured using for all issues prior to 20 March 2010 a Black Scholes model and a variant of the Binomial model for issues on the 20 March 2010, with the following inputs:

| | 30 June 2010 |
|---|---|
| Share Price | R0.68 |
| Exercise Price | R0.68 |
| Expected volatility | 58.61% |
| Expected life | 3-6 years |
| Risk-free interest rate | 8.15% |

A Company dividend rate has not yet been determined and therefore is not taken into account in option fair value calculations. The volatility of the Company's share price on each date of grant was calculated as the average of volatilities of share prices of the Company on the corresponding dates. The volatility of share price of the Company was calculated as the average of annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over 1 to 4 years back from the date of grant. Therefore, volatility of the Company's share prices was calculated over the period commensurate with the expected life of the options under consideration, giving more weight to more recent historical data to account for volatility persistence.

There are no market conditions attached to the exercise of the share options. The Group recognised total expenses of £107,056 (2010: £204,704) related to equity settled share-based payment transactions during the reporting period.

## 34 RELATED PARTY TRANSACTIONS

The Group entered into the following transactions and held year end balances with related parties:

| | Statement of Comprehensive Income | Statement of Comprehensive Income | Statement of Financial Position | Statement of Financial Position |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| * Dividends Received | 21,650,960 | 9,032,496 | - | - |
| * Fee Received from Barberton Mines | (1,306,054) | (885,163) | - | - |
| * Admin Fee Received from Phoenix Platinum | (211,078) | (181,707) | - | - |
| Fee paid to Metorex | - | (335,289) | - | - |
| Fee paid to Shanduka | (81,761) | (76,688) | - | - |
| | 20,052,067 | 7,553,649 | - | - |
| Loans to subsidiaries | | | | |
| * Explorator Limitada | - | - | 11,224,272 | 8,982,300 |
| * Phoenix Platinum | - | - | 15,922,612 | 2,002,084 |
| | - | - | 27,146,884 | 10,984,384 |
| * Barberton Mines | - | - | - | (5,738,018) |

*These related party transactions related to Pan African and eliminate on consolidation. As at 30 June 2011 the foreign currency translation reserve related to these transactions amounted to £1,548,471.

## 35 EVENTS AFTER THE REPORTING PERIOD

Listing of Manica as a separate entity to unlock optimal shareholder value.

On 22 June 2011, Pan African announced that it was exploring optimal ways to bring its Manica gold project located in Mozambique ("Manica Project") to account. On 19 August 2011 the Company advised that a process to list its Manica Project as a separate entity on an appropriate international exchange ("Separate Listing"), has now commenced.

The Company announced the appointment of Ms Phuti Malabie as a Non-Executive director effective from 20 July 2011. Ms Malabie's appointment follows the resignation of Mr Rowan Smith as a Non-Executive director of Pan African with effect from 20 July 2011.

## 36 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED BY/(USED IN) OPERATIONS

| | Group | | Company | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| | 30 June 2011 | 30 June 2010 | 30 June 2011 | 30 June 2010 |
| Profit before taxation | 26,416,974 | 22,155,788 | 21,244,832 | 8,298,257 |
| Adjusted for: | 4,692,474 | 3,908,846 | (22,333,516) | (9,042,010) |
| Dividends Received | - | - | (21,650,960) | (9,032,496) |
| Impairment | - | 335,401 | - | 335,401 |
| Equity Settled Share options costs | 175,470 | 204,704 | 64,985 | 113,516 |
| Net finance income | (761,894) | (593,730) | (772,957) | (468,411) |
| Royalty Costs | 2,368,239 | 837,378 | - | - |
| Company Depreciation | 25,416 | | 25,416 | 9,980 |
| Depreciation - Mining | 2,885,243 | 3,125,093 | - | - |
| Operating cash flows before working capital changes | 31,109,448 | 26,064,634 | (1,088,684) | (743,753) |
| Working capital changes | 858,377 | (857,137) | 11,389 | 146,626 |
| Increase in inventories | (330,828) | (768,011) | - | - |
| (increase) / decrease in trade and other receivables | (459,742) | (1,593,446) | 41,337 | (139,051) |
| Increase / (decrease) in trade and other payables and provisions | 1,916,375 | 2,019,795 | (7,491) | 285,677 |
| Non-cash items | (267,428) | (515,475) | (22,457) | - |
| Cash generated by/ (utilised in) operations | 31,967,825 | 25,207,497 | (1,077,295) | (597,127) |
| Income taxes paid | (8,310,193) | (6,685,351) | - | - |
| Royalties paid | (2,433,072) | (790,569) | - | - |
| Net finance income | 761,894 | 593,730 | 772,957 | 468,411 |
| Dividends paid | (5,376,165) | - | (5,376,165) | - |
| Net cash from / (used in) operating activities | 16,610,289 | 18,325,307 | (5,680,503) | (128,716) |

## 36 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED BY/(USED IN) OPERATIONS (continued)

| | Group | Group |
|---|---|---|
| Taxation paid during the year : | £ | £ |
| Taxation charge per the statement of comprehensive income | 9,248,309 | 7,655,913 |
| Less: deferred taxation | (1,086,788) | (728,801) |
| | 8,161,521 | 6,927,112 |
| Taxation unpaid at beginning of year | 528,566 | 253,659 |
| Taxation unpaid at end of year | (689,543) | (528,566) |
| Foreign currency translation | 309,649 | 33,146 |
| Taxation paid during year | 8,310,193 | 6,685,351 |

| | | |
|---|---|---|
| Royalty paid during the year: | £ | £ |
| Royalty costs unpaid at beginning of year | 48,419 | - |
| Royalty costs unpaid at end of year | (76,991) | (48,419) |
| Royalty costs charge for the year | 2,368,239 | 837,378 |
| Foreign currency translation | 93,405 | 1,610 |
| Royalty paid | 2,433,072 | 790,569 |

## 37 SHAREHOLDER ANALYSIS

Register date: 24 June 2011
Issued Share Capital: 1,444,040,711 shares

| Shareholder spread | Number of shareholders | Percentage | Number of Shares | Percentage |
|---|---|---|---|---|
| 1 - 1,000 shares | 322 | 6.51 | 208,237 | 0.01 |
| 1,001 - 10,000 shares | 1,928 | 38.95 | 11,102,019 | 0.77 |
| 10,001 - 100,000 shares | 2,105 | 42.53 | 77,250,073 | 5.35 |
| 100,001 - 1,000,000 shares | 452 | 9.13 | 135,003,470 | 9.35 |
| 1,000,001 shares and over | 143 | 2.89 | 1,220,476,912 | 84.52 |
| Total | 4,950 | 100 | 1,444,040,711 | 100 |

| Distribution of shareholders | Number of shareholders | Percentage | Number of Shares | Percentage |
|---|---|---|---|---|
| Banks | 26 | 0.53 | 192,396,683 | 13.32 |
| Brokers | 11 | 0.22 | 4,202,539 | 0.29 |
| Close Corporations | 69 | 1.39 | 5,682,361 | 0.39 |
| Endowment Funds | 9 | 0.18 | 2,385,003 | 0.17 |
| Individuals | 3,986 | 80.53 | 130,309,443 | 9.02 |
| Insurance Companies | 4 | 0.08 | 11,972,616 | 0.83 |
| Investment Companies | 13 | 0.26 | 35,923,236 | 2.49 |
| Mutual Funds | 44 | 0.89 | 254,527,694 | 17.63 |
| Nominees and Trusts | 572 | 11.56 | 270,319,952 | 18.72 |
| Other Corporations | 65 | 1.31 | 1,901,846 | 0.13 |
| Pension Funds | 69 | 1.39 | 99,916,585 | 6.92 |
| Private Companies | 67 | 1.35 | 427,262,733 | 29.59 |
| Public Companies | 15 | 0.30 | 7,240,020 | 0.50 |
| Total | 4,950 | 100.00 | 1,444,040,711 | 100.00 |

## 37 SHAREHOLDER ANALYSIS (Continued)

| Public / Non-Public shareholder | Number of shareholders | Percentage | Number of Shares | Percentage |
|---|---|---|---|---|
| Non - Public Shareholders | 7 | 0.001 | 778,135,055 | 53.89 |
| Directors including Pangea Exploration (Pty) Ltd | 4 | 0.001 | 45,011,850 | 3.12 |
| Strategic Holder (more than 10%) | 3 | 0.001 | 733,123,205 | 50.77 |
| Public Shareholders | 4,943 | 0.999 | 665,905,656 | 46.11 |
| Total | 4,950 | 100.00 | 1,444,040,711 | 100.00 |

| Beneficial holding of 3% or more | Number of shareholders | Percentage |
|---|---|---|
| Shanduka Gold (Pty) Ltd | 366,168,585 | 25.36 |
| Coronation Fund Managers | 217,335,477 | 15.05 |
| Investec Asset Management (South Africa) | 149,619,143 | 10.36 |
| Allan Gray Investment Council | 111,214,383 | 7.70 |


Plant Construction, Phoenix Platinum

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2011 Annual General Meeting of Pan African Resources Plc will be held at the offices of Fasken Martineau LLP, Third Floor, 17 Hanover Square, London W1S 1HU on Tuesday, 1 November 2011 at 10h00 (all times stated are United Kingdom times unless otherwise stated) to consider and, if thought fit, transact the following business:

## Ordinary Business

1. To receive and adopt the Directors' report, the Audited Statement of Accounts and Auditors' report for the year ended 30 June 2011.
2. To approve the payment of a final dividend for the year ended 30 June 2011 of 0.5135p per ordinary share.
3. To re-elect Mr K C Spencer as a Director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
4. To re-elect Mr M C Ramaphosa as a Director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
5. To re-elect Ms P Malabie as a Director of the Company, who was appointed since the last Annual General Meeting.
6. To re-appoint Deloitte LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

## Special Business

As special business, to consider and if thought fit, to pass the following resolutions of which Resolution 7 will be proposed as an Ordinary Resolution and Resolutions 8 and 9 will be proposed as Special Resolutions:

7. THAT the Directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ('the Act'), in substitution for all previous powers granted to them thereunder, to exercise all the powers of the Company to allot and make offers to allot equity securities (within the meaning of Section 560 of the Act) up to an aggregate nominal amount of £4,985,173.20; such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the next Annual General Meeting of the Company or on 31 December 2012, whichever is the earlier, provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.
8. THAT the Directors be and they are hereby empowered pursuant to Section 571 of the Companies Act 2006 (the "Act"), in substitution for all previous powers granted thereunder, to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority granted by resolution 7 above as if Section 561 (1) of the Act did not apply to any such allotment provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company or on 31 December 2012, whichever is the earlier, and such power is limited to the allotment of equity securities:
   a. in connection with rights issues to holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law of, or the requirements of any regulatory body or any recognised stock exchange in, any territory;
   b. up to a maximum aggregate nominal value of £1,440,040.71 (being 10 per cent. of the issued share capital of the Company as at the date of this notice) in connection with the granting of options by the Company granted in accordance with the Pan African Resources Plc Share Option Plan; and
   c. up to a maximum aggregate value of £722,020.35 (being approximately 5 per cent. of the issued share capital of the Company as at the date of this notice) otherwise than pursuant to paragraphs (a) and (b) above save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired. The allotment of shares for cash in accordnace with this resolution shall comply, to the extent required, with the provisions of the Listing Requirements of the JSE Limited pertaining to general issues of shares for cash.
9. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 ("then Act") to make market purchases (as defined in section 693 of the Act) of ordinary shares of the Company on such terms and

in such manner as the Directors shall determine provided that:

a. the maximum aggregate number of ordinary shares which may be purchased is 72,202,035 (representing approximately 5 per cent of the issued share capital of the Company at the date of this notice;
b. the minimum price (excluding expenses) which may be paid for each ordinary share is 1p;
c. the maximum price (excluding expenses) which may be paid for any ordinary share does not exceed 5 per cent. above the average closing price of such shares for the five business days on the London Stock Exchange prior to the date of purchase; and
d. this authority shall expire at the conclusion of the next Annual General Meeting of the Company or on 31 December 2012, whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry); and
e. any market purchases by the Company of ordinary shares in the Company as contemplated in this resolution shall comply, to the extent required, with the provisions of the Listings Requirements of the JSE Limited pertaining to the general authority to repurchase securities for cash.

By Order of the Board

St James's Corporate
Services Limited

St James's Corporate Services Limited
Company Secretary
5 October 2011
6 St James's Place
London
England
SW1A 1NP

# Explanatory Notes

## Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

- 10h00 on Sunday, 30 October 2011; or,
- if the AGM is adjourned, 48 hours prior to the adjourned meeting, shall be entitled to attend and vote at the AGM.

## Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this notice of meeting.
You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form.
If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this form.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

## Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.
To appoint a proxy using the proxy form, the form must be:

- completed and signed; and
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, South Africa (PO Box 61051, Marshalltown 2107, Johannesburg, South Africa); no later than 10h00 on Sunday, 30 October 2011.
- In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

## Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

## Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, South Africa (PO Box 61051, Marshalltown 2107, Johannesburg, South Africa).
If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

## Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Registrar by sending a signed hard copy

notice clearly stating your intention to revoke your proxy appointment as above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars or Computershare Investor Services (Pty) Limited no later than 10h00 on Sunday, 30 October 2011. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

## Issued shares and total voting rights

10. As at 18h00 on 4 October 2011, the Company's issued share capital comprised 1,444,040,711 ordinary shares of 1p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 18h00 on 4 October 2011 was 1,444,040,711.

## Directors' interests and documents on display

11. A statement or summary of transactions of directors (and their family interests) in the share capital of the Company and copies of their service contracts will be available for inspection at the Company's registered office during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM for at least 15 minutes prior to and during the meeting.

## CREST

12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA10) by 10h00 on Sunday, 30 October 2011 (or 48 hours preceding the date and time for any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

14. CREST members, and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time). In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

# Glossary of Terms and Abbreviations

| Term | Definition |
|---|---|
| **Adit** | A mining tunnel that is mined from the side of a mountain or mining pit. |
| **Amira International Limited** | Independent association of minerals companies, which develops, brokers and facilitates collaborative research projects. |
| **ASTER®** | Registered name for a water purification system developed by Goldfields Limited. |
| **Attributable Profit to the Parent** | Profit on ordinary activities, after tax, minority interests and preference dividends, attributable to ordinary equity shareholders. |
| **Cash Cost** | Cash costs include direct operating costs for all mining and processing sites, but are exclusive of royalties, production taxes, depreciation and rehabilitation, as well as corporate administration, capital and exploration costs. |
| **Chrome Tailings** | Discards from a chrome washing plant be it historical (tailings dams) or new (current arisings). |
| **Chrome Tailings Retreatment Programme** | This is a flotation plant constructed to recover PGMs from chrome tailings. |
| **Coir Geotextile** | It is a 100% natural fibre, extracted from coconut husks. They serve as a slope stabilisation agent prior to vegetation. It adds organic material to the soil, promotes vegetative growth by absorbing water and preventing the top soil from drying out. It can provide good soil support for up to three years, allowing natural vegetation to become established. |
| **Current Arisings** | The live tailings discarded by the chrome operators' washing plant and fed directly to a CTRP. |
| **Criminal Miners** | Trespassers who enter mining operations and illegally remove visible gold. |
| **Decline** | Underground evacuation at an inclined angle – normally a shaft. |
| **Deformational Process** | Result of tectonic forces on a portion of the earth's crust, that leads to folding and shearing. Such deformation can cause changes in pressure and stress fields, which result in equilibrium imbalance between fluid pressure and litho pressure and thus fluid flow. |
| **Development Capital** | Capital expenditure incurred in development of the workings areas and creation of additional Mineral Resources to support the mining operations. |
| **Earnings Per Share** | Attributable profit to the parent company divided by the weighted average number of shares. |
| **Effective Tax Rate** | Current and deferred taxation as a percentage of net profit before taxation. |
| **Fatal Injury** | An injury that caused the death of a person. |
| **Gabions** | Used to stabilise against erosion. |

| Term | Definition |
|---|---|
| **Greenstone Belt** | Geological zone of variably metamorphosed matic to ultramatic volcanic sequences with associated sedimentary rocks that occur within Archaean and Proterozoic cratons between granite and gneiss. |
| **Headline Earnings Per Share** | Headline earnings attributable to the parent company divided by the weighted average number of shares. |
| **Indicated Resource** | A mineral resource reported as an in situ mineralisation estimate – intermediate level of geoscientific knowledge and confidence. |
| **Inferred Resource** | A mineral resource reported as an in situ mineralisation estimate – low level of geoscientific knowledge and confidence. |
| **Lost Day Severity Rate** | The lost day severity rate is calculated as the total lost days resulting from accidents during a period divided by the total lost day cases and this number represents the average days away. |
| **Lost Time Injury Rate** | The rate of lost time injuries occurring per 1,000,000 hours worked. |
| **Measured Resource** | A mineral resource reported as an in situ mineralisation estimate – high level of geoscientific knowledge and confidence. |
| **Mine Call Factor** | Ratio, expressed as a percentage, which the specific product accounted for in recovery plus residues bears to the corresponding product called for by the mine's measuring methods. |
| **Order of Magnitude** | Early in a project development of alternatives when requirements are not specified in great detail, an order of magnitude estimate is developed for each viable alternative. An order of magnitude estimate is deemed sufficient to compare alternates. |
| **Plant Recovery Factor** | Ratio, expressed as a percentage, of the mass of the specific mineral product actually recovered from ore treated at the plant to its total specific mineral content before treatment. |
| **Probable Reserve** | A mineral reserve reported as a mineable production estimate – lower level of geoscientific knowledge and confidence. |
| **Proved Reserve** | A mineral reserve reported as a mineable production estimate – higher level of geoscientific knowledge and confidence. |
| **PVC** | coated galvanised gabions are used on the side slopes to create a wall against erosion Alien Invasive Plants. The mine has introduced a control and management program for alien vegetation. An alien invasive control plan has been drafted. |
| **Reserve Base** | A mineral reserve reported as a mineable production estimate – the probable and proved reserve. |
| **Serious Injury** | An injury that incapacitates the employee from performing that employee's similar occupation for a period of 14 days or more. |
| **Underground mining** | Mining activities occurring below the earth's surface. |
| **Vamping tons** | Reef tons emanating from cleaning out of old underground working places. |

# Glossary of Terms and Abbreviations (continued)

| Abbreviation | Definition |
|---|---|
| **BML** | Barberton Mines (Pty) Limited |
| **BBBEE** | Broad Based Black Economic Empowerment |
| **BFS** | Bankable Feasibility Study |
| **BIOX®** | Biological Oxidation |
| **CIL** | Carbon-in-leach |
| **CTRP** | Chromite Tailings Retreatment Plant |
| **DMR** | Department of Mineral Resources: South African Governmental department (Previously DME) |
| **IRR** | Internal Rate of Return |
| **JIBAR** | Johannesburg Interbank Agreed Rate |
| **Maintenance Capital** | Capital expenditure incurred to support or improve the current mining operations |
| **Mining Profit** | Mining profit represents the profits earned from the Group's mines and is stated before royalties, impairment of exploration assets and other (expenses)/income not directly related to the Group's mining operations |
| **MPRDA** | The South African Mineral and Petroleum Resources Development Act 28 of 2002 |
| **NPV** | Net Present Value |
| **Pan African or the Company** | Pan African Resources PLC |
| **PFS** | Pre-Feasibility Study |
| **PGE** | Platinum Group Elements generally referring to all elements associated with platinum i.e. platinum, palladium, rhodium, gold, ruthenium, iridium etc. |
| **PGM** | Platinum Group Minerals/Metals |
| **PGM 4E** | Platinum Group Minerals/Metals only including the 4 Elements- Platinum, Palladium, Rhodium and Gold |
| **Phoenix Platinum** | Phoenix Platinum Mining (Pty) Limited – The Chromite Tailings Retreatment Plant in the North-West province, South Africa |
| **RC** | Reverse Circulation: drilling method |
| **SAMREC** | The South African Resource Committee |
| **The SAMREC Code** | The South African code for the reporting of exploration results, mineral resources and mineral reserves |
| **Shanduka** | Shanduka Gold (Pty) Limited, a 100% subsidiary of Shanduka Resources (Pty) Limited |

# Contact Details

Corporate Office

Cradock Heights
21 Cradock Avenue
Rosebank
Johannesburg
South Africa
Office: + 27 (0) 11 243 2900
Facsmile: + 27 (0) 11 880 1240

Registered Office

6 St James's Place
London
SW1A 1NP
United Kingdom

Office: + 44 (0) 207 499 3916
Facsmile: + 44 (0) 207 491 1989

## Company Contacts

Jan Nelson
Pan African Resources PLC
Chief Executive Officer
Office: + 27 (0) 11 243 2900

Cobus Loots
Pan African Resources PLC
Financial Director
Office: + 27 (0) 11 305 8900

Nicole Spruijt
Pan African Resources PLC
Public Relations & Administration
E-mail: nicole@paf.co.za
Office: + 27 (0) 11 243 2900

## Company Secretary

Phil Dexter
St James's Corporate Services Limited
Company Secretary & Investor Relations (UK)
Office: + 44 (0) 207 499 3916

## Consultants and Advisors

Martin Eales
RBC Capital Markets
Nominated Adviser & Broker (UK)
Office: + 44 (0) 207 653 4000

Melanie de Nysschen
Macquarie First South Capital (Pty) Ltd
JSE Regulatory Adviser (RSA)
Office: +27 11 538 2000

Justine James
Gable Communications
Public Relations - UK
Office: +44 (0)20 7193 7463

Nigel Gordon
Fasken Martineau LLP
Legal Consultant
Office: +44 (0)20 7917 8500

www.panafricanresources.com

# Notes

# Notes

# Notes

# The Pan African Pillars

## Profitable

Profit describes our commitment to grow the margins between our revenue and 'all-in' cost base. This however is on the condition that profits can never come at the expense or exploitation of our stakeholders. In short, our stakeholders also need to profit from their association with us. This means no compromise on safety, credibility, honesty and integrity.

## Sustainable

We need to take decisions that will benefit our stakeholders on a continued basis over the life of the business. We are not about short term gains at the expense of the long term viability of the business. We need to optimise our returns and minimise our risks, be flexible and adapt to a changing world. We are part of the environment in which we do business, and cannot stand divorced from this environment, our responsibilities or our commitments towards it.

## Stakeholders

Stakeholders include our shareholders, employees and the communities directly surrounding our operations. We also need to abide and respect the laws of the countries in which we operate. We need to be fair and reasonable when dealing with contractors and suppliers and will not solicit or entertain any form of bribery to enable preferential treatment. We will ensure that we have a communication platform in place to facilitate effective communications between all stakeholders and the Company in a constructive manner without prejudice.

## Growth

This relates to our continued drive and passion to grow the other pillars of our Company, namely: profitability, sustainability and stakeholder interest. Our growth, however, cannot simply be for the sake of trying to be the biggest. Growth must unlock value and must not compromise our business pillars.

**We will always make decisions in the best interest of our stakeholders by being true to our strategy and the four business pillars that support our vision.**

www.panafricanresources.com