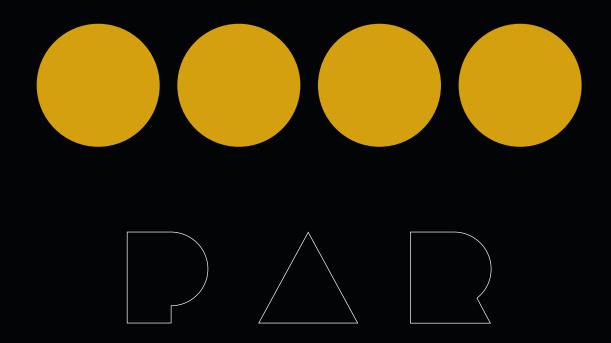
## Annual Report | 2012





The African Focused Precious Metals Producer

# Our vision is to continue to build our precious metals mining business in Africa by remaining focused on:

Profitable | Sustainable | Stakeholder | Growth

### Achieving this through









"In the real world ... it's the relationships – the formal and informal networks of people – that really govern how the organisation runs and how value is created". Michael Schrage – Wall Street Journal – March 1990.

We believe that our People – their inside and not their outside – are our most valuable asset. Pan African Resources believes in fostering these relationships by walking the talk with regards to integrity and honesty. Our employees must share in the wealth created by the team and hence we strive to improve compensation and the standards of living.

Making it happen, motion, movement, response to name but a few synonyms. People who have a sense of belonging and ownership make things happen. Action requires proper planning, leading, organising and controlling. These are the basic principles of any business. We at Pan African Resources believe in getting things done the right way.

"With the right attitude, human beings can move mountains. With the wrong attitude, they can be crushed by the smallest of grains." A group of people who have entered into a positive relationship and who believe in having a positive attitude towards any challenge that they are faced with, inevitably leads to achieving the planned/desired results. Achieving our targets is beneficial to all. We will continue to strive towards achieving all of our targets set without compromising the safety and health of our employees.

## Overview of Company Assets and Key Strategic Metrics



Barberton Mines<sup>†</sup> South Africa

- 95koz of Au production per annum
- Head grade: 10g/t
- LOM: > 17 years
- Reserve: II.34Mt@ 3.17g/t (I.16Moz)
- Resource: 17.14Mt
   @ 5.35g/t (2.95Moz)

† Including BTRP.

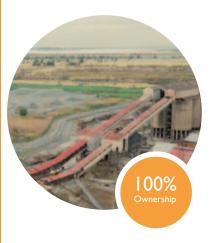


BTRP – Barberton Tailings† Retreatment Plant, South Africa

- 20koz of Au production per annum
- Head grade: I.38g/t
- LOM: > 10 years
- Reserve: 6.91Mt
  @ 0.54g/t (0.120Moz)
- Resource: 6.91Mt
  - @ 1.38g/t (0.306Moz)

† Included in Barberton Mines' estimates.

† A further 6Mt of additional tailings have also been valued for possible retreatment.



Evander Gold Mines\*
South Africa

- 100koz of Au production per annum
- Head grade: 7.43g/t
- LOM: > 15 years
- Reserve: 28.21Mt
   @ 8.45g/t (7.66Moz)
- Resource: 109.55Mt
   @ 8.16g/t (28.74Moz)
- \* Excludes surface tailings.

In production In construction phase: first production In production.
Acquisition expected
to be completed by
December 2012



- Debt free
- Unhedged
- Profitable
- Consistent dividend payer

## Our strategy is to focus on:

- Low cash cost base
- High grade margins
- Long life producing assets



#### Total Group: **Excluding Evander Gold Mines** and Manica

- 115koz of Au production per annum
- Reserve: 11.34Mt @ 3.17g/t (1.16Moz)
- Resource: 17.14Mt @ 5.35g/t (2.95Moz)

#### Including Evander Gold Mines\*

- 215koz of Au production per annum
- Reserve: 39.5Mt @ 6.94g/t (8.8Moz) only underground, does not include Evander Gold Mines surface resources
- Resource: I26.7Mt @ 7.77g/t (31.6Moz) only underground, does not include Evander Gold Mines' surface resources



#### Phoenix Platinum South Africa

- 12koz 6E
- Plant feed grade: 3.16g/t
- LOM: > 17 years
- Reserve: 4.05Mt @ I.41g/t (0.183Moz)
- Resource: 4.85Mt @ 3.16g/t (0.493Moz)



#### Manica Gold Mozambique

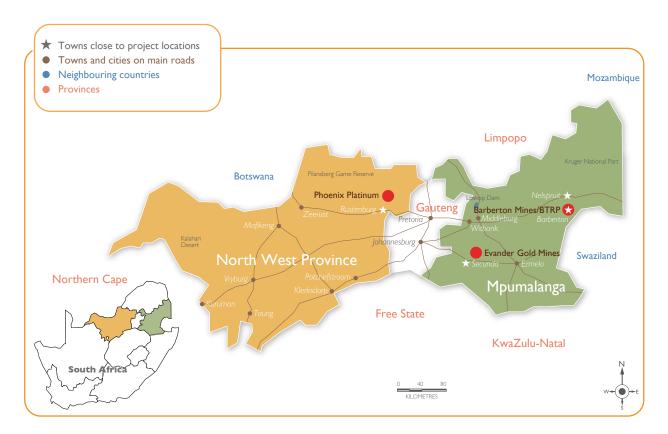
• Resource: 50.55Mt @ 1.82g/t (2.97Moz)

#### Building to mid-tier status

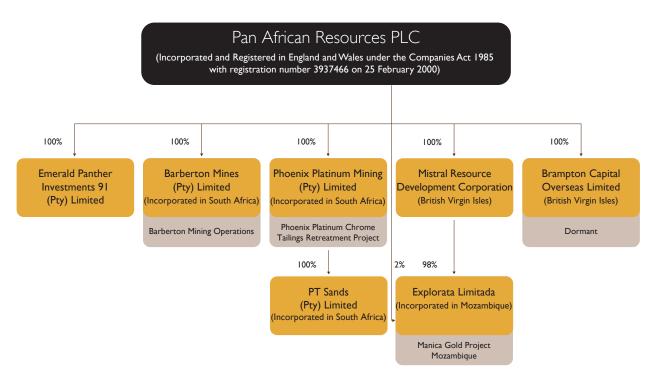
Divest of asset to

The Evander Gold Mines transaction is still subject to a number of conditions precedent and successful completion cannot be guaranteed. Shareholders should take cognisance of this when combined figures for Evander Gold Mines are shown.

## Geographic Location of Mining Operations and Projects

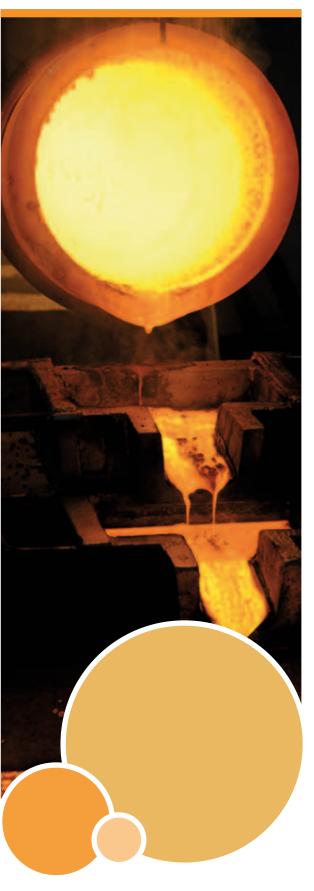


## Company Structure



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## Financial Highlights in Context of the Four Business Pillars

### 1. Profitable

- Gross revenue from gold sales increased by 27.65% to £101.1 million (2011: £79.2 million).
- Earnings before Interest, Taxation, Depreciation and Amortisation ('EBITDA') increased 57.89% to £45.0 million (2011: £28.5 million).
- Attributable profit increased by 69.77% to £29.2 million (2011: £17.2 million).
- Earnings per share ('EPS') increased by 68.33% to 2.02p (2011: 1.20p).
- Profit margin\* increased by 57.19% to US\$918/oz (2011: US\$584/oz).
- \* Profit margin is calculated by deducting the total cash cost in US\$/oz sold from the average US\$/oz spot price received.

#### 3. Stakeholder

- At Barberton the safety record declined somewhat as the Lost Time Injury Frequency Rate ('LTIFR') increased to 3.26 (2011: 2.2) and the Serious Injury Frequency Rate ('SIFR') increased to 0.74 (2011: 0.66).
- Salaries, wages, bonuses and retirement amounted to £23.8 million (2011: £21.7 million) representing 23.54% of Group's total revenue.
- Completed and opened Sinqobile Primary School at Barberton Mines for 950 learners.
- Continue to support Umjindi Jewellery Project, Sinqobile Vegetable Project and Sinqobile Skills Development Project.

### 2. Sustainable

- The Group's cash balance increased by 96.04% to £19.8 million (2011: £10.1 million).
- The Group capital expenditure incurred was £17.4 million (2011: £21.0 million).
- In Rand terms, the cost of production increased by 12.39% to ZAR566.0 million (2011: ZAR503.6 million).
- Initiated bursary fund around Barberton area.

### 4. Growth

- Announced the acquisition of 100% of Evander Gold Mines.
- Construction of Barberton Tailings Retreatment Plant under way.
- Completed construction of Phoenix Platinum Chrome Tailing Retreatment Plant and produced first PGE concentrate at Phoenix.
- Gold reserve<sup>†</sup> inventory increased by 16.0% to 1.16Moz (2011: 1.0Moz).
- Gold resource<sup>†</sup> inventory increased by 4.41% to 5.92Moz (2011: 5.67Moz).

Gold sold increased by 2.44% to 94.449oz (2011:92.197oz).

† Movement in the reserve and resource inventory includes Manica, but excludes the potential impact of the Evander Gold Mines transaction.

### Salient Features

		30 June 2012	30 June 2011	Percentage Change
Statement of Comprehensive Income				
Revenue	(£)	101,068,596	79,208,399	27.60
EBITDA	(£)	45,017,891	28,540,323	57.73
Profit After Taxation	(£)	29,241,634	17,168,665	70.32
Headline Earnings	(£)	29,289,872	17,168,665	70.60
Mining Profit	(£)	51,523,558	30,819,976	67.18
Cost of Production	(£)	(46,122,811)	(45,345,417)	1.71
Impairment Costs	(£)	(48,238)	0	100
EPS	(Pence)	2.02	1.20	68.33
HEPS	(Pence)	2.03	1.20	69.17
Weighted Average Number of Shares in Issue		1,445,202,485	1,432,666,738	0.87
Statement of Financial Position				
Non-Current Assets*	(£)	86,075,303	97,280,540	(11.52)
Current Assets**	(£)	28,478,961	15,835,425	79.84
Total Equity	(£)	102,625,655	90,746,110	13.09
Non-Current Liabilities	(£)	14,001,365	13,409,571	4.41
Current Liabilities	(£)	11,062,459	8,960,284	23.46
Operating Performance				
Barberton Mines				
Tonnes Milled	(t)	308,095	296,200	4.02
Head grade	(g/t)	10.45	10.55	(0.95)
Gold Sold	(oz)	94,449	92,197	2.44
Spot Price Received	(US\$/oz)	1,694	1,366	24.01
Total Cash Costs	(US\$/oz)	776	781	(0.64)
Total Cash Costs	(ZAR/kg)	193,360	175,520	10.16
Capital Expenditure	(£)	10,739,237	6,773,729	58.57

<sup>\*</sup> At year end Phoenix Platinum had not reached steady state production, therefore all income and expenditure was capitalised.

<sup>\*\*</sup> Excluding non-current assets held for sale at 30 June 2012 of £13.1 million (2011: £nil).

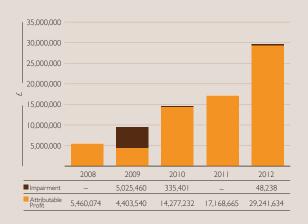


The Group had a dynamic and busy year, maintaining production at our flagship Barberton Mines; bringing Phoenix Platinum into production in line with our growth strategy and successfully bidding for Evander Gold Mines.

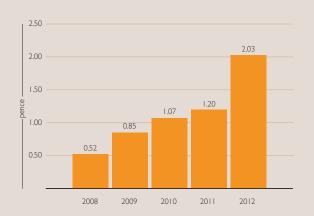
K Spencer, Chairman

## Financial Summary

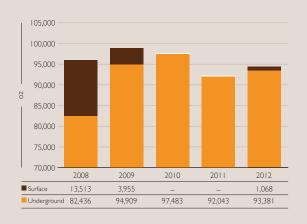
#### Attributable Profit



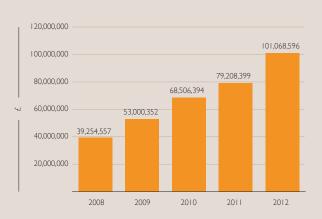
#### Headline Earnings Per Share



#### **Gold Produced**



#### Revenue



## Report Profile

This annual report covers the 2012 financial year from I July 2011 to 30 June 2012, and follows on from the annual report published for Pan African Resources' ('Pan African') in the previous financial year. The report was compiled in accordance with International Financial Reporting Standards ('IFRS'), the King Report on Corporate Governance in South Africa ('King III'), the UK Companies Act and the JSE Listings Requirements.

This report outlines the activities of the holding company Pan African which is incorporated in the UK, and its subsidiaries in all primary markets where Pan African operates. Its subsidiaries are Barberton Mines (Pty) Limited ('Barberton Mines') and Phoenix Platinum Mining (Pty) Limited ('Phoenix Platinum') which are both operating in South Africa and Explorata Limitada ('Manica') which is operating in Mozambique. The report covers the Group's operational and financial performance.

The report also covers the Company's engagement processes with our many stakeholders, and reports on successes and challenges with our Corporate and Social Investment ('CSI') and Local Economic Development ('LED') projects.

The Board recognises that this report does not meet some of the standards set by the guidelines laid out in King III in terms of reporting on our 'non-financial matters'. We have, however, attempted to produce a meaningful report, which should assist the reader in contextualising our Company within a socio, economic and environmental landscape, including developments and outlook for the year ahead. Our journey towards improved integrated reporting is set to continue.

The source data for this report was gathered at our various operations and consolidated at Group level to provide accurate information to stakeholders.

#### Forward-looking statements

This report may contain statements that are 'foward-looking statements'. Other than the historical facts, they may address, without limitation, exploration activities, mining potential and future plans and objectives of Pan African.

The Directors and management of Pan African are of the belief that the expectations expressed in such forward-looking statements or forward-looking information are based on reasonable assumptions, expectations, estimates and projections. However, such statements should not be construed as being guarantees or warranties (whether expressed or implied) of future performance and reflect Pan African's view at the date of publication of this report.

Pan African is not obliged to publicly update or revise these forward-looking statements on events or circumstances occurring after the date of publication of this report.

#### Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation, and have also chosen to prepare the parent Company financial statements under IFRS as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standards requires that Directors:

- · properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS 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; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- 1. the financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- 2. the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- 3. that the Directors are not aware of any legal proceedings or other material conditions that may impact the mining or exploration activities of the Group; and
- 4. the Directors confirm that the Group holds title to the mining rights as set out in this report.

By Order of the Board

Chief Executive Officer

26 September 2012

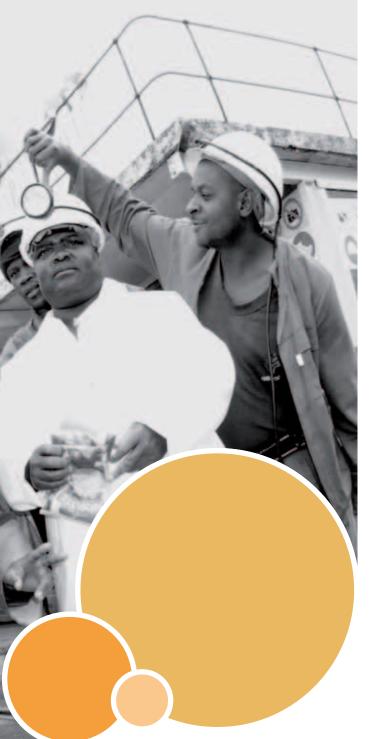
**Busi Sitole** 

Financial Director

26 September 2012



Our sustainability is intrinsically linked to our stakeholders and we remain cognisant of our responsibilities to our employees, our communities and our stakeholders.



## Leadership Statements

Chairman

Chief Executive Officer

Financial Director

## Chairman's Report



With the proposed acquisition of Evander Gold Mines the decision was taken to not declare a dividend for the year. We intend to resume a dividend payment in 2013.

The gold market remained strong during the year as the world economies struggled through turbulent times with gold providing a safe-haven investment. As long as these economies are uncertain, we believe that the fundamentals for gold will remain sound and that the gold price outlook for the short to medium term will continue to be favourable. Platinum Group Metals, classified as both precious and industrial metals, are in oversupply and will continue as such that way until the world economy starts recovering or supply is reduced.

Economic growth in South Africa, as with the developed world, has slowed over the past year and inflationary pressures continue. Costs over the past year were well controlled at the operations, however, the cost of electricity from the state-owned utility Eskom will be a concern. In the past number of years, electricity increases significantly above the inflation rate have been implemented and once again this year double-digit price increases are anticipated. Management at our operations have put programmes in place to minimise electricity wastage and to explore alternative energy sources.

Our sustainability is irrevocably linked to the communities in which we operate, and we are aware of our responsibilities not only to our employees but also to the greater community. It is our policy to treat all our employees equally and as fairly as possible, and the operations are structured to deliver performance while operating safely. We are committed to the

highest levels of transparency and ethical conduct in all facets of the Group right down to the rock face. We understand that good Corporate Governance is essential and are committed to complying with all legislation of the countries in which we operate, as well as the rules of the stock exchanges on which we are listed. To this end, we have instituted a system of internal controls and auditing as well as a risk management programme which we constantly review.

We were pleased that the South African Government has confirmed that nationalisation of the mines and the mining industry is not a policy objective, which has caused a degree of uncertainty among investors in the past.

The Group had a dynamic and busy year, maintaining production at its flagship Barberton Mines; bringing Phoenix Platinum into production; and in line with our growth strategy, and succeeding successfully in bidding for Evander Gold Mines subject to a number of conditions precedent. Evander Gold Mines is a high margin asset that should improve the Group's gold production to more than 200koz a year.

Pan African Resources outperformed the JSE all-share index and the AIM all-share index by 63.44% and 62.80% respectively, and the JSE mining index and the FTSE 350 mining index by 82.99% and 74.49% over the past year. Shareholders received a 30% plus return based solely on the share price escalation and more with the reinvestment of their received dividend.

The year's excellent safety record was unfortunately marred by a fatal accident at Barberton Mines in May 2012. The focus remains to continue to improve on our already impressive statistics with the ultimate goal that no one is injured while at work.

Barberton Mines had another solid production year and, together with a continued high gold price, produced record profits. The team directed its sizeable capital expenditure budget into rehabilitating ageing infrastructure and exploring for new orebodies. Construction work on the Barberton Tailings Retreatment Plant is progressing well and the commissioning of the plant remains scheduled for the second half of 2013. The criminal mining problem of the past, where illegal miners entered the mines and stole exposed gold ore, has been managed well with no major incidents reported during the year.

Phoenix Platinum Retreatment Operation commenced production during the year and after the anticipated teething problems settled down to start producing concentrate in November 2011. The concentrate is sold to a local refinery for final extraction of Platinum Group Metals.

On 30 May 2012, Pan African Resources entered into an agreement with Harmony to acquire Evander Gold Mines for a total price of £116.2 million. The Company intends to fund the purchase consideration by a combination of an issue of shares, available cash and debt. These operations are located in the far eastern limb of the Witwatersrand Basin. The mines are in the upper quartile of gold grade in the basin and are high margin

operations. This acquisition will bring much needed ore reserves into the Group and is considered the highlight of the year.

The first two phases of the Singobile School in Barberton were completed and the doors opened to 950 pupils in July 2012. The Singobile Life Skills Centre provided training to various young community members in technical skills, which is intended to provide them with a base for further training and gainful employment in the future. These skills include sewing, bread baking, welding and brickmaking. The Singobile Vegetable Project has been expanded and the Umjindi Jewellery Project continues to attract interest in that sector. To this end, a Transformation Trust has been created which is funded jointly by Barberton Mines as well as suppliers who donate a percentage of the cost of goods and their services provided.

After the financial year end Pan African Resources announced the sale of the Group's Mozambique-based exploration project, Manica to Auroch Minerals Mozambique, a wholly-owned subsidiary of Australian-listed Terranova Minerals NL, Our strategy is no longer to bring exploration projects up the value curve and consider Auroch's executive team to be better suited in bringing this asset into production. Pan African Resources will remain a minority shareholder in Auroch.

Pan African's dividend policy is to pay an annual dividend, subject to the capital requirements of the Company. With the proposed acquisition of Evander Gold Mines, available cash will be used to fund the transaction. Consequently, the decision was taken to not declare a dividend for the year. We remain committed to continue with the Company's dividend policy and intend to resume the dividend payment in the 2013 financial year should normal legal and commercial considerations permit us to.

During the year, Cyril Ramaphosa resigned as Chairman due to other commitments and, as Deputy Chair, I succeeded Cyril. Cyril, as Chairman of our major shareholder Shanduka, still remains involved and we extend our thanks and that of the Board to him for his wise counsel during his tenure as Chairman, Earlier in the year, we welcomed Phuti Mahanyele and Hester Hickey to the Board. Phuti, the CEO of Shanduka, brings the input from our major shareholder and Hester, who has mining, accounting and auditing background, joined as an Independent Director and has taken over the Chairmanship of the Audit Committee.

I would like to offer my sincere thanks to my fellow Directors, Jan Nelson our CEO, and to all the staff at the corporate office and at the operations for their tireless efforts during a very successful year. I would also like to thank all the shareholders for their continued support.

**Keith Spencer** 26 September 2012

## Chief Executive Officer's Report



Pan African Resources views itself as a partner with the communities and environments in which we operate. Harmonious, mutually beneficial relationships and interactions are crucial to the sustainability of our business. Our successful bid for Evander Gold Mines is a game changer and propels the Group into mid-tier status. On completion, the Group expects to double gold production output.

## Reflecting on Our Road to Success

Over the past five years, we have transformed Pan African Resources from an explorer with limited cash resources into a highly profitable, precious metals producer. The Company has grown significant cash reserves, developed and delivered on an organic growth pipeline of projects, achieved a heightened operational excellence and paid dividends.

The announcement of the acquisition of the Evander Gold Mines will ensure that the Group will continue to be able to deliver stakeholder returns well into the future.

## Applying a Responsible and Sustainable Business Approach

The Company has developed a simple yet very powerful model to ensure that all the stakeholders involved in the business are aligned to our common vision, which is to build a sustainable and profitable African focused precious metals mining group. We intend to realise our vision through the strategic acquisition and development of assets close to or in production, that have (a) significant grade margin, (b) a low cash cost profile and (c) a significant production life. We will also continue to seek

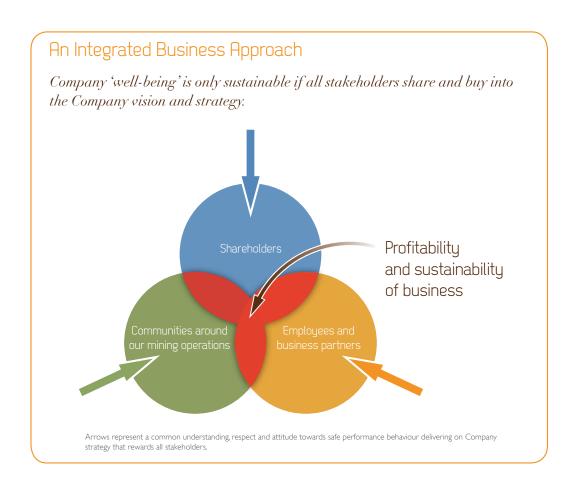
and develop strategic partnerships to achieve our vision as we have successfully done in the past.

Our intention is that all stakeholders participate in defining the strategic objectives and also in the action plans that are required to support our vision. Ideally, this creates a platform whereby all stakeholders can map out their requirements of the Group, and also gain an understanding of the collective expectations of the Group. In this way, everyone understands the realities and collective sacrifices to be made. During the year we have successfully engaged our employees, investors, communities and regulators, but admit that certain stakeholders' engagements were more focused and beneficial than other groups. We will continue to embark on a process to expand our focus and feedback to all stakeholder groups.

### With the Engagement and Support of Our Communities

In South Africa, in particular, and for that matter the rest of the world, a sustainable and successful business cannot be built in isolation from the environment in which we operate. This is important from an environmental, legislative and commercial perspective but even more so in taking into consideration the communities close to our mining operations. The community provides a useful resource and can be of great support commercially, politically and economically. Our growth has not come at the expense of this stakeholder group and we have proactively engaged them to ascertain their ideas, needs and requirements.

Our Social and Labour Plan activities stem from proper and due consultation with the relevant role players in the local communities. Over the year, we completed numerous local economic development and social responsibility projects at the request of the communities. One project that we completed this year and that we are extremely proud of, is the construction of the Singobile Primary School that can accommodate 950 learners. We opened the doors to the school in July 2012 with the assistance of local community members at a cost of ZAR6.7 million. We are delighted that our local children will have a better chance in life with an improved primary education from this new school. Other successful ongoing projects include the Umjindi Jewellery Project, which received full accreditation with the MQA, and the Vegetable Project that was handed over to its beneficiaries and the Provincial Department of Agriculture.



## Chief Executive Officer's Report

#### Continued

Community support will only come if we jointly develop a long-term programme of intellectual and capital support that will see the community grow and prosper with the mining operation. In addition to our ongoing CSI initiative, the Board has allocated capital resources of ZAR500,000 for 2013 for a Youth Development and Employment programme at Barberton Mines to be directly overseen by me. For further details on our community projects, refer to page 36.

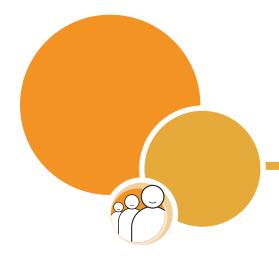
## Through a Well-skilled and Enabled Team

The Company represents a diverse skill talent pool of mining professionals with a proven track record of delivery over the past five years. These individuals have contributed to the success and empowering culture of Pan African Resources.

On the completion of the Evander Gold Mines transaction, the Group will grow to a team of over 5,000 people from our current 2,000 people. This team represents a diverse cultural and ethnic make-up with many years of practical mining experience. The Group experience profile covers all aspects of mining. Very few other mid-tier producers have such a diverse resource pool available with such honed talent.

Our commitment to and implementation of community development projects and two-way communication approach to our employees have ensured few disruptions to our mining operations. Stakeholder engagement will continue to be part of our focus and we will continue to allocate a considerable amount of time to engage with all stakeholders, ensuring employees remain focused on the business objectives and obtaining feedback and addressing stakeholder issues in a timely and harmonious manner.





- I Jan Nelson Chief Executive Officer
- 2 Ron Holding Executive: Mining Operations
- 3 Busi Sitole Financial Director
- 4 Casper Strydom General Manager: Barberton Mines
- 5 Thandeka Ncube Executive: Corporate and Social Development
- 6 Manny da Silva General Manager: Evander Gold Mines
- 7 Andre vd Bergh Executive: Human Resources
- 8 Pieter Wiese Executive: New Business

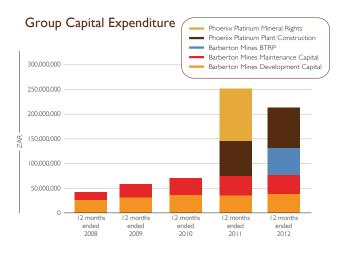
#### It all Starts With the Right Orebody

A critical part of the success of Pan African Resources rests on the quality of our orebodies. The Board has developed and implemented certain key criteria that our orebodies must meet. This applies to the development of our organic projects as well as to the choice of our acquisitions.

The Group remains focused on only mining and developing orebodies within the precious metals sector in South Africa with a:

- high grade margin;
- low cash cost profile; and
- long Life of Mine ('LOM').

The above criteria will ensure that we retain a significant margin between our cash costs and metal price received. Should metal prices decline, the Group will be able to continue to generate profit margins due to the quality and mining cost profile of the orebodies. The Group has also, over the past three years, implemented a Mineral Resource Management programme to ensure that focus remains on mining at optimum grade and the life of operations are extended to ensure sustainability. Over the past year, we have invested £3.2 million in our orebodies, creating the flexibility and infrastructure required to create cost efficiencies and extend LOM.



### Creating an Enabling Environment: Our Competitive Advantage

Labour costs represent an average of 49% of total cost. Some may see this as a disadvantage, especially in light of the South African landscape we operate in, but we see this as a significant competitive advantage. The Group nurtures a culture of engagement with our labour force through the creation of an enabling environment that allows all individuals to apply their minds and share their ideas in their areas of focus. We continue to believe that if all our people are encouraged to actively think about the business, we will see a positive impact on productivity.

By creating an enabling environment for our People, they are able, through their actions, to impact on our orebody. This is how we ensure that we deliver Results that we are proud of.

P (People) A (Action) R (Results) is our productivity recipe. Easy to remember because it's also the acronym by which we are known

We don't expect people to be productive and strive for an improvement in productivity if underground conditions are not conducive to such improvements. As a result, the Company works with our people to ensure that we create a safe underground environment which allows continued improvement in performance. The Group has more than doubled capital expenditure over the past five years, which is one of the reasons the Company is able to continue to deliver results on a sustainable basis.

Creating an enabling environment is not just about money it is also about listening to the people in the organisation and allowing them to make decisions, It is about clear and brutal honesty focused on the issue and not the person. It is about adopting a culture of respect and trust. It is also about allowing people to learn by making mistakes.

## Chief Executive Officer's Report

#### Continued

In an environment where mining inflation is increasing on average by 14% and limited improvements are possible on most costs, it is a clear advantage to be able to impact on 49% of our cost base by investing in our people!

## In Continued Pursuit of Operational Excellence

#### Barberton Mines Limited ('BML')

#### Our Core Asset

Barberton Mines sold 94,449oz of gold during the year, an increase of 2.44% from the previous year (2011: 92,197oz). Mining operations accounted for 308,095 tonnes milled, an increase of 4.02% from the prior year (2011: 296,200 tonnes). The increase in tonnes milled was mostly due to surface stockpiles totalling 26,054 tonnes (at a head grade of 1.8g/t), yielding 1,068oz of gold.

Head grade and overall recoveries remained relatively constant at 10.45g/t (2011: 10.55g/t) and 91.22% (2011: 90.80%) respectively.

Total cash costs per ounce decreased by 0.64% to US\$776/oz (2011: US\$781/oz). However, in Rand per kilogram terms, total cash costs increased by 10.16% to ZAR193,360/kg (2011: ZAR175,520/kg).

Total capital expenditure at Barberton Mines increased by 57.35% to £10.7 million (2011: £6.8 million). Maintenance capital expenditure of £3.1 million (2011: £3.6 million) and development capital expenditure of £3.1 million (2011: £3.2 million) were incurred. The BTRP capital expenditure at the end of the financial year totalled £4.5 million.

## Barberton Tailings Retreatment Plant ('BTRP')

## Adding Significant Organic Production Growth at Barberton Mines

As a consequence of successful metallurgical test work carried out on composite drill hole samples drilled during the previous financial year, the potential of retreating the Bramber tailings dam was assessed in a feasibility study. The project viability was confirmed in an independent review by Venmyn Rand (Pty) Limited and during November 2011 the Company's Board of Directors ('Board') approved capital of £23.2 million (ZAR300 million) for the BTRP Project at Barberton Mines.

Detailed engineering process and flow design, to treat approximately I.2Mt per annum, was carried out by Basil Read

Matomo. When in production, the BTRP will increase the annual gold production profile at Barberton Mines by 20,000oz to 115,000oz. With a cost structure of US\$700/oz this project is well in line with the Company's strategy of developing low cost, high margin projects.

The construction of the BTRP on a site adjoining the Bramber Tailings Storage Facility ('TSF') is well underway and on target to commence cold commissioning in April 2013. Additional land adjacent to the current tailings dam extension has been acquired for a TSF and the Environmental Impact Assessment ('EIA') is to be completed by December 2012. The TSF will be ready for use when the commissioning phase of the BTRP begins by end April 2013.

The life of the BTRP Project has been augmented by auger drilling on an additional 6Mt of tailings at the Consort Tailings dam, extending the Life of Project from six to ten years.

Final commissioning is scheduled to be completed in June 2013 and production build-up is planned from July 2013.

## Phoenix Platinum Chrome Tailings Retreatment Plant ('CTRP')

#### First Production of Platinum Group Metals

The Phoenix Project has a total South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC') compliant resource of 493,000oz PGM 4Es (4,853,000 tonnes at 3.16g/t PGM 4Es in situ).

The project is expected to produce 211,000oz PGM 6Es at a plant recovery of 45% over the 17-year life of the operation with a planned annual retreatment capacity of 240,000 tonnes. The total capital cost required to construct and commission the plant was £8.5 million (ZAR104 million). The cost for the plant was funded from existing cash resources within the Group. A sale of concentrate agreement was concluded with Western Platinum Limited ('WPL'), a subsidiary of Lonmin PLC, during November 2011.

The construction of the CTRP was completed in November 2011 with the first low-grade concentrate delivered to WPL at the end of December 2011.

During the hot commissioning phase the metallurgists continued with CTRP stabilisation to achieve steady state concentrate production. The International Ferro Metals Limited ('IFM') feed source to the CTRP prior to January 2012 originated from the IFM Lesedi underground operations and this sulphide rich tailings material was the basis of the original CTRP project flotation test work. Due to financial considerations IFM drastically cut back on

the Lesedi underground tonnes and moved mining operations to the low-cost opencast oxidised ore section at Skychrome.

This opencast material is highly oxidised and contains poor quality chrome and low PGE grades. Feeding this current arisings material into the CTRP is not ideal as the highly oxidised tailings do not float properly. The metallurgy of oxidised tailings negatively affects recovery and grade, leading to poor PGE concentrate production. The oxide to sulphide ratio contained in the run of mine ore from the IFM opencast pits will reduce proportionately with the increase in depth of the mining cut, Various options are being investigated to address the effect of the highly oxidised feed source, recoveries and final concentrate grade.

#### Manica Gold Exploration Project

#### Investment of Project as Separate Listed Vehicle with a New Strategic Partner On Track

During the period under review the Group entered into negotiations with certain strategic partners to divest of the project. A separate management team was put in place to a) assist the Group with its divestment strategy and b) ensure compliance with its current obligations on the project. The Group's divestment strategy allows for the project to be disposed for a consideration of cash and shares over a period of three years. During this period the Group will remain a noncontrolling shareholder and will not assume management nor financial responsibility for advancing the project. Further details of the status of this strategy are provided in the 'Events after the reporting period' section.

#### Acquisition of Evander Gold Mines

#### Game Changer for the Group (Propelling Pan African Resources into Mid-tier Status)

On 30 May 2012 Pan African Resources advised shareholders that it entered into an agreement ('Acquisition Agreement') with Harmony which was amended on 15 August 2012 to acquire the entire issued share capital and claims against Evander Gold Mines for a total purchase consideration of £116.2 million, subject to certain terms and conditions more fully described below.

#### Background to Evander Gold Mines and Rationale for the Transaction

Evander Gold Mines, currently a wholly-owned subsidiary of Harmony, mines and produces gold and related products and is located in Mpumalanga, South Africa. Evander Gold Mines' total underground resources represent 28.74Moz (110Mt @ 8.16g/t) and a reserve of 7.66Moz (28Mt @ 8.45g/t) and its operations comprise, inter alia:

- Evander 8 Shaft, which has an expected Life of Mine of more than 15 years and is producing approximately 100,000oz of gold per annum;
- Various development projects comprising Evander South, Rolspruit and Poplar;
- Evander Gold Mines' surface resources of 1.89Moz (203Mt @ 0.29g/t) comprising existing tailings dumps; and
- Kinross metallurgical processing facility and associated infrastructure and buildings.

The Evander Gold Mines operations generated production profit, as published by Harmony, for the full year ended 30 June 2012 of £52 million, before tax and other charges, up from £16.7 million for the previous year. This was mainly the result of Harmony investing approximately £21 million to upgrade and improve the underground rock handling and ventilation infrastructure at Evander 8 Shaft.

Evander Gold Mines meets Pan African's investment criteria of a long life, high grade, high margin, quality asset. Upon completion of the transaction, the Group will increase its underground reserve from I.02Moz (3.9Mt @ 8.0g/t) to 8.8Moz (39.5Mt @ 6.94g/t) and its underground resource from 2.45Moz (8.3Mt @ 9.22g/t) to 34.7Moz (177Mt @, 6.08g/t) The acquisition is expected to be earnings accretive, and potentially allows the Group to double its current gold production profile. Upon completion of the transaction the single mine risk of the Group will be removed.

#### Transaction Terms and Conditions

#### Conditions Precedent ('Conditions'):

The Transaction is subject to, inter alia, the fulfilment or, where possible, waiver of the following conditions:

- The Transaction being unconditionally approved by the South African competition authorities by no later than 31 August 2012 (condition fulfilled on 26 July 2012);
- Evander Gold Mines entering into a new electricity supply agreement with Eskom by no later than 31 October 2012, on terms and conditions acceptable to Pan African Resources (condition not yet fulfilled);
- Pan African Resources obtaining irrevocable undertakings from shareholders controlling no less than 50% of Pan African's issued share capital, to vote in favour of the Transaction by no later than 31 October 2012 (condition fulfilled on 3 September 2012);
- Pan African Resources obtaining all the requisite approvals for the Transaction from the stock exchanges upon which it is listed by no later than 31 October 2012 (condition not yet fulfilled):
- Pan African Resources obtaining approval from shareholders for the Transaction and all resolutions ancillary to the implementation of the Transaction, by no later than 31 October 2012 (condition not yet fulfilled); and

## Chief Executive Officer's Report

#### Continued

 The parties to the Transaction ('Parties') obtaining the necessary consent for the Transaction from the Department of Mineral Resources ('DMR') in terms of Section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002 by no later than 30 June 2013 (condition not yet fulfilled).

In terms of the Acquisition Agreement, the Purchaser is entitled to waive the Condition pertaining to Irrevocable Undertakings and each of Harmony and the Purchaser is entitled to extend the relevant date for fulfilment of the Conditions pertaining to Shareholder Approval for a period of 30 days. The closing date for the Transaction shall be the later of 30 November 2012 or the tenth business day after which all the conditions precedent to the Transaction are fulfilled or waived, as the case may be. The intention of the Parties is that the Closing Date shall be 30 November 2012.

Except for the condition to enter into a new electricity supply agreement with Eskom (expected to occur before 31 October 2012) and obtaining the necessary consent from the DMR in terms of Section 11, all other conditions not yet fulfilled can only be fulfilled upon shareholders' approval of the transaction.

#### Purchase Consideration

In terms of the Acquisition Agreement, Pan African Resources shall acquire the entire issued share capital of and claims against Evander Gold Mines for a total consideration of £116.2 million (ZAR1.5 billion) to be settled in cash in the following manner:

- Pan African Resources shall pay to Harmony an amount of no less than £77.5 million (ZAR1 billion) ('Deposit') upon the fulfilment or waiver of all the Conditions, other than the necessary Consent for the transaction from the Department of Mineral Resources in terms of Section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002; and
- Pan African Resources shall pay to Harmony the remainder of the Purchase Consideration, being no more than £38.7 million (ZAR500 million), in cash, upon fulfilment of the Consent for the Transaction from the Department of Mineral Resources in terms of Section II of the Mineral and Petroleum Resources Development Act 28 of 2002. In the event that the above condition is not fulfilled and the Transaction is not implemented, Harmony shall be required to repay the Deposit to Pan African Resources, with interest, calculated at 5% per annum, thereon. The Deposit shall be secured by various security cessions and mortgage bonds over the assets of Evander Gold Mines and the gold proceeds earned by Evander Gold Mines from I April 2012 onwards are for the benefit of Pan African Resources.

#### **Break Fee**

- The Parties have agreed to a Break Fee arrangement in terms of which Pan African Resources shall pay to Harmony a Break Fee of £3.87 million (ZAR50 million);
- The Full Break Fee was payable in two separate tranches and shall be deducted from the Purchase Consideration in the event that the Transaction is successfully implemented;
- The first tranche of the Full Break Fee is an amount of £1.55 million (ZAR20 million) and was paid within five business days of the Signature Date (paid on 31 May 2012);
- The second tranche of the Full Break Fee is an amount of £2.32 million (ZAR30 million) which was paid within five business days from the date upon which the Condition pertaining to Irrevocable Undertakings was fulfilled or waived, as the case may be (paid on 16 August 2012);
- The parties have agreed that the Full Break Fee will be deductible from the £77.5 million (ZAR1 billion) deposit;
- If the Condition pertaining to Irrevocable Undertakings were not fulfilled or waived, the First Tranche Break Fee shall be non-refundable:
- The Full Break Fee shall be non-refundable in the event that the Transaction is not concluded as a result of the Condition pertaining to Shareholder Approval not being fulfilled; and
- In all other instances, the Full Break Fee shall be refundable to Pan African Resources.

#### Funding the Transaction

When considering the funding of the Transaction, Pan African Resources has formulated an approach consistent with its philosophy of ensuring that its business provides profitable, sustainable stakeholder growth.

With this in mind, Pan African Resources intends funding the Transaction through a combination of:

- third party Debt Financing ('Debt Financing');
- its current cash reserves and cash generated through the operations of and potential strategic disposals of non-core assets by Pan African Resources and Evander Gold Mines until the Closing Date ('Cash Reserves'); and
- to the extent necessary, through the issue of new ordinary shares in the share capital of Pan African Resources for cash.

#### **Debt Financing**

Pan African Resources is in the process of securing additional Debt Financing from third party lenders upon terms and conditions acceptable to Pan African Resources to a total amount not exceeding  $\pounds 46.5$  million (ZAR600 million) for the Group.

#### Cash Resources

As at 25 September 2012 Pan African Resources has available cash resources in the amount of approximately £20.2 million (ZAR261 million), a portion of which may be utilised for purposes of partially settling the Purchase Consideration, Furthermore, cash generated from Pan African's Barberton Mines and Phoenix Platinum operations up until the Closing Date may be utilised for purposes of partially settling the Purchase Consideration.

In addition, the purchase consideration shall be reduced by any distributions made by Evander Gold Mines from interim period profits. As a result, Pan African Resources is confident that a considerable contribution towards the settlement of the purchase consideration may arise from a combination of cash resources and distributions.

#### **Equity Capital Raising**

Pan African Resources intends to finance a portion of the Purchase Consideration through the issue of new Pan African Resources ordinary shares ('Rights Offer Shares') by way of a rights offer ('Rights Offer'), as referred to in the announcement published on 30 May 2012 ('Announcement').

Pan African Resources authorised a bookbuild exercise ('Bookbuild'), which was conducted with, inter alia, the lead institutional shareholders of the Company and Pan African's Black Economic Empowerment shareholder, Shanduka Resources ('Bookbuild Participants') with a view to obtaining sufficient capital subscription commitments to secure the funding of a portion of the Purchase Consideration and, in particular, the potential ZARI billion deposit ('Deposit') which, at Harmony's election, may become due and payable on 30 November 2012.

On 17 August 2012 Pan African Resources announced that the Bookbuild Participants had collectively and irrevocably committed to:

- · subscribe for Rights Offer Shares up to an aggregate amount of £54.2 million (ZAR700 million), upon the Rights Offer and the Transaction being approved by shareholders ('Subscription Commitments'); and
- · vote in favour of all the requisite resolutions ('Transaction Resolutions') pertaining to the Transaction, the Rights Offer and matters ancillary thereto ('Voting Undertakings').

The Subscription Commitments were given by the Bookbuild Participants at an issue price of ZAR1.90 per Rights Offer Share ('Subscription Price'). The aggregate Voting Undertakings secured by Pan African Resources represent approximately 57% of the current total issued ordinary shares of the Company ('Shares').

In terms of the Subscription Commitments, the Bookbuild Participants have committed to, inter alia:

- follow their rights in terms of the Rights Offer; and/or
- apply for so many excess Rights Offer Shares in terms of the Rights Offer, so as to ensure a total minimum capital commitment to the Rights Offer of £54.2 million (ZAR700 million) ('Secured Capital').

The combination of the Subscription Commitments, the Voting Undertakings and the Secured Capital allows Pan African Resources and/or Special Purpose Vehicle ('SPV') to:

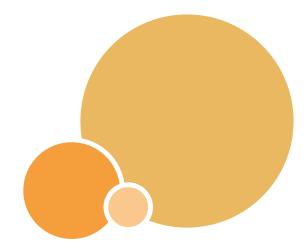
- · discharge its/their obligations to Harmony in respect of a portion of the Purchase Consideration (or the Deposit, as the case may be); and
- extend the Rights Offer to both the JSE and AIM markets and thereby allow the majority of its shareholders trading or residing within jurisdictions that are not restricted from participating in the Rights Offer (further details of which will be set out in the Rights Offer circular to shareholders) to participate in the Rights Offer.

On 3 September 2012 Pan African Resources signed the Bookbuild commitment agreements.

The Subscription Price constitutes a discount of approximately:

- 3.7% relative to the closing price of the Shares as traded on the exchange operated by the JSE Limited ('JSE') on 30 May 2012, being the date when the Evander Gold Mines transaction was announced;
- 3.7% relative to the volume weighted average Share price as traded on the JSE for the 30 trading days ended on 30 May
- 4.2% relative to the volume weighted average Share price as traded on the JSE over the period from the Announcement date up to and including 15 August 2012, being the period during which the Bookbuild was conducted.

Pan African Resources will compensate the Bookbuild Participants for providing the Subscription Commitments by paying them a liquidity fee equal to 2% of the Secured Capital.



## Chief Executive Officer's Report

#### Continued

The Bookbuild outcome is summarised in the table below:

Bookbuild Participants	Voting Undertakings (Shares)	Subscription Commitments (Rands)
Investec Asset Management	141,785,423	231,000,000
Coronation Asset Management	160,000,000	220,000,000
Shanduka Gold	366,168,585	125,000,000
Allan Gray	97,074,447	75,000,000
Public Investment Corporation	39,894,492	19,282,500
Directors and others*	18,942,752	29,717,500
Total voting undertakings/ subscription commitments**	823,865,699	700,000,000

- \* Including JP Nelson, RG Still and JAJ Loots, being Directors of Pan African Resources ('Directors') and who hold or represent certain direct and/or beneficial and/or other indirect/non-beneficial Shares. No other Directors hold Shares as at the date of this announcement.
- \*\* Total Voting Undertakings will represent 56.9% of the current shares in issue.

## Pro Forma Financial Effects and Salient Dates

The pro forma financial effects of the Transaction on the reported financial information of Pan African Resources, as well as the salient dates and times relating to the implementation of the Transaction will be announced by Pan African Resources as soon as they have been determined.

#### Categorisation and Circular

The Transaction is classified as a category I Transaction for Pan African Resources in accordance with Section 9 of the JSE Limited Listings Requirements. A circular containing further information pertaining to the Transaction will be posted, together with a notice of a general meeting, to shareholders in due course.

#### Group Risk Profile

## Understanding and Maintaining Our Competitive Advantage

The major strategic advantage of the Group has been its ability to keep cash costs down, generate profit and pay a dividend. On an operational level this has been the result of our high grade of orebodies, the technical skill base of our people and a small company management culture.

Group cash costs will increase with the acquisition of Evander Gold Mines, but this will be offset by the higher mining grades and more consistent pay shoots at Evander Gold Mines. Inclusive of the Group's tailings retreatment projects (Phoenix Platinum on a gold ounce equivalent basis and BTRP) overall Group cash costs remain the same in spite of rising mining inflation of about 14%.

The Group will continue to drive Mineral Resource Management to ensure optimum grade profiles are achieved on a sustainable basis. Capital and management resources will continue to be allocated to improve underground working conditions in order to drive productivity and efficiency and control cost escalation.

The Company will continue to be managed on the basis of separate management teams at each operation with support from a small corporate executive team. The acquisition of Evander Gold Mines also expands the operational and skills base of the Group considerably.

The Board believes that this approach will ensure that Pan African Resources remains a viable business irrespective of commodity cycle fluctuation and a rising cost inflation environment. The Board continues to monitor and rank the key risks identified by the executive and individual management teams. Action plans are discussed and, where appropriate, implemented to ameliorate risks.

#### Mine Safety and Health

It is with regret that we have to report that on 29 May 2012 at approximately 19:20 an underground general shaft worker, Mr Christopher Makhosonke Hlela was fatally injured underground when a measuring flask of a rock loading station at the Fairview No 3 Shaft bottom dislodged and struck him.

The failure of the measuring flask could not be foreseen or detected by weekly inspections; no single action was identified as the reason for the death of Mr Hlela. No other person contravened the requirements of the Act or regulations, however, the following actions were recommended and have been implemented at the mine:

- The mine must revise the design, construction, operation and maintenance of box fronts, chutes and measuring flasks.
- The code of practice for the safe operation of draw points, tipping points, rock passes and box fronts must be revised.
- The code of practice must include the timely replacement of parts of the equipment that may fail.
- Procedures and training must be amended to provide for the changes in the risk assessment and code of practice.
   All relevant persons must be retrained.
- A system of inspections and planned task observations must be implemented to ensure compliance to training, rules and legislation.

The Group remains committed to the safety and health of all its employees and continues to review its procedures on a regular basis as part of its focus on a behaviour-based safety approach.

### Our Future: Driving Operational Performance, Organic Growth and Strategic Partnerships

The offer to acquire Evander Gold Mines from Harmony marks a significant milestone in the future growth of the Company. On successful completion, the transaction will allow the Group to double gold production output. Mineral reserves will increase from just over IMoz to close to 9Moz ensuring a sustainable future. A pipeline of brownfield projects will become available around current mining areas that can be developed to unlock future value. Such development will be funded from internal cash flows without impeding on future dividend payments.

No major project development will be undertaken without shareholder approval.

In the coming year:

- · No further major acquisitions.
- · Successful integration of Evander Gold Mines.
- Commissioning of BTRP.
- · Continue to safely optimise profits from the operations in the Group.
- · Complete the divestment of Manica Project.
- Resume dividend payment.

The Group will continue to differentiate itself from its peer group and pursue its strategy of investment into orebodies with high grades, high margins and a long life. Our people, through their actions, will produce the results and we will continue to invest in their well-being and skills upliftment.

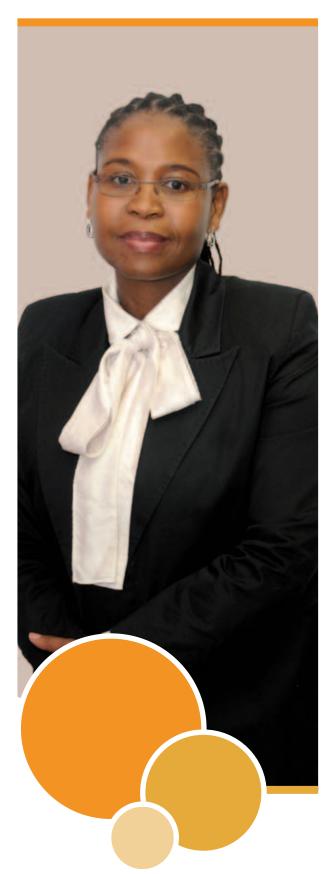
I would like to offer my sincere thanks to my fellow Directors and to all the staff at the Corporate Office and the Operations for their tireless efforts during a very successful year. We would also like to thank all the shareholders for their continued support and we look forward to continuing our journey as an emerging mid-tier precious metals producer.



Jan Nelson 26 September 2012



## Financial Director's Report



Strong annual results with five years of consistently improved profits.

This report needs to be read in conjunction with the consolidated annual financial statements on pages 114 to 154.

As mentioned in the Chairman's and CEO's reports, Pan African Resources has delivered an exceptional set of results for the year ended 30 June 2012.

#### 2012 Features

- Group revenue in ZAR terms exceeded ZAR1bn (2011: ZAR879.7) and in £ terms, £101.1 million (2011: £79.2 million).
- EPS and HEPS up 68.33% and 69.17% to 2.02p (2011: 1.20p) and 2.03p (2011: 1.20p) respectively.
- Cash and cash equivalents increased by 96.04% to £19.8 million (2011: £10.1 million).
- Successful implementation of a new Enterprise Resource Planning ('ERP') system at Barberton Mines which is expected to improve financial control and reporting.
- All BTRP capital funded from internal cash flows.
- Successful bid for the acquisition of Evander Gold Mines from Harmony.

### Key Drivers of the Group's Results

#### **Exchange Rates**

Pan African Resources is incorporated in England and Wales, and its reporting currency is Pound Sterling ('£'). 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 Company financial statements are translated into  $\pounds$  for the purposes of Group consolidation and reporting, the annual average and year end closing ZAR:£ exchange rates affect the Group's consolidated financial results. In the current financial year, the average ZAR:£ exchange rate was 12.27:1 (2011:11.11:1), and the closing ZAR:£ exchange rate was 12.91:1 (2011: 10.94:1). The year-on-year change in the average and closing exchange rates of 10.44% and 18.01% respectively must be taken into account for the purposes of comparing year-on-year results.

The annual average and year end closing ZAR:US\$ exchange rates were 7.75:1 (2011: 6.99:1), and the closing ZAR:US\$ exchange rate was 8.27:1 (2011: 6.83:1). The year-on-year change in the average and closing exchange rates of 10.87% and 21.08% respectively must be taken into account for the purposes of comparison.

When Manica financial statements are translated into  $\pounds$  for the purposes of Group consolidation and reporting, the year end closing MZN:£ exchange rate affects the Group's consolidated financial results. In the current financial year the average MZN:£ exchange rate was 42.76:1(2011: 52.64:1) and the closing MZN:£ exchange rate was 43.25:1(2011: 45.33:1). The yearon-year change in the average and closing exchange rates of 18.77% and 4.59% respectively must be taken into account for the purposes of comparing year-on-year results.

#### Commodity Prices

During the year, the Group realised an average gold price of US\$1,694/oz (ZAR422,215/kg), an increase of 24.01% (37.64%) from US\$1,366/oz (ZAR306,757/kg). During the reporting period, the gold price varied between a low of US\$1,483/oz and a high of US\$1,985/oz. In ZAR terms the gold price varied between a low of ZAR321,608/kg and a high of ZAR467,512/kg.

Platinum Group Metals' ('PGM') prices were lower during the year under review averaging US\$992/oz primarily because of the slowdown in the global economy. However, short-term supply pressure should support prices at current levels for the next year, which will be our first year of reporting PGM revenue from Phoenix Platinum.

#### Inflation and Cost Escalation

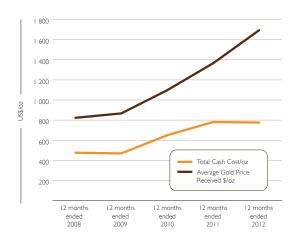
The Group experienced cost of production inflation in ZAR terms of 12.39% during the year under review. The impact of inflation on the Group's unit costs was mitigated to some extent by the Group's cost and efficiency improvement initiatives.

#### Statement of Comprehensive Income

Gross revenue from gold sales increased by 27.65% to £101.1 million (2011: £79.2 million). The increase in revenue was mainly attributed to a 24.01% increase in the average US\$ gold spot price received to US\$1,694/oz (2011: US\$1,366/oz). The increase in gross revenue was however negatively impacted by the appreciation of the  $\pounds$  against the ZAR during the reporting period, the £ appreciating by 10.44% from ZAR:£11.11 to 12.27. The average US\$:ZAR exchange rate was 10.87% weaker at ZAR7.75 compared to the previous year (2011: ZAR6.99), which positively impacted revenue received in ZAR. The effective ZAR gold price was 37.64% higher at ZAR422,215/kg (2011: ZAR306,757/kg).

Group mining profit grew by 67.21% to £51.5 million (2011: £30.8 million). The profit margin in ZAR terms also substantially increased by 74.38% to ZAR228,855/kg (2011:ZAR131,237/kg) due to the favourable gold price received during the year under review. The total cash cost per kilogram increased by 10.16% to ZAR193,360/kg (2011: ZAR175,520/kg). In US\$ terms the total cash cost per ounce decreased by 0.64% to US\$776/oz (2011: US\$781/oz).

#### Total Cash Cost vs Average Gold Price Received



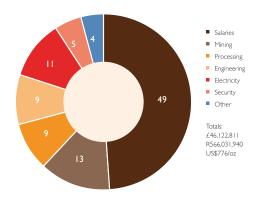
## Financial Director's Report

#### Continued

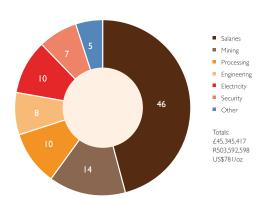
Cost of production only increased by 1.77% to £46.1 million (2011:£45.3 million). In Rand terms, cost of production increased by 12.39% to ZAR566.0 million (2011: ZAR503.6 million). This increase is mainly attributable to a 27.13% increase in electricity costs to ZAR62.8 million (2011: ZAR49.4 million), engineering and technical services costs increasing by 21.65% to ZAR50 million (2011: ZAR41.1 million) and salary, wages and other staff expenses increasing by 18.72% to ZAR275.9 million (2011: ZAR232.4 million). These increases were offset by the reduction in security costs, which were down by 12.76% to ZAR29.4 million (2011: ZAR33.7 million) and processing costs reducing by 5.11% to ZAR50.1 million (2011: ZAR52.8 million).

#### Cash Cost Breakdown

Cash Cost Breakdown (excluding Capex) Year ended 30 June 2012 (%)



Cash Cost Breakdown (excluding Capex) Year ended 30 June 2011 (%)



Other expenses increased 110.71% to £5.9 million (2011: £2.8 million) largely due to once off costs associated with Evander Gold Mines' acquisition amounting to £0.9 million, costs related to the sale of Manica amounting to £0.5 million, community project costs of £1.2 million and cash-settled share option expense of £0.8 million. The royalty charge for the year

increased by 58.33% to £3.8 million (2011: £2.4 million) due to increased revenue.

EBITDA for the year under review was £45.0 million (2011: £28.5 million), an increase of 57.89%. EPS increased by 68.33% to 2.02p (2011: 1.20p) and HEPS were up 69.17% to 2.03p (2011: 1.20p), supported by increased revenue from gold sales. The HEPS was slightly higher in comparison to the EPS due to an impairment charge of £0.05 million. The impairment relates to Barberton Mines' Segalla plant which is held for sale; the net book value was impaired to the agreement sale price.

Group income tax increased by 41.30% to £13.0 million (2011: £9.2 million), in line with the increase in profits before tax. During the year under review, South Africa's gold mining income tax formula was reduced due to the introduction of withholding tax on dividends that replaced the secondary tax on companies resulting in the ZAR effective tax rate of Barberton Mines decreasing to 29.1% (2011: 34.5%).

## Accounting for the Phoenix Project

The construction of the Phoenix CTRP ('Chrome Tailings Retreatment Plant') was completed in early November 2011, with hot commissioning commencing thereafter and the first concentrate being produced at the beginning of December 2011. During the testing phase, all the expenditures incurred were capitalised and the plant was declared to be brought into use for accounting purposes in July 2012.

#### Statement of Financial Position

Statement of financial position improved significantly during the year. The increase was, however, partly offset by the effects of the stronger closing  $\pounds$  currency against the Rand which resulted in a negative translation reserve of  $\pounds$ 1.9 million in 2012 compared to a positive translation reserve of  $\pounds$ 8.3 million in 2011.

Current assets excluding non-current assets held for sale, increased by 80.38% to £28.5 million (2011: £15.8 million). This was primarily due to a higher cash balance and an increase in debtors due to the higher value of gold shipped on the last day of the financial year compared to the previous year. Net asset value ('NAV') per share increased by 13.06% to 7.09p (2011: 6.28p) and tangible NAV per share increased by 22.83% to 4.73p (2011: 3.85p).

Non-current assets decreased by 11.51% to £86.1 million (2011: £97.3 million), mainly due to assets which have been classified as held for sale. These assets relate to Manica assets and Barberton's Segalla plant. Pan African Resources entered into an agreement with Terranova Minerals NL to sell the Group's

interest in the Manica Project detailed further under 'Events after the reporting period' note in the Directors' report. This transaction is expected to be finalised within the next financial

Current liabilities increased by 23.33% to £11.1 million (2011: £9.0 million) due to outstanding income and royalty tax. The Group remains debt free with an untapped revolving credit facility of £11.6 million.

#### Statement of Cash Flow

The Group's cash and cash equivalents increased by 96.04% to £19.8 million (2011: £10.1 million). This increase was mainly due to increased cash generated from operations of £30.6 million (2011: £16.6 million), up by 84.34% from 2011 after making significant payments including dividends of £7.4 million (2011: £5.4 million), income tax of £8.4 million (2011: £8.3 million) and royalty charge of £3.3 million (2011: £2.4 million). Cash used in investing activities of £17.4 million mainly related to capital expenditures for Barberton's maintenance and development capital expenditures, Phoenix and Barberton Tailings Project.

#### **Looking Ahead**

Our key financial focus for the 2013 financial year will include the following:

• maximising margins by containing costs based on a forecasted average gold price of ZAR400,000/kg, PGM basket price

- of US\$1,030/oz, and exchange rates of US\$:ZAR 8.34 and £:ZAR 13.26;
- maximising cash generation and increasing our revolving credit facility to ensure sufficient funding for BTRP and on mine capital expenditure;
- securing funding for the Evander Gold Mines transaction by concluding the rights issue with our shareholders and finalising debt finance with third parties; and
- integrating Evander Gold Mines' financial systems into the Pan African Resources Group, which will include migrating Harmony's shared services over to Pan African Resources.

#### Thank You

Many thanks to the Board and to my colleagues and in particular Jan Nelson for their assistance and support since my appointment in December 2011.

**Busi Sitole** 

26 September 2012



Shareholders received a 30%+ return based solely on our share price escalation.

B Sitole, Financial Director





In South Africa, in particular, and for that matter the rest of the world, a sustainable and successful business cannot be built in isolation from the environment in which one operates.

## Our Business Philosophy

Stakeholder Engagement Towards Sustainability Corporate Social Investment

## Stakeholder Engagement

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

Pan African Resources is committed to the principles and objectives of BBBEE and reports on its achievements based on the BBBEE pillars as discussed below.

#### Ownership

Pan African Resources enjoys a constructive and valuable relationship with its BEE partner, Shanduka Resources via its wholly-owned subsidiary Shanduka Gold. Shanduka owns 25.28% of the Group and actively assists with fulfilling government requirements regarding BEE as well as engaging with the management team on ideas and opportunities.

## Human Resources Development and Employment Equity

Pan African Resources complies with both the Employment Equity Act and the Skills Development Act. The Group submitted a Workplace Skills Plan, an Annual Training Report and an Employment Equity Report for the financial year 2011/2012. We were also audited by the Department of Labour in February 2012 during which all of these reports were discussed with the Company's Employment Equity Committee. One nonconformance had been issued which has subsequently been addressed. We have also established a Future Forum Committee that convenes quarterly.

The progress made in terms of our Employment Equity targets is as follows:

	2012 Target %	2012 Actual %	2014 Target %
Top Management Senior Management	20 28	20 27	40 40
Middle Management	32	32	50
Junior Management	44	45	60
Other officials	57	57	70
Learnerships	90	90	90

## Procurement and Enterprise Development

Pan African Resources supports the development of small and medium Black-owned enterprises. Procurement spent from BEE entities was as follows:

	Actual 2012 %	Target 2014 %
Capital Goods	26	40
Services	42	70
Consumable Goods	34	50

## Community Development and Corporate Social Investment

Details of the community projects and our CSI initiatives can be viewed from page 36 in this report.

#### Communication

The Company believes that communication is a two-way process, and the communication efforts are conducted formally on a daily, monthly and quarterly basis in line with the needs of each stakeholder group.

We consider our communication efforts to be at the heart of much of our success over the last five years. We foster good relationships with all our stakeholders who include our employees, our recognised unions (NUM and UASA), the community, local government and our shareholders.

Formal communication takes place via recognised structures, which include monthly shaft committee meetings, branch committee meetings, the local community forum, the IDP and LED offices as well as the in-house, day-to-day informal and formal meetings between supervisors, managers and employees.

The communication process is enhanced through a monthly management briefing and on a quarterly basis, a roadshow and straight talk session conducted by the CEO.

#### Labour Unions

#### **Barberton Mines**

South African labour relations are highly regulated and the Group complies with the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act. Under these regulations, our activities are monitored by state agents with whom we meet annually.

Management at Barberton Mines engages with their labour force via the legally recognised NUM and UASA unions.

#### Phoenix Platinum

Phoenix employs approximately 50 contractors and five full-time employees on the plant. Contractual agreements with the contractors are revisited in January each year and market-related increases apply. The five full-time employees' salaries are negotiated directly at Head Office.

#### Shareholder Report

Pan African Resources conducts a proactive investor relations programme during the year which enables dialogue with all shareholders and analysts to communicate the Company's strategy, rationale for acquisitions and investment case. The programme includes:

• presentations and dial-in conference calls at the time of annual and interim results;

- attendance and speaking at sector and commodity-related conferences in South Africa, the United Kingdom, Europe and the United States;
- briefing meetings and calls with all major institutions and interested research houses during the year;
- hosting of site visits and investor lunches; and
- proactive SENS and press announcements and relationship building with stakeholders to promote understanding of the Group.

Top 16 Shareholders Movement: 2012 Compared to 2011

Shares in issue 1,448,262,361 (2011: 1,444,040,711)

	Investment Manager	I 2012		
	Investment Managers	Jun 2012 Number	Jun 2012	Jun 2011
Rank	Name	of Shares	%	%
I	Shanduka Gold (Pty) Limited	366,168,585	25.28	25.36
2	Coronation Fund Managers	158,571,455	10.95	16.06
3	Allan Gray Investment Council	114,466,244	7.9	7.78
4	Investec Asset Management (South Africa)	92,067,989	6.36	10
5	Investec Asset Management (UK)	51,516,434	3.56	0.88
6	Public Investment Corporation of the Republic of South Africa	39,894,492	2.75	_
7	Sunvest Corporation	33,200,000	2.29	2.29
8	Barclays Personal Investment Management	21,912,325	1.51	1.7
9	RMB Asset Management (Pty) Limited	21,536,511	1.49	0.69
10	Hargreaves Lansdown Asset Management	20,642,400	1.43	1.16
П	US Global Investors	15,000,000	1.04	0.56
12	TD Direct Investing	14,754,970	0.95	1.08
13	Selftrade	12,125,540	0.84	0.97
14	LSV Asset Management	11,988,716	0.83	0.22
15	Kagiso Asset Management	11,741,397	0.81	0.48
16	Old Mutual Life Assurance	10,194,755	0.7	_

#### Commentary

• Geographical ownership including Black Economic Empowerment:

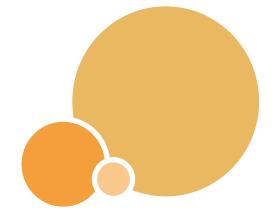
o SA 56.12% 24.17% UK Channel Islands 4.82% o US 301% 11.88% Other

#### Directors' ownership:

1,122,442 (beneficial) o | Nelson: o R Still: 2,000,000 (beneficial)

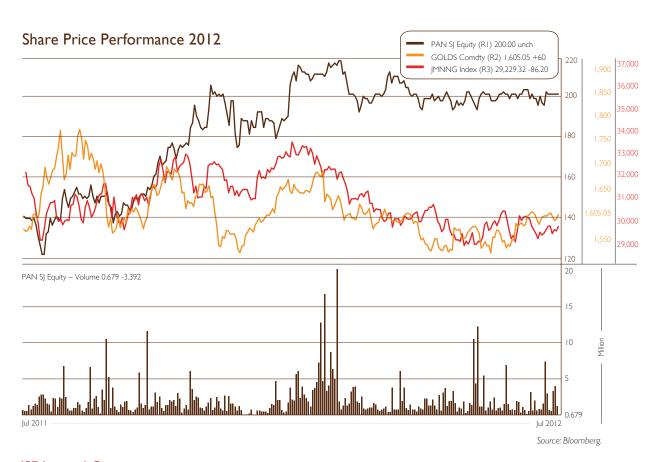
14,224,696 (indirect non-beneficial)

O C Loots: 65,000 (beneficial)



## Stakeholder Engagement

#### Continued



#### JSE Limited Commentary

- Pan African's JSE share price is up 70.63% for the year to close at 200 cents per share on 29 June 2012, with a high of 215 cents on 8 February 2012 and a low of 126 cents on 8 August 2011.
- A total of 556 million shares were traded during the year at a total value of R1.023 billion with an average of 2.2 million trades per day.
- Pan African's share outperformed the JSE all-share by 63.44% and the JSE mining index by 82.99% over the year.

#### **AIM Commentary**

- Pan African's AIM share price is up 40.91% for the year with a high of 18.25p on 27 February 2012 and a low of 10.88p on 8 August 2011.
- A total of 362 million shares were traded during the year at a total value of R53.7 million with an average of 1.4 million trades per day.

 Pan African's share outperformed the AIM all-share index by 62.80% and the FTSE 350 mining index by 74.49% over the year.

#### Shareholder Returns

JSE-listed shareholders received a return of 37.93% over the year based solely on the share price escalation, and would have received a 43.67% return if they had reinvested the annual dividend back into the share.

AIM-listed shareholders received a return of 15.88% over the year based solely on the share price escalation, and would have received a 20.06% return if they had reinvested the annual dividend back into the share.

## Towards a Sustainable Business

Pan African Resources believes that in order to create an operationally sustainable business, the flow of communication and interests of stakeholders must overlap. Only through the consideration of all the stakeholders, will the business succeed in aligning the needs and requirements of all, so that the business can operate in balance and harmony.

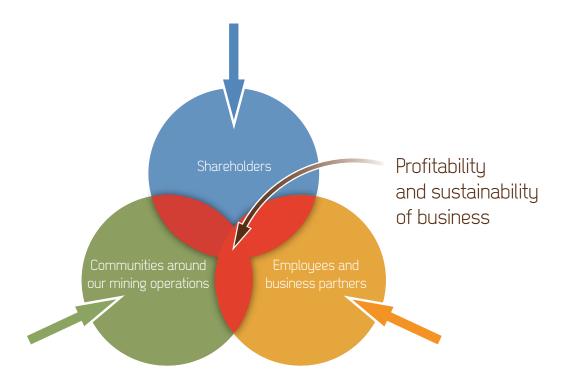
The stakeholder groups need to constantly overlap, in terms of understanding and communication, to create the core of collective interest, Should any of the stakeholders move away from the core, the business shall falter in its attempts to remain sustainable.

The South African Government has set targets for the mining industry in terms of social development and community upliftment that are laid out in the Mining Charter. We strive to meet as well as exceed these targets as the creation of a community where opportunity and development is available to all supports our efforts for a successful mining operation.

Employees and communities should also benefit from our mining activities, and we continue to undertake a number of community projects to which we provide funding and support. Our goal is that these projects become fully sustainable organisations in their own right.

# An Integrated Business Approach

Company 'well-being' is only sustainable if all stakeholders share and buy into the Company vision and strategy.



Arrows represent a common understanding, respect and attitude towards safe performance behaviour delivering on Company strategy that rewards all stakeholders.

# Corporate Social Investment

The Group conducts a number of specified CSI projects and also responds to ad hoc requests for support in the communities.

Various local home-based care/drop-in centres and soup kitchens in and around Umjindi are continuously being supported through the provision of meals to TB/HIV patients, orphans and the frail.



Amount spent

'Making a difference in the community'

ZAR2.2m

During the year, the Group has responded to requests and:

- assisted building churches;
- funded the St Johns mission with financial support to their HIV orphans;
- supported HIV and AIDS programmes at five local primary schools; and
- assisted with waste management recycling programmes at various schools.

The team at Barberton Mines is committed to making a difference and will continue and enforce efforts in order to ensure a better life for all our employees and the communities surrounding us.





# The Transformation Trust

# The Transformation Trust's aim is to improve the quality of life of the local surrounding communities.

The Group established a Transformation Trust in 2011 with the 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 our Social and Labour Plan ('SLP') obligations, Barberton Mines will provide some ZAR5.6 million seed funding into the Trust for a range of developmental projects. The Trust is also being offered as a vehicle to suppliers to Barberton Mines for socio-economic and enterprise development projects.

# 'Fully functional July 2012'

The Trust became fully functional from July 2012 and the first invoices were sent to suppliers during October 2012, which will continue on a quarterly basis. The Trust has been structured so that the contributions of suppliers will count towards their BBBEE Scorecards. The Trust has brought its project portfolio in line with the Integrated Development Plan of the Umjindi Local Municipality for implementation in the 2012/2013 financial year.



# Singobile School Project



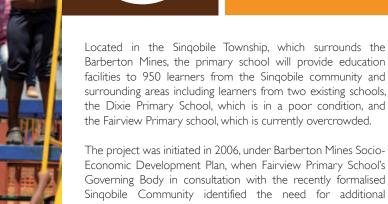
We are especially pleased that during this financial year, Pan African's subsidiary, Barberton Mines, in partnership with Adopt-a-School completed and officially handed over the Singobile School Project to the Department of Education.

Amount spent

#### Milestones achieved



- Opening of 16 classrooms
- A 100m road to link the school to the township



Economic Development Plan, when Fairview Primary School's Governing Body in consultation with the recently formalised Singobile Community identified the need for additional education facilities for the community. Through the municipal township establishment process, Umjindi Local Municipality donated 4 hectares of land for a primary school in Singobile Township. The completed phases (phase one and two) of the project which were officially opened on 16 July 2012, include 16 classrooms, a kitchen facility, a sports field, two ablution blocks, school furniture and fencing. A 100m road was included to link the school to the Singobile Township.

The maintenance of the school will become the responsibility of the Department of Education, but Barberton Mines will continue to be involved.



# Umjindi Jewellery Project

The Project is the first institution in Mpumalanga to provide training in precious metal arts and jewellery manufacturing.

The purpose of the project is to provide much needed artisan skills to the previously disadvantaged youth in the community. Students are taught the skill of precious metal arts and jewellery manufacturing through practical training and a mentorship programme. Jewellery manufacturing skills are constantly revised with new techniques and machinery.

Amount spent

'Full accreditation from MQA'

ZAR4.2m

Two senior full-time goldsmiths were appointed this year to ensure skills transfer and a high quality of training to trainees. The project also received full accreditation with the MQA (Mining Qualifications Authority) and can now provide certificated training up to Level 4, which provides learners with a qualification that enables them to be employed in the jewellery industry. This project is the first training institution in Mpumalanga to be able to provide such training.

The 14 students currently attending the project, have produced a variety of jewellery, inspired by the local people and environment. The jewellery is marketed and sold through an agreement with the Jacaranda Tree Company, which markets the jewellery on the project's behalf in London through the John Lewis stores. This marketing campaign has not gained the required traction from the project and further local marketing initiatives have been considered, including a marketing website which is set to go live in the next financial year.



# Singobile Life Skills Centre



This Life Skills Development Centre provides technical skills in arc welding, sewing, bread baking and brick manufacturing.

During the 2011/2012 financial year, the centre trained 120 young people from the surrounding communities in various technical skills. As a direct result of this initiative, three primary cooperatives have been established which operate out of the skills centre. The initiatives have created numerous self-employment opportunities to those associated members through small business developments.

#### Amount spent

# Milestones achieved



- 12 local members graduated in welding
- · Five women shortlisted to join Sewing Cooperative

The centre developed further initiatives during the 2011/2012 financial year.

#### The Umjindi Welding Primary Cooperative Limited

After initial training in arc welding, 12 young local members graduated to this primary cooperative that awarded the students the opportunity to utilise their welding skills and manufacture window frames for the Singobile School Project.

The cooperative also supplies various households and hardware stores such as MICA Barberton with quality steel window frames and other steel-related products.

#### Kuhlekwethu Sewing Cooperative Limited

A number of female trainees from the sewing class of March 2011 presented their future plans and vision of supplying Barberton Mines with quality work-wear and boilermaker suits. Five women were shortlisted to join the sewing cooperative and in May 2012, Barberton Mines awarded the sewing cooperative an opportunity to supply the mine with about 100 work-wear suits a month, at an agreed upon sales price, with effect from July 2012. Samples of their work have been sent to the SABS and are awaiting their quality stamp of approval.

#### Tenteleni Brick Cooperative Limited

This cooperative consists of seven members who have been skilled in and produce stock bricks for the Singobile School Project. The members provide the bricks and Adopt-a-School are invoiced at an agreed price. The cooperative also supplies

# Sinqobile Vegetable Project

The Sinqobile Vegetable Project was started in 2006 as a means to plant, grow and produce seasonal vegetables, such as cabbages, spinach, beetroot, lettuce, onions, carrots, green peppers, green beans and pumpkins.

Amount spent

'Blueprint in our Community'

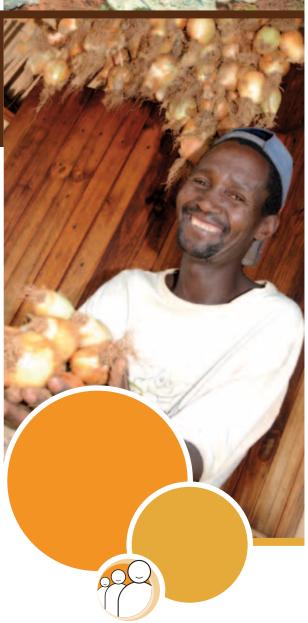
ZAR0.2m

Operating a  $1,200\text{m}^2$  piece of land donated by the mine, the produced vegetables are sold to the local supermarkets, such as Pick n Pay, hawkers, schools and households.

In February 2012, the team at Barberton Mines officially handed over the Vegetable Project to its seven beneficiary members and the Provincial Department of Agriculture. The Mines will continue to transfer business management skills to the beneficiaries through continued monitoring and mentoring of the project and also provide the required water and electricity.

The Vegetable Project has yielded successful results and is deemed a blueprint for such future projects. A similar project is therefore earmarked for the Umjindi trust area and is budgeted for in the 2012/2013 financial year at a cost of ZAR240,000.

This project, albeit small, is a real success story and proof of the successes that can be achieved.



# **Bursaries for Tertiary Education**



The scheme provides full-time bursaries in Geology, Accountancy, Mine Engineering and Mine Surveying.

Following on our theme of learning and development of our employees and community, the Group designed a bursary scheme to provide full-time bursaries to 10 students.

Candidates are sourced from our local communities, with the intention of offering them job opportunities to fill the scarce skills vacancies within Barberton Mines on completion of their studies.

#### Amount spent

# ZAR0.9m

#### Milestones achieved

- 10 candidates chosen to study at universities in South Africa
- Four more students will be chosen for next year to study.

The bursary scheme covers full tuition fees, accommodation, prescribed text books, on-site mentoring, three weeks' vacation, job in a year and a monthly allowance of ZAR800 for a period of 10 months, per academic year.

This year we announced the election of the 10 candidates who were chosen from our labour sending area. The graduates will study at recognised South African Universities in their chosen fields, including Geology, Accountancy, Mine Engineering and Mine Surveying.

Pan African Resources intends to recruit a further four candidates next year bringing the approved complement to 14, which will be ongoing.







Barberton Mines had another solid production year and together with a continued high gold price, produced record profits. The team directed its sizeable capital expenditure budget into rehabilitating ageing infrastructure and exploring for new orebodies. Construction work on the Barberton Tailings Retreatment Plant is progressing and the commissioning of the plant remains scheduled for the second half of 2013.

# Operations

Barberton Gold Mining Operations ('BGMO')

Phoenix Platinum Chrome Tailings Retreatment Plant ('CTRP')

Barberton Tailings Retreatment Plant Project ('BTRP')

Mineral Resources Management

**New Business** 

# Operation at a Glance

Operation Name	Barberton Gold Mining Operations			
Parent and ownership percentage	Pan African Resources PLC (100% attributable)			
Company name	Barberton Mines (Pty) Limited (South African incorporated)			
Country of operation	South Africa			
Provincial jurisdiction	Mpumalanga			
Number of employees	1,800			
Number of contractors	400			
Commodity being mined	Gold			
Geological setting	Sediments and metavolcanics with a Greenstone Belt			
Mining method	Underground semi-mechanised up-dip cut and fill and up-dip room and stick			
Extraction method	Concentrator and BIOX®			
Name Plate Annual Production				
Tonnage (t)	315,000			
Head Grade (g/t)	10.45 <i>g/</i> t			
Gold produced (oz)	95,000oz			
Cash cost	US\$776/oz			
Capex per annum	GBP6.6 million			
LOM	17 years			



Head grade and overall recoveries have been maintained above 10g/t over the past five years and continue to highlight the quality of the orebody.

# Setting the Scene

Barberton first produced gold in 1886 after the discovery of the first gold nugget by Edwin Bray.

During the 1970s and 1980s AngloVaal consolidated various operations in the area including Sheba, New Consort and Agnes Mines. In 1998 the Company acquired Fairview Mine from the then owners Goldfields (previously Gencor). In 2003 AngloVaal sold the operations, excluding Agnes, to Metorex and in 2006 Metorex reversed Barberton Mines into Pan African Resources PLC.

The Barberton Mines mining complex consists of three mines: Fairview, New Consort and Sheba. Barberton currently produces approximately 95,000oz of gold per annum.

Barberton Mines is the birthplace of BIOX® ('Biological Oxidation'), an environmentally-friendly process of releasing the gold from the sulphide that surrounds it, using bacteria that perform this process naturally.

The Barberton Mines' management is currently investing significant capital to expand production over the next six years with its new BTRP which is currently under construction.

The Barberton Mines continues to achieve its strategic goal of being one of the lowest cash cost producers of gold, producing an average of US\$776/oz.

# Key Historical Developments

Date	Development
31 July 2007	Pan African Resources acquired 74% of BML from Metorex (24% held by Shanduka). Metorex retained the management contract
21 August 2009	Pan African Resources acquired Shanduka's 26% shareholding in Barberton Mines
26 October 2010	Barberton Mines' Transformation Trust was approved by the Master of the High Court
14 July 2011	Amended Recognition Agreement with the National Union of Mineworkers concluded
28 April 2011	Barberton Mines' Mining Rights conversions for Fairview, Sheba and New Consort Mines were executed (awaiting registration)
10 November 2011	Pan African Resources Board approval granted for the BTRP Project
2 March 2012	Agreement concluded with Matomo Basil Read to construct the BTRP Project
4 April 2012	BTRP earthworks commenced
14 June 2012	BTRP gold room construction commenced
30 June 2012	Phases I and 2 of the Sinqobile School completed (opened school post- period on 16 July 2012 to 950 primary learners)

# Continued

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

The Barberton team follows a robust Safety, Health, Environment and Community ('SHEC') system at Barberton Mines and is committed to:

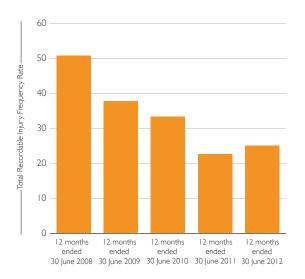
- the improvement of health and safety performance through the setting and achievement of goals, taking into account stakeholder expectations and industry leading practices;
- the implementation of systems to provide a working environment that is conducive to good health and safety; and
- the management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

# Safety

It is with regret that we have to report that on 29 May 2012 an underground general shaft worker, Mr Christopher Makhosonke Hlela was fatally injured when a measuring flask of a rock loading station at the Fairview No 3 Shaft bottom dislodged and struck him.

The failure of the measuring flask could not be foreseen or detected by weekly inspections and no single action was identified as the reason for the death of Mr Hlela. No person contravened the requirements of the Act or Regulations, however, the following actions were recommended and have been implemented at the mine:

#### Total Recordable Injury Frequency Rate

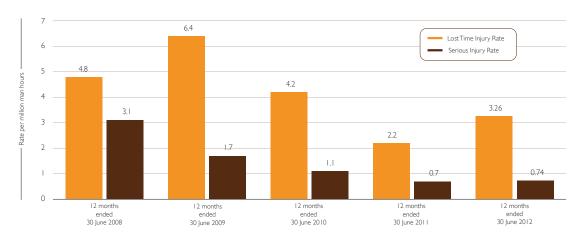


- the mine must revise the design, construction, operation and maintenance of box fronts, chutes and measuring flasks;
- the code of practice for the safe operation of draw points, tipping points, rock passes and box fronts must be revised;
- the code of practice must include the timely replacement of parts of the equipment that may fail (reliability centred maintenance);
- procedures and training must be amended to provide for the changes in the risk assessment and code of practice – all relevant persons must be retrained; and
- a system of inspections and planned task observations must be implemented to ensure compliance to training, rules and legislation.

The Group remains committed to the safety and health of all its employees and continues to review its procedures on a regular basis as part of its focus on a behaviour-based safety approach.

The Barberton Mines' operating sections, comprising the Fairview, Sheba and New Consort mines, showed decline year-on-year in its overall safety performance. The LTIFR increased to 3.26 (2011: 2.2) and the SIFR increased to 0.74 (2011: 0.66). The Total Recordable Injury Frequency Rate ('RIFR') also increased to 25.1 (2011: 22.6). Although Barberton Mines showed a slight decline on its year-on-year safety performance, results are below the 2014 targets as set by the DMR.

#### **Accident Rates**



	12 months				
	ended	ended	ended	ended	ended
	2008	2009	2010	2011	2012
Fatal Injury Frequency Rate ('FIFR')	1.43	0	0.18	-	0.18

#### Health

Barberton Mines established primary healthcare clinics at each of the three mines. They provide services to the category 4-8 employees, constituting a workforce of 1,450 people. These employees do not have medical aid schemes and the service forms part of their benefit packages. The cost to company is approximately £0.3 million (ZAR4 million) a year.

A full-time AIDS counsellor was appointed at the beginning of 2011 and through her initiatives 72% of the labour force was voluntarily tested for HIV. Of the tested group, 40% tested positive and of these 26% are currently on antiretrovirals ('ARVs').

HIV and TB campaigns are undertaken on a bi-annual basis to create awareness and have been favourably received by the employees.

#### Environment

Long-term environmental obligations are based on Barberton Mines' environmental plans, in compliance with current environmental and regulatory requirements. Full provision is made 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 clean-up at closure.

## **Environmental Compliance**

#### Decommissioning and 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 up to complete closure.

The rehabilitation trust fund and rehabilitation provision balances as at 30 June 2012 were £2.7 million and £3.2 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

# Continued

#### Risks

Mining and exploration activities are always done in a way where best practice is considered to minimise the impact to the environment. The updated Environmental Monitoring Programme has been submitted to the DMR and is still awaiting approval. An environmental performance audit has been done and non-compliance issues are being dealt with.

The following factors are considered the highest risks regarding environmental compliance:

Water pollution and renewal of the water licence	Water compliance
Biodiversity and land management	Rehabilitation plans for restoration
Alien invasive plants	Addressing unwanted vegetation
Waste management	Removal of all waste generated by the mine

## Mitigation of Risks

The following actions were put into place to ameliorate the abovementioned risks:

#### Water Pollution and Water Licence Renewal

The water licences for New Consort and Fairview have been approved while the approval of the Sheba water licence is pending. Water quality is considered a major focus point and water management issues are constantly reviewed to improve water use at the mine. As part of the continuous assessment of the impact of mining activities to the receiving environment,

aquatic bio-assessments are conducted annually to monitor the state of the natural streams arising in the mining area. Monitoring programmes are compliant with regulations of the Department of Water Affairs as well as the Department of Environmental Affairs.

#### Biodiversity and Land Management

The rehabilitation plan is focused on restoring disturbed areas back to their original state by using the most natural methods possible.

#### Alien Invasive Plants

The mine has introduced a control and management programme for alien vegetation. This programme is well supported by the Government Departments.

#### Waste Management

Barberton Mines is fully committed to managing waste and a waste contractor has been appointed to remove all waste from the mine to a recycling site where the waste is sorted and recycled.

Barberton Mines is totally reliant on the State Energy Producer, Eskom for electricity. The team undertook to install solar panels at the mine in an attempt to do a feasibility regarding renewal energy. After a test phase of six months, independent consultants TWP reviewed the operations of the pilot project and reported that a full scale project would not be cost-effective for the mine. As a result, the pilot project solar panels are now only used to feed excess electricity back into the grid.

## Community Development

Refer to page 36 in this report.



# Management Team

Name	Age	Designation	Qualification	Experience
Casper Strydom	54	General Manager	National Higher Diploma Metalliferous Mining Mine Managers Certificate	36 years of mining- related experience
Pierre Human	51	Manager: Mining	Mine Overseers Certificate of Competency Mine Managers Certificate of Competency MDP Stellenbosch	30 years of mining- related experience
Jonathan Irons	46	Manager: Metallurgy	National Higher Diploma Extractive Metallurgy Programme for Management Development (GIBS – University of Pretoria) Competence levels include Refractory Gold Extraction Technologies – (Roasting and Hydrobiological)	25 years of metallurgy- related experience
Hans Grobler	49	Manager: Engineering	Mechanical Engineers Certificate of Competency Pr Certificated Engineer	31 years of engineering- related experience
Barry Naicker	38	Manager: Mineral Resources	BSc (Honours) Geology and Economic Geology Graduate Diploma in Engineering (MRM)	Nine years of geology- related experience
Neal Reynolds*	29	Manager: Finance and Administration	BCom (Honours) CA(SA)	Five years of financial- related experience
Essie Esterhuizen	53	Manager: Human Resources	Completed the Gencor Learner Officials Programme Certificate in Personnel Management Various other mining industry-related certificates Skills Development Facilitator – NQF Level 5	31 years of human resources related experience

<sup>\*</sup> Post period of reporting Mr N Reynolds has been moved to Corporate Office and replaced by MrTP Maepa.

# Operational Performance Production Results for 2012

Financial Year:		2012	2011	2010	2009	2008
Tonnes Milled – Underground	(t)	282,041	296,200	313,167	313,952	315,305
Tonnes Milled – Surface	(t)	26,054	_	_	_	_
Head Grade	(g/t)	10.45	10.55	10.61	10.32	8.90
Recovered Grade	(g/t)	9.53	9.67	9.68	9.40	8.13
Overall Recovery	(%)	91	91	91	91	91
Production: Underground	(oz)	93,381	92,043	97,483	94,909	82,436
Production: Surface/Calcine Dumps	(oz)	1,068	_	_	3,955	13,513
Gold Sold	(oz)	94,449	92,197	98,091	97,353	99,078
Average Price: Spot	(R/kg)	422,215	306,757	267,876	251,740	193,159
Average Price: Hedge	(R/kg)	_	_	_	_	105,850
Average Price: Spot	(US\$/oz)	1,694	1,366	1,098	867	823
Average Price: Hedge	(US\$/oz)	_	_	_	_	451
Total Cash Cost US\$/oz Sold	(US\$/oz)	776	781	650	469	476
Total Cash Cost R/kg Sold	(R/kg)	193,360	175,520	158,711	136,178	111,272
Total Cost per Tonne	(R/t)	1,844	1,707	1,537	1,313	1,088
Total Mining Cost per Tonne	(R/t)	1,830	1,648	1,486	1,256	1,045
Capital Expenditure	(£)	10,741,230	6,773,729	5,918,271	4,052,665	2,901,792
Exchange Rate – Average	(ZAR/£)	12.27	11.11	11.93	14.39	14.68
Exchange Rate – Closing	(ZAR/£)	12.91	10.94	11.53	12.66	15.56
Exchange Rate – Average	(ZAR/US\$)	7.75	6.99	7.59	9.03	7.30
Exchange Rate – Closing	(ZAR/US\$)	8.27	6.83	7.65	7.72	7.80

# Continued

# Capital Expenditure

#### **Organic Growth Projects**

During the year under review, a total of £10.7 million was spent on capital expenditure of which £3.1 million was for capital development projects.

The drilling progress of the projects for the period under review are summarised below:

Project	2012 (Metres)	2011 (Metres)	Resource Target (Oz)
Sheba – 36ZK	359	294	6,000
Sheba – Edwin Bray to			
Thomas and Joe's Luck Area	303	491	17,000
54 Level Rossiter Orebody	123	0	11,000
Fairview – 3 Shaft			
Deepening	109	149	278,000
Consort – 40 Level			
Station Establishment	267	34	10,000
Consort – 50 Level			
Decline West	197	123	26,000

#### Sheba – 36ZK

Good progress was made with this project, and a mineable block has been delineated (36ZK 1,030 hanging wall 2,820 tonnes @ 13.82g/t) and stoping will commence in the next financial year. Further exploration drilling will be conducted during the next financial year to delineate the various Cross Fractures (1010, 990, 970 and 950 X/Fractures).

#### Sheba – Edwin Bray, Thomas and Joe's Luck Area

Incline development towards the high grade surface borehole intersections was carried out during the period under review. Additional infill exploration drilling is in progress for the next financial year.

#### Fairview - 54 Level Rossiter Orebody

This project has been completed and as a result the indicated resource block was converted to a measured resource (50g/t over a 3.8m). On-reef mining is in progress.

#### Fairview - 3 Shaft Deepening

Good progress was made with this project, where the development of a return airway was designed to provide sufficient ventilation at workable temperature. A further change was made to commence with a decline towards the 68 level down dip of the 11 high grade block.

#### Consort – 40 Level Development

Development to the east through the pegmatite was successful. Development on the shale will continue in the next financial year. Further exploration drilling from strategic points will target the position of the footwall lens/serpentinite to determine the extent of mineralisation.

#### Consort - 50 Level Decline West

A station was successfully established on 52 level and the shaft decline will be developed to 53 level in the new financial year.

#### On-Mine Development

The on-mine development for the period under review is summarised below:

On-Mine Development for 2012								
	New C	onsort	Fair	view	Sheba			
	metres	metres g/t		g/t	metres	g/t		
Reef Development	548	4.04	581	8.45	1,057	3.38		
Stope Development	357	5.47	229	6.10	73	7.46		
Waste Development	1,348		1,563		2,527			

#### Maintenance Capital (excluding BTRP)

The maintenance capital at Barberton Mines amounted to £3.1 million. Expenditure on processing plant maintenance capital was £0.19 million for the year, as a result of purchasing a new concentrator truck in relation to the Sheba plant and installation of new pumps at Sheba and Consort Plants. The BIOX® Plant incurred £0.27 million in upgrading compressors and blowers. The total metallurgical maintenance and replacement expenditure for the year under review amounted to £0.7 million.

The capital expenditure on the maintenance of engineering equipment and infrastructure totalled £1.4 million for the year. Upgrading the mining equipment fleet was a key focus area during the year with expenditure of £0.2 million to rebuild load haul dumpers. The purchase of a front-end loader and tipper truck cost £0.2 million. Expenditure on the refurbishment of shafts and headgears amounted to £0.2 million.

The balance of the maintenance capital was largely spent on the final implementation of a new financial system for £0.24 million and replacement of light vehicles for £0.7 million.

# Efficiency/Optimisation Drivers and Focus Areas

# Optimisation of Mill Capacity

Due to the current high gold price, minimal capital expenditure requirements and low operating costs, additional low-grade

surface material has been identified for treatment. This feed source averages approximately 4,300 tonnes per month and results in 95kg of gold per annum which is required to replace the reduction in gold from the Sheba section.

#### Ventilation at Fairview

The ventilation model is being revised to determine the refrigeration requirement to maintain the production efficiency of the workforce as we mine from deeper areas at the Fairview Mine.

#### Additional Workable Areas

Shallow low-grade blocks in old areas are being investigated to optimise the upper level orebodies. With the higher gold price many blocks that were historically not mined are now viable. To make them available for mining, re-equipping is required on an ongoing basis in order to open these payable blocks.

## Outlook and Future

The management team at Barberton Mines remains committed to producing 95,000oz of gold for the next financial year at the lowest cost and as safely as possible.

The BTRP Project is progressing as per schedule and the potential of increasing Barberton's production by 20,000oz in the financial year 2013/2014 is on track.

Barberton Mines remains committed to its community projects over the next year. Phase 3 of the Singobile School Project has been approved and is intended for completion in the new financial year.

# Mineral Resource Management ('MRM')

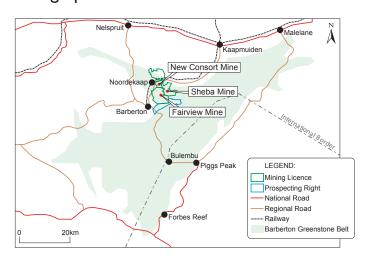
### Description and Geographic Location

Barberton Mines is situated in the Magisterial District of Barberton, Mpumalanga Province, Republic of South Africa, some 370km east of Johannesburg and 47km south-east of Nelspruit, The geographic location of Barberton Mines is set in the map above.

# Geological Setting

The ore horizons at Barberton are classified as Achaean epigenetic lode gold orebodies within a granite greenstone terrain. The distribution and localisation of these orebodies in the Barberton Greenstone Belt ('BGB') can be largely attributed to the combined influence of granite emplacement structural deformation and thermal metamorphism (Competent Person's

# Geographic Location



Report, SRK, 2007). The majority of the known gold deposits of the BGB can be found in the James and Sheba Hills in the north and north-east of the Barberton Mountain Land and in the Moodies Hills, an area immediately south-west of Barberton. Additional gold deposits occur along and adjacent to the major strike and faults as well as in a few localities in Swaziland near the granite greenstone contacts.

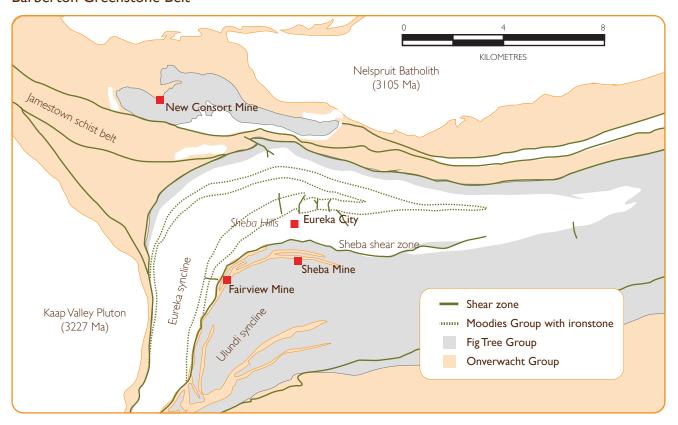
The locations and geometries of these orebodies are structurally controlled. They all occur in the vicinity of the Sheba Shear/ Fault Zone, which developed between the Ulundi and Eureka Synclines. The Sheba Shear Fault Zone is a complex, refolded, arcuate, south-dipping shear/fault system. The geometries of the orebodies have variable dips, strikes and widths due to the complex deformational history of the host rocks. Some of the orebodies are continuous for several hundred metres along strike and down dip, whereas others are not traceable between adjacent crosscuts and drill holes of the Sheba, New Consort and Fairview Mines (Competent Person's Report, SRK, 2007).

Two types of ore can be found in the Sheba, Fairview and New Consort Mines:

- Refractory ore (sulphides): this is the dominant ore type within the Achaean gold orebodies in the Barberton region. The gold particles occur trapped within sulphide minerals especially in pyrite and arsenopyrite.
- Gold-bearing quartz veins: the gold-quartz lodes generally represent tectonically produced dilatant features filled with vein-type gold ores as a consequence of mobilisation of essentially siliceous and/or carbonated solutions by metamorphic processes. The dilatant and shear zones generally provide free-milling gold ore, the gold occurring in the form of irregular gold grains which may be accompanied by variable, but usually small quantities of sulphides.

## Continued

### Geological Map of the Sheba Hills Area Barberton Greenstone Belt



Almost all the gold in the Barberton region occurs in gold-bearing veins, either alone as the dominant ore type or in association with the complex sulphidic ores. In the Fairview Mine, gold-quartz veins in the Moodies Quartzite are in places accompanied by minor pyrite, arsenopyrite, chalcopyrite and galena. In the Sheba Mine, free gold occurs mainly in siliceous fractures in brittle chert horizons. In the New Consort Mine, some gold occurrences in gold-bearing quartz veins have also been recorded, in addition to those associated with complex sulphidic ores.

# Type of Mining and Mining Description

Barberton Mines has continued with the application of the semi-mechanised cut and fill method and increased its usage. This method is appropriate for the geological environment. The method is mined in an updip direction and involves drilling holes vertically into the stope back. A variation of this, with horizontally-directed holes (called breast stoping), is used in stopes with shorter strike lengths and/or poor rock conditions. Breast stoping has a lower production potential than the standard updip method. As the stope is mined it is filled with development waste to provide a working platform. The amount of development is thus determined by the need to open up new areas without having to hoist waste out of the mine.

# Underground Exploration and Development Results

During the past year 2,186m of reef, at an average grade of 4.90g/t, and 5,438m of waste were completed, of which 3,556m was geologically mapped.

Barberton Mines collared 187 underground boreholes during the year and drilled 14,528m of core. A total of 133 significant intersections were returned of which 103 were above the pay limit and a further 30 marginal grade intersections. The average value of all 45 economic intersections comes to 24.26g/t over a width of 182cm.

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

Operation	Bh No	cm	g/t	Description
New Consort	37NE-5	100.00	111.0	To be accessed via SI 14
New Consort	3#CT-6	192.00	55.8	3 Shaft resource extension
New Consort	22W4-6	188.00	19.6	Confirms extension of W4 beyond pegmatite
New Consort	20IV-4	188.00	21.5	Ivora mineralisation below 20 level
Sheba	33 ZKH 03	71.00	300.4	Footwall mineralisation on the ZK-Horizon
Sheba	29 ST 20	764.00	15.7	Stockwork extension
Sheba	29 ST 24	113.00	34.1	Stockwork extension
Sheba	36 ZK W01	82.00	42.7	Mineralisation on the ZK Main Fracture
Fairview	Bh 5849	1,626.00	50.2	Downdip extension of I I Block
Fairview	Bh 5864	1,383.00	43.8	Downdip extension of 11 Block
Fairview	Bh 5861	77.00	21.2	Low grade flanks of 11 Block
Fairview	Bh 5799	70.00	8.8	Low grade flanks of 11 Block

## Mineral Resource Management Strategy ('MRM')

The principal objective of this initiative is to improve the liaison between geology, survey, evaluation and planning activities in order to create more integrated plans that are more aligned to value. The key operational focus is to integrate all intellectual capital and technical data in order to enhance the Mineral Resource confidence and volume that results in an improved LOM to the operations.

Thus, MRM at Barberton Mines has the role of identifying, optimising and realising the value of the mineral asset through converting it from an initial Inferred Resource through to a proved Reserve, and ultimately to a saleable product. The MRM framework developed and implemented hinges on integrated areas of responsibility, necessitating a common approach and leading to a team-based interaction.

## Competent Person's Statement

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

#### Estimates

#### Resource Estimation

The grade and the structure in the ore shoots are highly erratic in nature and most of the data for evaluating Resource blocks is derived from development adjacent to the mining blocks and from the position of the present mining areas. This is unlike the blocks used by other typical Witwatersrand mining operations where the value of Resource blocks are estimated and classified well ahead of the mining areas current mining areas. The continuity of grade values within the ore shoots is derived primarily from short range statistical projections, based on experience that has been gained from historical mining of the orebody and gained from the study of its tectonic structure. Mineral Resources and Reserves are block defined based on this information.

The tectonic structure and orebody geometry has been modelled using the Lynx orebody modelling system. This system allows the three-dimensional structure of the mineralised volume to be viewed graphically. This is used as a tool for visualising grade continuity and is an aid for mine planning.

Reef drill-hole intersections are defined as all samples intersecting the reef, irrespective of the sample grade and inclusive of at least one sample in the footwall and another in the hangingwall of the reef.

For both diamond cored drill-hole and underground sampling, a minimum sampling width of 150cm is used in the case of mechanical mining and 100cm for conventional scraper type stoping. Where the reef width is less than this value, hangingwall and footwall samples are included.

Where an individual sample value is greater than 100g/t, the grade is capped at 100g/t. This is done at the sample level and also over the whole channel width. It has been found historically that if sample values over 100g/t are capped, these abnormally high sample grade values will not lead to over-valuation of the mean value of the stretch samples which are used to assign values to nearby Resource blocks.

#### Block Tonnage and Grade Estimation

Each mine is split into sub-areas defined by reef type and infrastructure design. Within these areas, ore Resource blocks are defined adjacent to development ends and stoped areas. Measured reserve blocks are generally 20m on strike and 10m in the dip direction. Where blocks are defined adjacent to a development end only, the grade and true width of the reef in the block are estimated by calculating the arithmetic mean or 'stretch average' of the samples along the development end. If the sample spacing is at the standard 3m, the block value is derived by calculating the average value of the samples. If the sample interval is variable, the block is assigned the lengthweighted arithmetic mean of the strip averages. If the Resource

## Continued

block is surrounded by other sampling, either by previous stope sampling or exploration boreholes, the block is assigned values based on the mean of the surrounding sampling, weighted by the inverse of the distance from the sampling to the centre of indicated and inferred blocks. In each case, one mean value is determined for each channel sampling section first and the means are then averaged.

The number and spacing of drill-holes intersecting the reef is dictated by the position of the exploration development with respect to the orientation of the reef being explored. Because of this, there is no set drill-hole spacing and the number of drill-holes available to estimate block values varies from place to place. This parameter cannot therefore be used as a Resource classification criterion.

#### Mineral Resource Blocks

In selecting Resource blocks to be included in a Mineral Resource statement, a cut-off grade of 2.0g/t is applied. This is not an economic cut-off, but is historical in the Barberton area. However, some Resource blocks that are below the cut-off grade are included within the 17-year forecast plan for Pan African Resources, where the blocks are required to be mined as part of the mining method of the total Resource either for geological or geotechnical considerations. Some blocks are within safety and shaft pillars and some cannot be mined from the current infrastructure or using the currently employed mining methods or strategies, so are therefore included in the Resources but excluded from the reserves. To convert a Resource block into a Reserve block, it must satisfy one of the following:

- Immediately available blocks Resource blocks that are adjacent to current mining areas with all mining infrastructure in place and are fully equipped with services; or
- Not-immediately available blocks Resource blocks which can be made available within a short period; and
- Mining infrastructure is in place, but has yet to be equipped with services.

A block tonnage is calculated for each Resource block using the estimated true thickness, the block area and by using an average specific gravity for each of the operating mines (sections).

A density ranging from 2.73 to 3.03t/m³ is used on the three mines, depending on the characteristics of the ore. It is known that there is a strong correlation between gold grades and density of ore that contain high sulphide mineralisation. Because gold mineralisation is often closely associated with sulphide mineralisation, in parts of the mine gold grade – rock density correlations are used in estimating tonnages. The Zwartkoppies Reef, however, is known to contain less sulphide mineralisation and the gold within this reef is mostly free gold and hence a lower value 2.73t/m³ is used. Development and waste rock is also assigned a density of 2.73t/m³. The specific gravity ('SG') values have generally been accepted as being 'historically' correct. Orebodies that contain free gold are assigned a density of 2.73t/m³.

Further to the above framework, Barberton Mines 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 the existing pay limit methodology and offers a number of advantages:

- the unique statistical properties of the specific orebody is taken into account;
- it eliminates the need for adjustments and unpaid 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 2013 financial year Pan African Resources will continue its drive towards MRM excellence by improving geological understanding, data recording quality and focusing on ensuring sustainability through appropriately focused exploration targets.

## Classification of Mineral Inventory

The Resource blocks are classified into Measured, Indicated and Inferred Resources based on the following criteria, according to the SAMREC Code:

- Measured Mineral Resources: Measured blocks are bound by sampled development or stope faces on at least one side. Measured Mineral Resource blocks are also delineated immediately adjacent to reef drives. In this case, their extent is limited to a distance of 10m up and down dip along the plane of the orebody.
- Indicated Mineral Resources: Indicated blocks are blocks bounded by measured blocks or where the down dip continuation of a block has been demonstrated by drillhole intersections. Indicated Resource blocks are adjacent to Measured Resource blocks and are normally the extension of Measured Resources based on diamond drilling or other information.
- Inferred Mineral Resources: Blocks where geological interpretation suggests that continued mineralisation is likely even where no drilling information is available. These blocks occur adjacent to indicated Mineral Resource blocks.

Other mining blocks that have previously been closed for economic reasons, but can be brought back into production when economic conditions improve are termed Dormant Blocks. These blocks have been included in the Mineral Resource using the same classification criteria as those applied to areas that are presently available for mining. The outside Sections include Victory Hill, Margret, Mamba, Catscove, Pan and OW 5.

# **Modifying Factors**

The table below reflects historical achievements for Mineral Reserve Block Factor ('BF'), Overall Plant Recovery Factor ('PRF') and Mine Call Factor ('MCF'). Modifying factors used for converting Resources to Reserves and for the Life of Mine plan are deduced from these historical achievements.

	Current										
Efficiencies and Factors	Plan	11/12	10/11	09/10	08/09	07/08	06/07	05/06	04/05	03/04	02/03
NEW CONSORT											
Block Factor	100.0	100.0	114.4	125.0	122.2	97.5	69.9	97.3	84.5	66.3	100.2
Overall Recovery	90.5	89.8	89.1	89.7	91.6	91.9	92.4	93.5	93.0	90.3	89.3
Mine Call Factor	95.0	90.0	99.5	89.3	83.4	86.1	99.8	107.8	86.2	85.9	91.7
FAIRVIEW											
Block Factor	89.3	100.0	94.3	120.5	101.6	117.5	90.4	114.3	110.8	95.0	88.7
Overall Recovery	90.5	90.9	90.2	90.9	90.8	90.5	90.9	90.3	90.3	88.3	89.2
Mine Call Factor	97.5	81.5	84.8	90.0	80.1	84.0	82.1	82.5	85.7	79.4	90.6
SHEBA											
Block Factor	91.0	91.0	91.0	86.9	107.6	112.4	110.9	109.9	94.8	100.5	104.0
Overall Recovery	92.5	92.6	92.0	91.7	92.8	92.7	92.6	93.0	93.7	92.8	92.3
Mine Call Factor	100.0	100.0	125.9	126.3	109.8	90.1	86.1	99.9	99.9	111.8	99.7

# Commodity Prices Used

A gold price of US\$1,500.00/oz was used for the conversion of Mineral Resources to ore reserves at an exchange rate of ZAR8.29/US\$ resulting in a gold price of ZAR400,000/kg.

# 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 2013 financial business plan are as follows:

	3#	PC#	MMR Section	New Consort Total
New Consort Mine				
Pay limit	5.21g/t	7.13g/t	8.01g/t	6.73g/t
		Above Adit Level	MRC & ZK Shafts	Sheba Total
Sheba Mine				
Pay limit		4.30g/t	5.02g/t	5.00g/t
		I#	3#	Fairview Total
Fairview Mine				
Pay limit		4.32g/t	6.43g/t	5.90g/t

# Continued

## Cut-off and Average-Mining-Grade ('AMG') Calculation

The developed 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 orebody 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 programme that requires the following as inputs:

- The database inventory of all Mineral Resource blocks;
- An assumed gold price ZAR400,000/kg;
- Planned production rates for each mine;
- Mine Call Factor;
- Plant Recovery; 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:

	Unit	Fairview	Sheba	New Consort	Total Barberton Mines
Optimal Cut-offs	g/t	5.14	5.09	7.55	5.60
Marginal Cut-offs	g/t	1.70	4.85	3.50	1.4
AMG (Face Grade) (Optimal)	g/t	16.95	12.18	13.27	15.64
AMG (Head Grade) (Optimal)	g/t	16.53	12.18	12.61	15.25
Marginal Tonnes (25% profit margin)	Tonnes	36.7	101	215	2,848
Mining Mix Grade	g/t	3.53	4.96	5.66	4.07
MCF	%	97.5	100	95	95
PRF	%	90.5	92.5	90	90
Gold Price	ZAR/g	400	400	400	400
AMG (Face Grade)	g/t	12,40	6.20	8.10	8.25
AMG (Head Grade)	g/t	12.09	6.20	7.33	8.04
Pay Limits @ ZAR400/g	g/t	5.1	5.08	7.41	5.51
Reserve Grade	g/t	11.17	6.69	8.04	9.54

#### **Fairview**

The optimiser was used to guide the planning process and inputs were determined by both corporate and the mine. Inputs included the attainment of a 50% profit margin at a gold price of ZAR400,000/kg and a total mining cost of ZAR1,798/tonne giving the cut-off grade of I.7g/t. However, the overall mining mix grade would have to be maintained at 3.53g/t and this would only be achieved by mining 36.7% of ore between the I.7g/t cut off and the optimal cut off of 5.14g/t (ie average 3.42g/t) and the rest at an average grade of I6.95g/t. For practicality, however, the cut-off was rounded off to 2.0g/t.

#### Sheba

Again for Sheba a 50% profit margin was applied at the same gold price of ZAR400,000/kgandatotal mining cost of ZAR1,878/tonne giving a cut-off of 5.09g/t. The overall mining mix grade would have to be maintained at 12.18g/t to achieve this. Again for practicality, the cut-off was rounded off to 2.0g/t.

#### **New Consort**

New Consort's current measured and indicated reserves are limited. Current ore reserve generation projects are in place together with exploration drilling to assist in the conversion of resource to reserve and this is a major focus area. A lower profit margin of 20% was applied to New Consort as a guideline resulting in a cut-off of 7.55g/t. The overall mining mix grade would have to be maintained at 13.58g/t to achieve this. Again for practicality, the cut-off was rounded off to 2.0g/t. The mining mix grade of 5.66g/t would have to be achieved by planning.

#### Barberton Mines - Total

Even though Consort remains a challenge to sustain the current production profile into its LOM plan, tremendous strides have been made in a Mineral Resource Management strategy of increasing the resource base on a year-to-year basis. Barberton Mines as a whole will achieve its mining mix grade for the 2012/2013 financial year of 8.25g/t planned grade vs 4.07g/t mining mix grade from the optimiser for a 25% overall profit margin.

# Mineral Inventory

Mineral Reserves Classification	Tonnes kt	Grade (g/t)	Contained Gold kg	koz	Mineral Resources Classification	Tonnes kt	Grade (g/t)	Contained Gold kg	koz
Proved	1,565	7.49	11,731	377	Measured	3,201	8.18	26,193	842
Probable	9,771	2.49	24,342	782	Indicated	10,033	3.87	38,799	1,247
					Inferred	3,911	6.82	26,695	858
Please not	e due to rou	ınding some	errors may	occur	Total Measured and Indicated	13,234	4.91	64,993	2,089
Total Proved and Probable	11,337	3.18	36,073	1,159	Total Mineral Resource	17,146	5.35	91,688	2,947

The following table illustrates the detailed version of each section's Mineral Resource: BGMO Mineral Resources estimate per mine as at 31 March 2012

		Mineral Resource – March 2012					
Operations	Classification	Tonnes	g/t	kg	OZ		
	Measured	1,013,500	7.75	7,851	252,410		
CL 1	Indicated	1,318,100	5.48	7,227	232,369		
Sheba	Inferred	1,807,400	4.67	8,432	271,098		
	Total	4,139,100	5.68	23,510	755,877		
	Measured	373,300	9.13	3,408	109,568		
6	Indicated	184,800	11.50	2,126	68,340		
Consort	Inferred	294,200	9.12	2,683	86,251		
	Total	852,400	9.64	8,216	264,160		
	Measured	1,815,000	8.23	14,934	480,154		
F · ·	Indicated	829,800	19.70	16,350	525,649		
Fairview	Inferred	643,800	20.67	13,310	427,919		
	Total	3,288,500	13.56	44,594	1,433,722		
	Measured	3,201,800	8.18	26,193	842,132		
TOTAL MINIES	Indicated	2,332,700	11.02	25,703	826,358		
TOTAL MINES	Inferred	2,745,500	8.90	24,425	785,268		
	Total	8,280,000	9.22	76,321	2,453,758		
	Measured	_	_	_	-		
Cli D	Indicated	7,194,400	1.56	11,225	360,878		
Slimes Dumps	Inferred	1,054,000	1.30	1,370	44,053		
	Total	8,248,400	1.52	12,595	404,931		
SURFACE ORE	Total	220,700	1.81	400	12,858		
	Measured	_	_	_	_		
O with Courts or	Indicated	285,000	5.16	1,472	47,333		
Outside Sections	Inferred	112,100	8.03	900	28,946		
	Total	397,400	5.97	2,373	76,278		
	Measured	3,201,800	8.18	26,193	842,132		
TOTAL	Indicated	10,033,100	3.87	38,799	1,247,427		
TOTAL	Inferred	3,911,500	6.82	26,695	858,266		
	Total	17,146,400	5.35	91,688	2,947,826		

# Continued

Barberton Mines Mineral Reserves estimate per mine as at 31 March 2012

			Mineral Reserve – March 2012					
Operations	Classification	Tonnes	g/t	kg	OZ			
	Proved	532,200	7.10	3,777	121,446			
Sheba	Probable	1,393,500	4.27	5,957	191,507			
	Total	1,925,700	5.05	9,734	312,953			
	Proved	93,500	8.44	790	25,390			
Consort	Probable	142,400	7.77	1,107	35,585			
	Total	235,900	8.04	1,897	60,975			
	Proved	940,100	7.62	7,164	230,319			
Fairview	Probable	864,900	15.03	13,003	418,065			
	Total	1,805,000	11.17	20,167	648,384			
	Proved	1,565,800	7.49	11,731	377,155			
TOTAL MINES	Probable	2,400,800	8.36	20,067	645,156			
	Total	3,966,600	8.02	31,797	1,022,312			
Slimes Dumps	Probable	7,194,000	0.57	4,065	130,701			
Surface Ore	Probable	176,600	1.19	210	6,750			
	Proved	1,565,800	7.49	15,796	507,857			
TOTAL	Probable	9,771,800	2.49	20,277	651,906			
	Total	11,337,600	3.18	36,073	1,159,763			

Year-on-Year Mineral Inventory Reconciliation

	Reso	urce @	March 20	)II	Reso	urce @	March 20	)12		+/-Var	riance		%V	ariance Ye	ear-on-Ye	ar
Resource Table	kt	g/t	t Au	koz	kt	g/t	t Au	koz	kt	g/t	t Au	koz	kt	g/t	t Au	koz
Measured	2,750	8.45	23,300	750	3,200	8.18	26,200	840	450	-0.27	2,900	90	16.36	-3.18	12.45	12.00
Indicated	7,340	5.50	40,300	1,300	10,030	3.87	38,800	1,250	2,690	-1.63	-1,500	-50	36.65	-29.64	-3.72	-3.85
Inferred	2,510	8.01	20,100	650	3,910	6.82	26,700	860	1,400	-1.19	6,600	180	55.78	-14.80	32.84	32.31
Total	12,600	6.64	83,700	2,700	17,140	5.35	91,700	2,950	4,540	-1.29	8,000	220	36.03	-19.46	9.56	9.26
Total Measured			42.400				4.5.000		2.1.0			10	21.12			
and Indicated	10,090	6.30	63,600	2,050	13,230	4.91	65,000	2,090	3,140	-1.39	1,400	40	31.12	-22.06	2.20	1.95
	Rese	erve @	March 20	)	Rese	erve @	March 20	)12		+/-Va	riance		%\	/ariance Y	ear-on-Ye	ear
Reserve Table	kt	g/t	t Au	koz	kt	g/t	t Au	koz	kt	g/t	t Au	koz	kt	g/t	t Au	koz
Proved	1,220	7.30	8,900	290	1,570	7.49	11,700	380	350	0.20	2,800	90	28.69	2.69	31.46	31.03
Probable	2,610	8.51	22,200	710	9,770	2.49	24,300	780	7,160	-6.01	2,100	70	274.33	-70.71	9.46	9.86
Total	3,830	8.12	31,100	1,000	11,340	3.17	36,000	1,160	7,510	-4.95	4,900	160	196.08	-60.90	15.76	16.00

<sup>\*</sup> 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. Mineral Reserves are reported as subsets of Mineral Resources. Some errors may occur due to rounding.

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). Mr Chadwick is based at Fairview Mine, GMO Building, Barberton, 1300.

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. Mineral Reserves are reported as subsets of Mineral Resources.

Mr Chadwick has confirmed in writing that the information disclosed is compliant with Section 12 of the ISE Listings Requirements and Table I of the SAMREC Code 2009, and that it may be published in the form and context in which it is intended.



**F** Chadwick 26 September 2012

#### Commentary on the Mineral Resources and Mineral Reserves 2012

As at 31 March 2012, Barberton Mines reported a Mineral Reserve of 1,159,763oz and Mineral Resource of 2,947,826oz 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.

During the 2012 financial year the following significant changes to the Resources occurred:

- The majority of additional resources were added from surface tailings dams and dumps associated with the Barberton Mining Operations (these include the Harper and Bramber dumps/dams);
- An addition of 220,730 tonnes at a grade of 1.81g/t were included from surface ore and stockpiles as an Indicated
- 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 2012:

• Increased Barberton Mines' Mineral Reserve by 161,709oz contained gold;

- Increased Barberton Mines' Mineral Resource by 255,462oz contained gold;
- Increased Barberton Mines' Measured Mineral Resource by 93,954oz contained gold;
- Decreased Barberton Mines' Indicated Mineral Resource by 49,37 loz contained gold; and
- Increased Barberton Mines' Inferred Mineral Resource by 210,880oz contained gold.

#### Summary Comment on Mineral Resource Movement

Year-on-year, Barberton Mines' Mineral Resources had a positive variance of 255,462oz contained gold. This was a result of the addition of new resources from an aggressive exploration strategy at each of our operations. Confirmation of the depth extensions of the MRC orebody on the Fairview lower levels also added significant resources to Barberton Mines.

### Summary Comment on Mineral Reserve Movement

There was a year-on-year positive variance of 90,000oz with respect to the Mineral Reserves. As indicated in the table below, Barberton Mines' ore reserves as at 31 March 2012 reflected a year-on-year mining depletion of 72,480oz.

Mineral Resource Reconciliation: 2011 to 2012	Gold (kg)	Gold (koz)
Balance as at March 2011	83,742	2,692
Mined during 2012	2,254	72
Addition	10,200	328
Balance as at March 2012	91,688	2,947
Variance	7,946	255

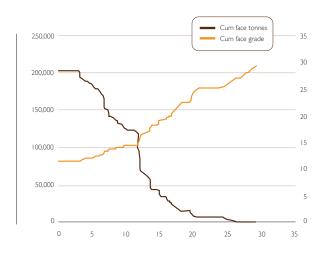
Mineral Reserve Reconciliation: 2011 to 2012	Gold (kg)	Gold (koz)
Balance as at March 2011	31,043	998
Mined during 2012	2,254	72
Addition	7,284	234
Balance as at March 2012	36,073	1,159
Variance	5,030	162

# Continued

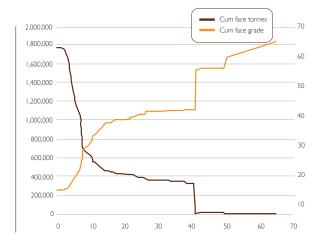
## **Grade Tonnage Curves**

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

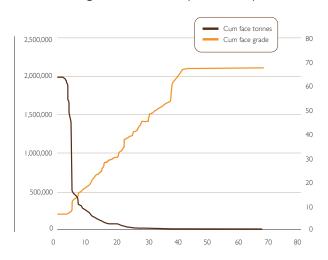
#### New Consort Tonnage Grade Curve (face values)



#### Fairview Tonnage Grade Curve (face values)



#### Sheba Tonnage Grade Curve (face values)



## Mineral Reserve Sensitivity

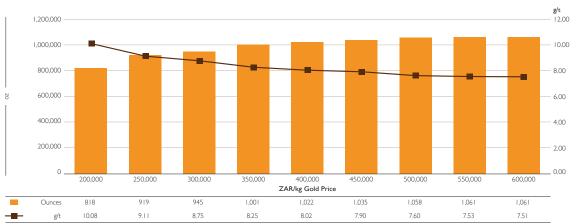
The graph below illustrates ore reserve sensitivities to a changing gold price below and above ZAR275,000/kg.

#### MRM Risks

The risks relating to the MRM at Barberton Mines are set out below:

- Delivery on operational plans:
  - timeous delivery of capital ore reserve generation thus increasing reserve flexibility;
  - focused grade control management dilution, vamping, sweepings and mining to an optimal cut-off grade;
  - enhanced management on quality mining to optimise mining mixes; and
  - o focused management of VTN's operational targets.

#### Ore Reserve Sensitivities



- · Volatility in gold and exchange rates;
- Grade distribution within resource thus affecting block factors and mine call factors. Exploration drilling and on-reef development programme to add more integrity to grade estimates: and
- Geometry of orebodies thus affecting the tonnages of the resource. Reef development and exploration drilling to add confidence on geometry of orebodies. 3D modelling tools used to enhance the integrity of tonnages.



Focus for the 2013 financial year will include the following:

- To access historically mined out areas and remnant Resource blocks to produce and explore in these areas;
- · To focus exploration on continuing to define short-term mining blocks and converting these Indicated and Inferred Mineral Resources to the higher confidence measured category; and
- · To continue a longer term focus on extending and exploring the extensions of orebodies on all mines.



Ore reserve generation ameliorates production problems associated with mining flexibility.

# Mining Rights and Tenure

The mining rights relating to Barberton Mines are set out below:

Mine Name	Mining Licence	Mining Area	Area (ha)	Expiry Date
New Consort Mine	MP 30/5/1/2/2/190 MR	Lots 130, 131, 134, 135, 136, 137 and 159 of Section A Kaap Block, Lots 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 259, 260, 261, 262, 265, 269 and 281 of Section D Kaap Block and the farms Dublin 302 JU, Tinto 300 JU, Segalla 306 JU and Whitwick 301 JU.	2,520.81	27 April 2021
Fairview Mine	MP 30/5/1/2/2/191 MR	159 of Section A Kaap Block, Lots 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 259, 260, 261, 262, 265, 269 and 281 of Section D Kaap Block and the farms Dublin 302 JU, Tinto 300 JU, Segalla 306 JU and Whitwick 301 JU.	3,033.86	27 April 2021
Sheba Mine	MP 30/5/1/2/2/189 MR	Lots 135, 137, 138, 139, 140, 141, 142, 153, 155, 156, 157, 158, 159, 160, 166, 167 and 169 of Section A Kaap Block and the farm Camelot 320 JU.	1,705.06	27 April 2021

The mineral rights pertaining to Barberton Mines were issued by the Department of Mineral Resource ('DMR'), in terms of Item 7 of Schedule II of the Mineral and Petroleum Resources Development Act ('MPRDA').

Mineral rights to Barberton Mines comprise three separate mining rights for the three different mining operations. All three operations' old order rights were converted to the sole and exclusive right to mine on 28 April 2011 (registration of the mining rights is pending due to administrative backlog beyond the mine's control). The description of the mining area of all these mines is situated in the Mpumalanga Magisterial District of Barberton and the commodity is gold. All three of these mining rights will continue to be in force for a period of 10 years ending on 27 April 2021. There are thus no complications regarding the mining rights during the short-term future. Ongoing prospecting is taking place in the mining licence area to continuously assess the extent of the gold mineralisation.

# Phoenix Platinum CTRP

# Operation at a Glance

Operation Name	Phoenix Platinum CTRP
Parent and ownership percentage	Pan African Resources PLC (100% attributable)
Holding company	Phoenix Platinum (Pty) Limited (South African incorporated)
Country of operation	South Africa
Provincial jurisdiction	North West
Number of employees	5
Number of contractors	50
Commodities being mined	Platinum (56.5%), Palladium (27%), Rhodium (16%) and Gold (0.05%) ('PGE 4Es')
Geological setting	Bushveld Igneous Complex. Chrome seams containing PGMs from International Ferro Metals ('IFM')
Mining method	Current arisings tailings produced by IFM during their mining operation are delivered directly to the CTRP and material from old tailings dams
Extraction method	SMD bead milling and flotation (concentrate is delivered to Lonmin's Mooinooi Smelter for toll extraction)
Name Plate Annual Production	
Tonnage (t)	240,000
Plant Feed Grade (g/t)	3.16g/t
PGMs produced (oz)	12,000oz 6E
Cash cost	US\$450/oz
Capex per annum	£0.4 million (ZAR5 million)
LOM	17 years



The construction of the CTRP was completed in November 2011 with the first low grade concentrate delivered at the end of December 2011.

# Setting the Scene

The Phoenix Project has a total South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves ('SAMREC') compliant resource of 493,000oz PGM 4Es (4,853,000 tonnes at 3.16g/t PGM 4Es in situ).

The project is expected to produce 211,000oz PGM 6Es at a plant recovery of 45% over the 17-year life of the operation with a planned annual retreatment capacity of 240,000 tonnes. The total capital cost required to construct and commission the plant was £8.5 million (ZAR104 million). The cost for the plant was funded from existing cash resources within the Group. A sale of concentrate agreement was concluded with Western Platinum Limited ('WPL') during November 2011.

The construction of the CTRP was completed in November 2011 with the first low grade concentrate delivered to WPL at the end of December 2011.

During the hot commissioning phase the metallurgists continued with CTRP stabilisation to achieve steady state concentrate production. The IFM feed source to the CTRP prior to January 2012 originated from the IFM Lesedi underground operations and this sulphide rich tailings material was the basis of the original CTRP project flotation test work. Due to financial considerations IFM drastically cut back on the Lesedi underground tonnes and moved mining operations to the low-cost opencast oxidised ore section at Skychrome.

This opencast material being highly oxidised, contains poor quality chrome and low PGE grades. Feeding this material into the CTRP is not ideal as the highly oxidised tailings do not float properly. The metallurgy of oxidised tailings negatively affects recovery and grade, leading to poor PGE concentrate production. The oxide to sulphide ratio contained in the run of mine ore from the IFM opencast pits will reduce proportionately with the increase in depth of the mining cut. Various options are being investigated to address the effect of the highly oxidised feed source, recoveries and final concentrate grade.

# Key Historical Developments

Date	Development
21 May 2009	Pan African Resources acquired Phoenix
November 2010	Agreement reached with IFM to make use of IFM's infrastructure (electric power and water) and to construct the CTRP for Phoenix on the IFM property
November 2010	Agreement concluded with Matomo Basil Read to construct the CTRP
March 2011	Construction of the CTRP commenced
September to November 2011	Retreat Tailings dam No 2 followed by the construction of the Tailings Storage Facility Extension
November 2011	Sale of Concentrate Agreement signed with Western Platinum Limited ('WPL')
November 2011	CTRP commissioning commenced with first non-spec concentrate produced in December 2011
December 2011	Commenced CTRP Hot Commissioning with first low grade saleable concentrate supplied to WPL end December 2011, and to stabilise the CTRP to achieve a steady state for concentrate specifications
May 2012	Commenced final ramp-up of production

# Phoenix Platinum CTRP

## Continued

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

Phoenix operates under the IFM Mining Right and complies with the IFM Health, Safety and Environmental Policy which is in line with the Pan African Resources policy.

Environmental and Safety Results for 2011/2012 financial year

Description	2011/2012
Plant Spillage Incidents	6
Return to Work Injuries	3
Lost Time Injuries	0
Reportable Injuries	0
LTIFR	0
RIFR	0

## Safety

Baseline risk assessments together with associated specific issue based appraisals form the foundation of the safety programme. A behavioural training programme motivates employees to operate in a responsible and safe manner.

All safety occurrences are fully investigated and corrective actions designed and prescribed. Where necessary, remedial training is carried out.

#### Health

The services of an independent contractor have been secured to monitor the Occupational Exposures at the CTRP and to measure employee compliance.

Phoenix has embarked on an HIV and TB initiative to ensure the well-being of our employees. Confidential testing is encouraged and ARVs supplied where needed.

#### Environment

#### Introduction

Phoenix Platinum endeavours to comply with all environmental compliance needs and mitigation into potential risks has been put into place.

As a wholly-owned subsidiary of Pan African Resources, Phoenix Platinum complies with the Safety, Health, Environment and Community Development Policy of Pan African Resources.

Phoenix Platinum strives to ensure that all environmental risks are identified within the CTRP and its surrounding areas, and the mitigation to these risks are implemented. Due to the location of the CTRP, Phoenix Platinum complies with the Environmental Management Plan of International Ferro Metals ('IFM').

### **Environmental Compliance**

#### **Financing**

A financial quantum assessment was performed by Prescali Environmental Consultants (Pty) Limited in terms of the Mineral and Petroleum Resources Development Act, No 28 of 2002 during June 2012. The outcome indicated a closure liability of £0.1 million (ZAR1.2 million) if the mine/plant were to be shut down immediately.

The abovementioned liability is currently small enough to be covered from normal company cash flows and there is no need at this point in time to investigate other options to finance the liability.

#### **Risks**

The highest risks to Phoenix Platinum regarding environmental compliance are:

Ground Pollution	Tailings spillage in a non-controlled environment, CTRP spillage, incorrect hydrocarbon disposal and waste handling.			
Air Pollution	Dust pollution from trucks.			
Water Pollution	Chemical (Reagent) contamination in water source.			

# Mitigation of Risks

The following actions were put into place to ameliorate the abovementioned risks:

#### **Ground Pollution**

- A communication network has been set-up between the tailings dam operator and the CTRP personnel to immediately report any tailings line damage. By doing this, spillage is minimised and the problem is rectified immediately.
- The remining area at the CTRP poses the highest risk for ground pollution; actions have already been put in place to remedy the non-conformances.
- An oil store has been constructed to control hydrocarbons and chemicals and the appropriate spillage kits were made available. Waste drums used to separate the waste in the plant have been strategically placed to ensure waste separation.

#### Air Pollution

• Spray water trucks are used to keep the roads wet to ensure that any dust emissions from truck movements are minimised.

#### Water Pollution

· Reagent dosages are constantly monitored to ensure that residual chemicals are below national standards.

# Community Development

Phoenix sources 70% of its labour force from the local communities in which it operates. In addition to this Phoenix strives to use local businesses to source material for the operation of the plant.

# Management Team

Phoenix Platinum is wholly owned by PAR and the management operates in a flat structure. The Plant Manager: Metallurgy reports directly into the Phoenix Board (Jan Nelson, Ron Holding and Busi Sitole). The plant is operated by Metanza while the Tailings Storage Facility is operated by Fraser Alexander.

Name	Age	Designation	Qualification	Experience
Bertin Mcleod	35	Plant Manager: Metallurgy	BTech: Chemical Engineering  Management Development Certificate  Senior Management  Development Certificate	IO years of platinum industry experience
Avinash Kandhai	30	Cost Accountant	BTech: Accounting	Seven years of mining experience and eight years of financial experience
Phumzile Mokoena	24	Metallurgist	BTech: Chemical Engineering	One year of metallurgy- related experience
Hendrik Snyman	38	Manager: Metanza (CTRP)	BEng Metallurgical (Extractive) Certificate in Business Management Certificate in Leadership Programme Professional Engineer	16 years of metallurgy- related experience
Hector Mapheto	31	Operations Manager: CTRP	BSc Eng Chemical Professional Engineer	Seven years of metallurgy- related experience
Frans Grobler	49	Area Manager (TSF Operations)	Matric – 1980	28 years of tailings dams experience
Daniel Maponya 31 Site Manager (TSF Operations) M		e e	National Diploma: Engineering Civil Mine Residue Deposits Certificate BTech: Engineering Water	Four years of tailings dams experience

# Phoenix Platinum CTRP

## Continued

# Operational Performance

#### Production Results for 2012

		Dec	Jan	Feb	Mar	Apr	May	Jun
Operating Months		2011	2012	2012	2012	2012	2012	2012
Plant Feed	(t)	11,625	14,239	19,327	18,382	15,616	21,994	23,281
Head Grade	(g/t)	4.21	3.32	4.22	4.20	4.63	3.92	4.64
Overall Plant Recovery	(%)	28	9	20	17	20	27	24
Percent Cr <sub>2</sub> O <sub>3</sub>	(%)	2.46	2.57	2.39	2.4	1.94	2.87	2.81
Ounces Produced 6E PGE	(oz)	439	122	587	405	439	777	705
	(\$/oz)	961	940	1,048	1,028	990	929	918
Basket Price Received	(ZAR/oz)	7,853	7,523	8,015	7,785	7,733	7,537	7,681
	(\$/oz)	727	2,575	577	882	781	586	664
Total Cash Cost	(ZAR/oz)	5,938	20,599	4,414	6,678	6,102	4,756	5,560
	(\$/oz)	27	22	18	19	22	21	20
Cash Cost PerTonne	(ZAR/oz)	224	176	134	147	172	168	168
Capital Expenditure	(\$/oz)	195,545	854,882	2,126,370	553,910	271,745	0	958,446
Exchange Rate – Average	(ZAR/oz)	8.17	8.00	7.65	7.57	7.81	8.11	8.37

# Efficiency/Optimisation Drivers and Focus Areas

#### Plant Recoveries

The projects identified to improve plant recoveries included the optimisation of the mill grind, reagent suites and the feed source variability. The following actions took place for the stated projects respectively:

- increased sampling campaigns for different mill conditions;
- · additional laboratory test work required; and
- ongoing test work on feed sources and monitoring poor quality (oxidised) feed sources.

# Improve Concentrate Grades

In order to improve concentrate grades, the following projects were identified for the optimisation of the plant parameters: mill grind, flotation, metallurgy and mass pull. The following actions took place respectively:

- increase sampling campaigns for different mill conditions;
- optimise flotation resonance time; and
- · optimise mass flow and training.

#### Minimise Chrome Penalties

In order to reduce the chrome content, a high PGE 6E grade concentrate was produced and low chrome grade feed sources were targeted.

### Long-Term TSF

The following projects were identified for long-term TSF: Site selection, Environmental Impact Assessment ('EIA') approval and Design and Construction. The following actions took place respectively:

- · identified Portion 22/23 of Buffelsfontein farm;
- complete EIA process; and
- finalise design and allocate construction contract.

# Successes and Challenges

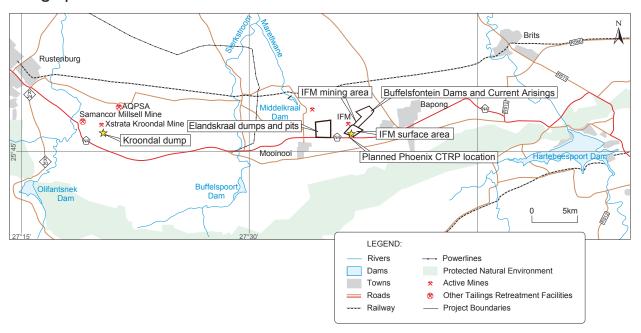
#### Successes

- No lost time or reportable accidents reported.
- · All major commissioning problems identified and fixed.
- A common reagent suite was identified for all ore types.
- · Plant design throughput achieved.

# Challenges

- Unplanned oxidised material received from the IFM beneficiation plant decreased the recoverable ounces from the plant. In order to reduce the impact, a portion of this feed is bypassed directly to the tailings dam and the lost tonnage is made up by remining.
- The feed well of the feed thickener restricted plant throughput.
   This was fixed in April 2012.
- As part of the commissioning the nozzles at the remining had to be adjusted to maximise throughput. This was completed in April 2012.
- A design modification had to be made on the remaining grizzly to improve throughput, completed May 2012.

## Geographic Location



· Limited tailings deposition, the current tailings dam at IFM is only designed for 20,000 tonnes per month. When the oxidised material is bypassed the tailings tonnage to the dam increases and poses a risk to the capacity of the dam.

# Outlook and Future

The management team at Phoenix will strive to produce PGM 6Es safely and at the lowest possible cost. The team is focused on producing 12,000oz for the next financial year through driving efficiencies, delivering on the Environmental Impact Assessment for the new TSF and securing additional resources. Management will continue to increase their involvement with all stakeholders.

# Mineral Resource Management

# Mining and Treatment Background, Current Arising Feed and Method of Reclamation (Remining) from Tailings Dams

Phoenix Platinum recovers Platinum Group Metals ('PGMs) from tailings dumps, dams and current arisings through Mineral Rights Agreements pertaining to the Buffelsfontein ('IFM') Tailings Dams and current arisings, the Elandskraal dumps and pits and the Kroondal dump. The tailings, dumps and current arisings are covered through various agreements and are the feed source for 240ktpa Chrome Tailings Retreatment Plant.

The tailings dumps are mechanically reclaimed by excavator and 30 ton dump trucks from the tailings dams and trammed to the CTRP remining section. This material is hydraulically repulped at the remining section and pumped through the screening and classifying section and then into the thickener. The thickened slurry is then ultra fine milled in a SMD bead mill prior to treatment in the flotation section. The concentrates produced are then discharged into a storage tank for collection and delivery to the PGM smelter.

# Description and Geographic Location

Phoenix Platinum is a tailings retreatment operation, processing tailings from chrome seam mining. The geographic location of the Phoenix Platinum Project is set out above:

### Mineral Resources, Reserves and Life of Mine Management

#### Competent Person's Statement

As at 30 June 2012, Phoenix Platinum amended the Reserve and Resource Statement, The Measured and Indicated Mineral Resources are inclusive of those resources modified to produce the Reserves. Mineral Reserves are reported as plant delivered tonnes at the grade recovered. The Mineral Resource estimate has been compiled in accordance with the SAMREC Code. The verification and validation of the data was managed by Mr Eugene Nel, Professional Metallurgist, who is accredited with the Engineering Council of South Africa ('ECSA').

# Phoenix Platinum CTRP

## Continued

ENC Minerals were requested to review the Mineral Resource update for 2012 and to convert the Resource Estimation into a SAMREC compliant Mineral Reserve for the Phoenix PGM Project. The 2010 base Resource calculations were used as a basis for this review and update. Based on the information supplied, ENC Minerals has accepted this as being a true and accurate measurement of the initial Mineral Resource.

Subsequent to the 2011 Resource measurement, additional deposition of material took place on the Buffelsfontein tailings dam prior to the Phoenix processing plant becoming operational. The measured tonnes of material were obtained from the production database of IFM and this has been included as an Indicated Resource in the statement.

For the purpose of converting the Mineral Resource to a Mineral Reserve we have based our calculations on results of test work done during the design phase of the project as well as process efficiency data measured during the initial phase of operation. In addition, the test work and process data results were compared with operating results achieved at other similar operations in order to validate the recovery values achieved.

Based on these two inputs we believe that an overall average recovery of 45% will be achievable by the current process design. It is highly likely that the recovery for individual sections of each resource will vary depending on the area of resource being mined. Test work was, however, done on composite samples covering the complete resource area and, therefore, the average projected recovery value of 45% has been used throughout the Resource to Reserve conversion.

The Resource to Reserve conversion is attached to this report.

Yours sincerely

E Nel (PrTech Eng)(MBA)

Managing Director ENC Minerals

#### The Phoenix Platinum Resource to Reserve Conversion

Project	Resource Category	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)	Reserve Category	Mass (kt)	Projected metal- lurgical recovery (%)	PGM Grade 4E (g/t)	Recover- able PGM Metal (kg)	Recover- able PGM Metal (oz)
Mineral Resources (Dams, Dumps and Pits)											
Buffelsfontein Tailings Dams	Measured	218	3.66	797	26,000	Proven	218	45%	1.65	359	12,000
	Indicated	208	3.39	705	23,000	Probable	208	45%	1.53	317	10,000
	Inferred										
	Total	426	3.53	1,502	49,000	Total	426	45%	1.59	676	22,000
Elandskraal Dumps and Pits	Measured	1,149	2.45	2,813	90,000	Proven	1,149	45%	1.10	1,266	41,000
	Indicated	145	2.04	296	9,000	Probable	145	45%	0.92	133	4,000
	Inferred	42	2.00	84	3,000						
	Total	1,336	2.39	3,193	102,000	Total	1,294	45%	1.08	1,399	45,000
Kroondal Dumps	Measured	260	2.00	520	17,000	Proven	260	45%	0.90	234	8,000
	Indicated	30	2.00	60	2,000	Probable	30	45%	0.90	27	1,000
	Inferred	120	2.00	240	8,000						
	Total	410	2.00	820	27,000	Total	290	45%	0.90	261	9,000
Total In situ Resource		2,172	2.54	5,515	178,000		2,010	45%	1.16	2,336	76,000
Mineral Resources (Current Arisings)											
Buffelsfontein Current Arisings	Measured	1,597	3.66	5,845	188,000	Proven	1,597	45%	1.65	2,630	85,000
	Indicated	443	3.66	1,621	52,000	Probable	443	45%	1.65	729	23,000
	Inferred	641	3.66	2,348	75,000						
	Total	2,681	3.66	9,814	315,000	Total	2,040	45%	1.65	3,360	108,000
Total Dams, Dumps, Pits and Current Arisings		4,853	3.16	15,329	493,000		4,050	45%	1.41	5,696	184,000

This Reserve conversion was compiled by Mr Eugene Nel, a registered Professional Engineering Technologist with the Engineering Council of South Africa (Reg no. 2005/70019). Mr Nel is also a member of the South African Institute of Mining and Metallurgical Managers' Association with 15 years' experience in the mineral processing field. Mr Nel is based at ENC Minerals head office situated at Wellness World Office Park 2B, Ifafi, 0216, Hartbeespoort, South Africa.

### Year-On-Year Mineral Inventory Reconciliation

#### Phoenix Platinum Resource Statement

			Resourc	e at June 2011			Resource	at June 2012			±V	ariances	
Project	Resource Category	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)
		Min	eral Resource	(Dams, Dump	s and Pits)	Mir	neral Resource (	Dams, Dumps a	and Pits)	Min	eral Resource (	(Dams, Dumps	and Pits)
	Measured	218	3.66	797	26,000	218	3.66	797	26,000				
Buffelsfontein Tailings Dams	Indicated					208	3.39	704	23,000	208		704	23,000
Danis	Inferred												
	Total	218	3.66	797	26,000	426	3.52	1,501	49,000	208		704	23,000
	Measured	1,149	2.45	2,813	90,000	1,149	2,45	2,813	90,000				
Elandskraal Dumps and Pits	Indicated	145	2.04	296	9,000	145	2.04	296	9,000				
	Inferred	42	2.00	84	3,000	42	2.00	84	3,000				
	Total	1,336	2.39	3,193	102,000	1,336	2.39	3,193	102,000				
	Measured	260	2.00	520	17,000	260	2.00	520	17,000				
Kroondal Dumps	Indicated	30	2.00	60	2,000	30	2.00	60	2,000				
	Inferred	120	2.00	240	8,000	120	2.00	240	8,000				
	Total	410	2.00	820	27,000	410	2.00	820	27,000				
Total Resource		1,964	2.45	4,810	155,000	2,172	2.54	5,514	178,000	208	0.09	704	
		1	1ineral Resou	rce (Current A	risings)		Mineral Resourc	e (Current Aris	sings)	Mineral Resource (Current Arisings)			
	Measured	1,597	3.66	5,845	188,000	1,597	3.66	5,845	188,000				
Buffelsfontein Current	Indicated	443	3.66	1,621	52,000	443	3.66	1,621	52,000				
Arisings	Inferred	641	3.66	2,348	75,000	641	3.66	2,348	75,000				
	Total	2,681	3.66	9,814	315,000	2,681	3.66	9,814	315,000	-	-	-	-
Total Dams, Dumps, F Current Arisings	its and	4,646	3.15	14,624	470,000	4,853	3.16	15,328	493,000	207	0.01	704	23,000

The PGM 4E Mineral Reserve estimation is in accordance with the SAMREC code. The responsible Competent Person is Mr Eugene Nel (Pr Tech Eng)(MBA), a registered Professional Engineering Technologist with the Engineering Council of South Africa (Reg no 2005070019). Mr Nel is also a member of the South African Institute of Mining and Metallurgy as well as the Mine Metallurgical Managers Association with 15 years' experience in the mineral processing field. Mr Nel is based at ENC Minerals head office situated at Wellness World Office Park 2B, Ifafi, 0216, Hartbeespoort, South Africa. The competent person consents to the inclusion of the report of the matters based on the information based in the form and context in which it

#### Phoenix Platinum Reserve Statement

			Reserve	at June 2011			Reserve	at June 2012			±V	ariances	
Project	Reserve Category	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)	Mass (kt)	PGM Grade 4E (g/t)	PGM Metal (kg)	PGM Metal (oz)
		Min	eral Resource	(Dams, Dumps	and Pits)	Min	eral Resource (	Dams, Dumps	and Pits)	Min	eral Resource	(Dams, Dumps	and Pits)
Buffelsfontein Tailings	Proved	218	1.65	359	12,000	218	1.65	359	12,000				
Dams	Probable					208	1.52	317	10,000	208	1.52	317	10,000
	Total	218	1.65	359	12,000	426	1.59	676	22,000	208	(0.06)	317	10,000
Elandskraal Dumps	Proved	1,149	1.10	1,266	41,000	1,149	1.10	1,266	41,000				
and Pits	Probable	145	0.92	133	4,000	145	0.92	133	4,000				
	Total	1,294	1.08	1,399	45,000	1,294	1.08	1,399	45,000				
K 115	Proved	260	0.90	234	8,000	260	0.90	234	8,000				
Kroondal Dumps	Probable	30	0.90	27	1,000	30	0.90	27	1,000				
	Total	290	0.90	261	9,000	290	0.90	261	9,000				
	Total Reserve	1,802	1.12	2,019	66,000	2,010	1.16	2,336	76,000	208	0.04	317	10,000
		ı	Mineral Reserv	es (Current Ar	isings)	1	1ineral Reserve	es (Current Ari	sings)	ı	Mineral Reserve	es (Current Ari	isings)
Buffelsfontein	Proved	1,597	1.65	2,630	85,000	1,597	1.65	2,630	85,000				
Current Arisings	Probable	443	1.65	730	23,000	443	1.65	730	23,000				
	Total	2,040	1.65	3,360	108,000	2,040	1.65	3,360	108,000				
Total Dams, Dumps	Total Dams, Dumps, Pits and Current Arisings 3,842 1.40 5,379 174,000 4,050 1.41 5,696 184,000 208 0.01		0.01	317	10,000								

The PGM 4E Mineral Reserve estimation is in occordance with the SAMREC code. The responsible Competent Person is Mr Eugene Nel (Pr Tech Eng.)(MBA), a registered Professional Engineering Technologist with the Engineering Council of South Africa (Reg no. 2005070019). Mr Nel is also a member of the South Africa Institute of Mining and Metallurgy as well as the Mine Metallurgical Managers Association with 15 years' experience in the mineral processing field. Mr Nel is based at ENC Minerals head office situated at Wellness World Office Park 2B, Ifafi, 0216, Hartebeespoort, South Africa. The competent person consents to the inclusion of the report of the matters based on the information based in the form and context in which it appears.

## Phoenix Platinum CTRP

### Continued

#### Mineral Rights

The respective Mineral Rights for the different Phoenix properties are outlined in the table below.

			Ri	ght	D:	ate	Size	Holding	
	Farm	Ptns/Re	Туре	Number	Start	Expiry	(ha)	company	Minerals
Buffelsfontein Tailings Dams and Current Arisings		Ptn II constituted by Ptns 20, 21, 22, 23, 24, 104. Re Ptn I	Mining License (Conversion lodged 10/05/2006)	ML88/2003	22/12/03	21/12/2022	328.9083	IFM	Chrome and PGMs
		Ptn 12					82.2270		
			Notarial Lease Agreement			Initial period of eight years			
Elandskraal Dumps and Pits	Elandskraal 469JQ	A Ptn of Ptn 155	Akte van Transport T31466/1965	N/a as Dumps are new order Mining Right	30/5/07	Renewable for three periods of five years after initial eight-year period	88.849 I (Mining Area)	Minco	Chrome and PGMs
Kroondal Dump	Kroondal 304JQ	Ptns of Ptns 92, 93 and 102	Original Mining Permit	MP 82/2002	15/10/02	100% owned	9.4400	Phoenix Platinum through cession from GB Mining	PGMs



The management team at Phoenix will strive to produce PGM 6Es safely and at the lowest possible cost.



## Barberton Tailings Retreatment Plant

## The Project at a Glance

Operation Name	Barberton Tailings Retreatment Plant Project (BTRP)
Parent and ownership percentage	Pan African Resources PLC (100% attributable)
Holding company	Barberton Mines (Pty) Limited (South African incorporated)
Country of operation	South Africa
Provincial jurisdiction	Mpumalanga
Number of employees	25
Number of contractors	50
Commodity being mined	Gold
Geological setting	Tailings dams situated at Fairview and New Consort Mines
Mining method	Hydro-mining of tailings dams
Extraction method	CIL
Name Plate Annual Production	
Tonnage (t)	1,200,000
Plant Feed Grade (g/t)	I.47g/t
Gold produced (oz)	20,000oz – 25,000oz
Cash cost	U\$\$700/oz
Capex per annum	£23.2 million (ZAR300 million)
LOM	10 years



BTRP is on track for final commissioning in June 2013 with planned output of 20,000koz per annum.

## Setting the Scene

As a consequence of successful metallurgical test work carried out on composite drill hole samples drilled during the previous financial year, the potential of retreating the Bramber tailings dam was assessed in a feasibility study on the proposed construction of a tailings retreatment plant ('BTRP') at Fairview Mine. The viability of a retreatment plant was confirmed in an independent review by Venmyn Rand (Pty) Limited.

Detailed engineering, process and flow design to treat approximately 1.2Mt per annum was carried out by Basil Read Matomo.

When in production, the BTRP will increase the annual production profile at Barberton Mines by 20,000oz to 115,000oz a year.

With a cost structure of \$700/oz this project falls well in line with the Company's strategy of developing low cost, high margin projects.

The construction of the BTRP on a site adjoining the Bramber Tailings Storage Facility ('TSF') began in April 2012 and is well underway and on target to commence cold commissioning in April 2013. Additional land adjacent to the current tailings dam extension has been acquired for a TSF and the Environmental Impact Assessment ('EIA') is due to be completed by December 2012 followed by the tailings dam construction.

The life of the BTRP has been augmented by auger drilling on additional 6Mt of tailings at the Consort Tailings dam, extending the Life of Project from six to ten years.

Final commissioning is scheduled to be completed in June 2013 and production build-up is planned from July 2013.

### Management Team

Name	Age	Designation	Qualification	Experience
Casper Strydom	54	General Manager	National Higher Diploma Metalliferous Mining Mine Manager's Certificate	36 years of mining-related experience
Jonathan Irons	46	Manager: Metallurgy	National Higher Diploma Extractive Metallurgy	25 years of metallurgy- related experience
			Programme for Management Development (GIBS – University of Pretoria)	
			Competence levels include refractory gold extraction technologies – (roasting and hydrobiological)	
Richard Kunneman	51	Engineering Manager	Government Certificate of Competency	24 years of engineering- related experience

## Barberton Tailings Retreatment Plant

## Continued

### The Construction

Plant Construction Progress July August September October November December January February March April May J Contract Approval Complete  Process Design Complete  Drawings and Design Complete  Ground Breaking Ceremony Complete  Bulk Earthworks Complete  Civil Construction In Progress Mechanical/ Structural/E&I Construction In Progress  Major Infrastructure  Water Reticulation In Progress  Betriroal Reticulation (Eskom) In Progress  In Progress  Major Infrastructure  Environmental Impoct Assessment				2012							2013					
Process Design Complete  Drawings and Design Complete  Ground Breaking Ceremony Complete  Bulk Earthworks Complete  Civil Construction In Progress  Mechanical/ Structural/E&l Construction In Progress  To Commissioning  Major Infrastructure  Water Reticulation In Progress	Plant Construction	Progress	July	August	September	October	November	December	January	February	March	April	May	June		
Process Design Complete  Drawings and Design Complete  Ground Breaking Ceremony Complete  Bulk Earthworks Complete  Civil Construction In Progress  Mechanical/ Structural/E&l Construction In Progress  To Commissioning  Major Infrastructure  Water Reticulation In Progress  Electrical Reticulation (Eskom) In Progress																
Drawings and Design Complete  Ground Breaking Ceremony Complete  Bulk Earthworks Complete  Civil Construction In Progress  Mechanical/ Structural/E&I Construction In Progress  To Commissioning Commence  Major Infrastructure  Water Reticulation In Progress  Electrical Reticulation (Eskom) In Progress	Contract Approval	Complete														
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	ымнонтения impact A	ssessment														
EIA In Progress	EIA	In Progress														
Water Use Licence	Water Use Licence															
Amendment In Progress		In Progress														
	T.11. 6 :															
Tailings Storage Facility	Tailings Storage Facility															
Design In Progress	Design	In Progress														
То		То														
Construction Commence	Construction															

### BTRP Life of Mine ('LOM')

The table below outlines the sources of material that will constitute the tonnage profile for the LOM plan for the BTRP.

Slimes Dump	Tonnes	Grade (g/t)	Ounces (oz)
Bramber Low Grade	2,369,655	0.5	37,933
Bramber High Grade	758,496	1.59	38,769
Harper South	1,082,970	0.66	22,807
Harper North	2,693,250	0.24	21,093

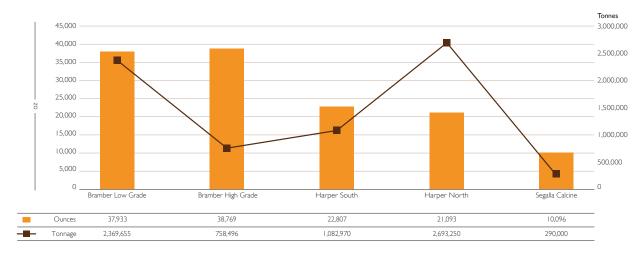
Barberton Tailings Retreatment Project as per the LOM 2013. NB: Segalla Calcine Project was not included for the LOM Plan 2013, advanced metallurgical testing in progress.

Slimes Dump	Tonnes	Grade (g/t)	Ounces (oz)
Bramber Low Grade	2,369,655	0.5	37,933
Bramber High Grade	758,496	1.59	38,769
Harper South	1,082,970	0.66	22,807
Harper North	2,693,250	0.24	21,093
Segalla Calcine	290,000	1.08	10,096
Total	7,194,000	0.57	130,701

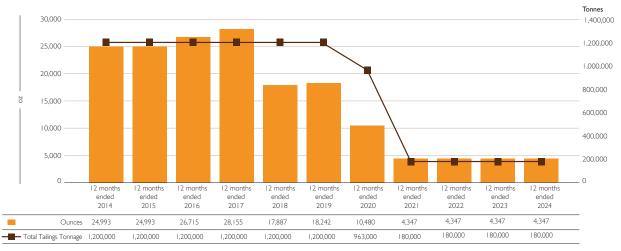
Tailings material available for BTRP (including Segalla Calcine Project).

#### Tailings Material available for BTRP

#### Available Feedstock - Slimes Dumps



#### LOM - Treatment Schedule



Attributed ounces towards LOM Plan 2013, (Segalla Calcine 9,768oz excl. in Business Plan 2013, metallurgical studies in progress).

## Mineral Resources Management (General)

### MRM Approach

Pan African's MRM philosophy is that a detailed understanding of the orebody undoubtedly contributes to its optimal extraction. 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. The 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 orebody are 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 tools 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 2013 financial year, Pan African will continue its drive towards MRM excellence through improving geological understanding, data recording quality and concentrating on ensuring sustainability though appropriately focused exploration targets.

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

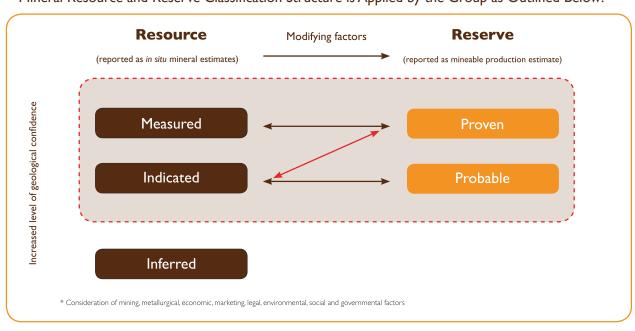
#### Outlook

The management team's intention for the 2013 financial year will be to facilitate a smooth transition of the proposed acquisition, especially with regards to technical services like geology, Mineral Resource Management, and integration of other orebody-related matters between operations. The team will continue to consider additional growth opportunities in the platinum sector.

## Mineral Reporting Code

Pan African Resources defines its Mineral Resources and Mineral Reserves in line with the SAMREC Code and its definitions. See relevant Competent Persons' Statements under the various sections.

Mineral Resource and Reserve Classification Structure is Applied by the Group as Outlined Below:



#### Mineral Resource Definitions (According to SAMREC Code)

#### Inferred Mineral Resource:

Inferred Mineral Resource is that 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:**

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 a 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:

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

A Mineral 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 Mineral Reserve:

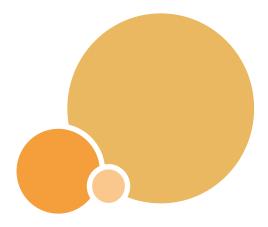
Probable Mineral Reserve is the economically mineable material derived from a Measured and/or Indicated Mineral Resource. It is estimated with a lower level of confidence than a proved ore reserve. It includes diluting and contaminating materials and allows for losses that are expected to occur when 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 Mineral Reserve:

Proved Mineral 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.

## Group Consolidated and Other Mineral Resource and Mineral Reserve Estimates

For ease of reference, the detailed Mineral Resource and Mineral Reserve Estimates for each operation can be found under the Operational Review - Mineral Resource Section above (ie Barberton Mines and Phoenix Platinum).



## Mineral Resources Management (General)

### Continued

Please find below the Consolidated Mineral Reserve and Mineral Reserve Estimates for the Group (both including and excluding the Manica Project Estimate) as well as the Mineral Resource and Reserve Estimates of Manica (unchanged since 2011) and Evander Gold Mines (as stated by Harmony, 2012).

#### Consolidated Mineral Resource and Reserve Estimate for the Group as at 30 June 2012 - Barberton Mines (Excluding Manica)

		Mineral R	lesources			1	1ineral Reserve	s		
Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	
Measured	3.20	8.18	842	26.193	Proved	1.57	7.49	377	11.731	
Indicated	10.03	3.87	1,247	38.799	Probable	24.342				
Inferred	3.91	6.82	860	26.700						
Total M&I	13.23	4.91	2,090	65.000	Please note due to rounding some errors may occur.					
TOTAL	17.15	5.35	2,950	91.700	TOTAL P&P 11.34 3.18 1,160					

#### Consolidated Mineral Resource and Reserve Estimate as at 30 June 2012 – Barberton Mines (Including Manica)

		Mineral R	Resources			1	1ineral Reserve	s		
Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	
Measured	14.76	3.13	1,482	46.17	Proved	1.57	7.49	377	11.731	
Indicated	23.02	2.68	1,987	61.72	Probable	9.77	2.49	783	24.342	
Inferred	29.91	2.51	2,417	75.01	_	Please note due to rounding some errors may oc				
Total M&I	37.78	2.86	3,470	107.89	ř	cur.				
TOTAL	67.70	2.70	5,887	182.90	TOTAL P&P	36.070				

## Mineral Resource Estimate for Manica as at 30 June 2012 (Unchanged from 2011 financial year)

		Mineral F	Resources	
Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)
Measured	11.56	1.73	640	19.980
Indicated	12.99	1.76	740	22.920
Inferred	26.00	1.90	1,590	49.280
Total M&I	24.55	1.75	1,380	42.90
TOTAL	50.55	1.82	2,970	92.180

Mineral Resource and Reserve Estimate for the Group as at 30 June 2012 - including Pro Forma Impact of the Evander Mineral Resource and Mineral Reserves (excluding all surface sources at Evander Gold Mines)

		Mineral R	Resources			1	1ineral Reserve	S	
Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)
Measured	6.29	10.52	2,132	66.19	Proved	3.59	7.32	847	26.23
Indicated	74.62	8.18	19,627	610.50	Probable	35.96	6.90	7,973	248.14
Inferred	45.78	6.72	9,897	307.83		GL III			
Total M&I	80.91	8.36	21,760	676.69	Г	cur.			
TOTAL	126.70	7.77	31,657	984.52	TOTAL P&P	8,820	274.37		

Consolidated Platinum Projects Mineral Resource and Mineral Reserve Estimate for the Group as at 30 June 2012

		Mineral R			١	1ineral Reserve				
Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	Category	Tonnes (Mt)	Grade (g/t)	Contained Au (koz)	Contained Au (kt)	
	( /	ιο /	( /	( )		( /	(0 /	( /	, ,	
Measured	3.22	3.09	321.00	9.98	98 Proved 3.22 7.1		7.18	144.32	4.49	
Indicated	0.83	3.25	86.00	2.68	Probable	0.83	3.59	38.80	1.21	
Inferred	0.80	3.33	86.00	2.67	D					
Total M&I	4.05	3.12	407.00	12.656	Please note due to rounding some errors may occur.					
TOTAL	4.85	3.16	493.00	15.328	TOTAL P&P	4.05	1.41	184	5.70	

#### **New Business**

#### Strategy

The New Business Development and Growth strategy for the financial year under review had two primary goals, both of which were executed with success during the period.

These two goals were in line with the two-tier strategy adopted in the previous financial year, namely to grow internally and to identify an acquisitive gold opportunity in South Africa that fits into the Company's growth criteria of low cost, high margin assets, being close to or already producing, and with additional growth potential.

As part of Pan African's Barberton Mines internal growth process, a feasibility study was completed for the BTRP Project. After an independent review, the Board approved capital for the project. Construction on site has commenced. Please refer to the relevant section for more details.

As part of its acquisitive growth strategy, Evander Gold Mines was identified as a potential target. A technical due-diligence team was assembled to investigate the asset and a positive recommendation to the Investment Committee and Board of Directors was made to pursue the acquisition opportunity which resulted in the Company making an offer to Harmony that was accepted in May 2012. It is believed that the asset meets all of Pan African's Business Model philosophies based on the following four guiding pillars:

Profitability: Evander Gold Mine's Operating Shaft, Evander 8 Shaft, generated production profit, as published by Harmony, for the full year ended 30 June 2012 of £52 million, before tax and other charges.

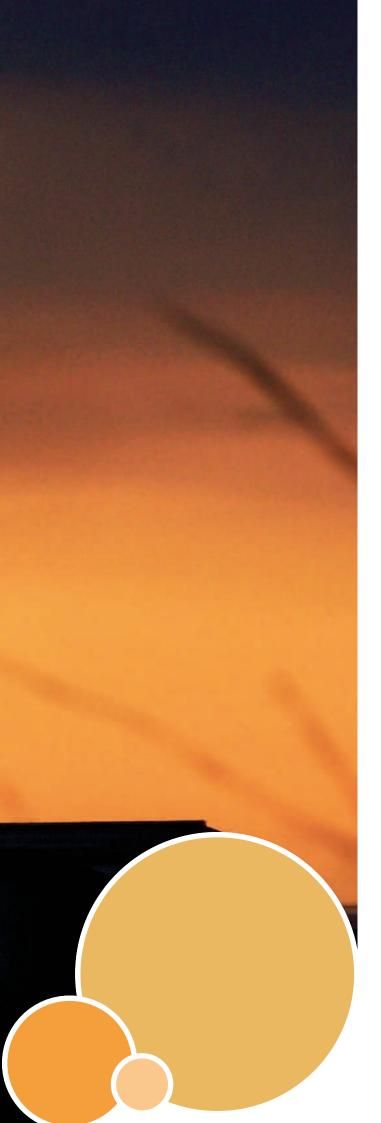
Sustainability: Evander 8 Shaft has a Life of Mine of at least 15 years (Reserves of 1.19Moz Au), maintaining a recovered grade of 7.0g/t average over the 15 years.

Stakeholder Value: The acquisition of the Evander Gold Mines would benefit all Stakeholders through Pan African's involvement in the local communities and applying its business philosophies through best practises across its operations.

Growth: The proposed acquisition would almost double the gold production output base of Pan African Resources, and increase its Resource and Reserve base significantly. Evander Gold Mines does have a pipeline of attractive projects that most certainly could contribute to further growth in Pan African Resources.

Focus for the 2013 financial year will be to facilitate a smooth transition of the proposed acquisition, especially with regards to technical services like geology, Mineral Resource Management, and integration of other orebody-related matters between operations while other growth opportunities will still be considered, especially on the platinum side.





# Corporate Governance

Regulatory and Statutory
Board of Directors
GAP Analysis
Risk Management
KPIs
Audit Committee Report
Remuneration Report

## Corporate Governance

### Statement of Compliance

Pan African Resources strives to comply with the UK Companies Act, the King Code of Governance for South Africa, 2009 ('King III') and the JSE Listings Requirements and AIM rules as far as possible for an organisation of this size.

The Board of Directors ensures that the business of the enterprise is conducted with integrity and in accordance with the highest standards of corporate governance practice.

The Board embraces best practice principles based on the understanding that sound governance practices are fundamental to earning the trust of our stakeholders. This is critical to sustaining the Group's success and preserving shareholder value.

### Sponsor

One Capital is, in accordance with the Listings Requirements of the JSE, the Company's appointed Sponsor. One Capital is therefore responsible to ensure that the Company is at all times guided and advised as to the application of the Listings Requirements of the JSE.

## Nominated Adviser and Joint Brokers - United Kingdom

Canacord Genuity Limited was appointed as the Company's Nominated Adviser (NOMAD) and Joint Broker together with finnCap Limited on 5 April 2012. The duty of NOMAD and Joint Broker is to advise the Group on compliance concerning the AIM Rules and continuing obligations as an AIM quoted company.

### 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 CEO distributes memoranda informing the affected parties of these periods. Should a senior employee or Director wish to trade Pan African Resources shares, written permission must be granted from either the Chief Executive Officer or Financial Director.

### 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.

#### **Board of Directors**

#### Purpose and Function

The Board recognises that good governance is essential to protect the interests of all stakeholders. Business is conducted in accordance with the principles of openness, integrity and accountability. The Board's purpose is to ensure that it retains full and effective control over the Company which it directs and controls by ensuring that management is guided by established goals and strategies. The Board is committed to applying and enforcing appropriate corporate governance principles and maintaining oversight and monitoring of performance and ensuring that shareholder interests are a priority at all times. The Board is currently in a process of determining the gaps and ensuring that the Company implements processes to comply with the requirements of King III.

Except or as disclosed, Pan African Resources 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 Resources Group, which has affected or will materially affect Pan African Resources or its investment interest or subsidiaries

#### **Board Composition**

Pan African Resources has a Board of seven Directors. The Chairman is an Independent Non-Executive Director, a further four are Non-Executive Directors and two are Executive Directors. The Group Board composition has been considered to ensure that there is a clear balance of power and authority at Board level, ensuring that no individual has unfettered powers of decision-making.

## Access to Management and Independent Advice

Board members have access to the executive management of the Company at all times. All Board members are entitled to seek independent third-party expert advice, when considered necessary. From time to time, members of the executive management are requested to attend Board meetings to present projects or updates.

#### Delegation of Authority

The Board has formed various committees to enable Directors to excel in areas of experience. In doing so, the Board as a whole has delegated authority in certain areas to relevant subcommittees 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. Corrective measures are effected immediately should they be needed from time to time. During the period under review, these quarterly checks culminated in the appointment of an additional Director with skills to supplement those of the current members of the Audit Committee.

#### External Advisers

No external advisers regularly attend Board or other committee meetings.

## Chairman and Chief **Executive Officer**

The roles of Chairman and Chief Executive Officer are held by two different people and are separate and distinct. The offices of the Chairman of the Board and Chief Executive Officer are also separate. There is at all times a clearly defined division of responsibilities in both offices to ensure a balance of authority and power.

The Chairman is Keith Spencer who is an Independent Non-Executive Director, as required by the JSE. The Chief Executive Officer is Jan Nelson who is also an Executive Director.

#### **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 seven members.

#### Resignations

Rowan Smith resigned on 20 July 2011. Cyril Ramaphosa resigned on 14 December 2011.

#### **Appointments**

Phuti Mahanyele was appointed on 20 July 2011. Busi Sitole was appointed on 14 December 2011. Hester Hickey was appointed on 12 April 2012.

#### Rotation of Directors

In accordance with the Company's Articles of Association, a Director appointed since the last AGM is required to be re-elected at the next AGM of the Company. In addition, the Articles of Association require that one-third of the Directors or if their number is not a multiple of three, then the number nearest to but not less than one-third, retire from office. Accordingly, Busi Sitole and Hester Hickey, having been appointed since the last AGM, will retire and offer themselves for re-election at the forthcoming AGM, and Jan Nelson, Cobus Loots and Rob Still will retire by rotation and offer themselves for re-election at the forthcoming AGM.

#### Succession Plan

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

#### Attendance at Board Meetings

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

Name	11 Aug 2011	14 Nov 2011	3 Jan 2012	17 Jan 2012	6 March 2012	30 March 2012	26 April 2012	8 May 2012	14 June 2012
Keith Spencer	√	√	√	√	√		√	√	
Jan Nelson	$\sqrt{}$		$\sqrt{}$	$\sqrt{}$		$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$
Hester Hickey	_	_	_	_	_	*	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$
Cobus Loots	$\sqrt{}$		_	$\sqrt{}$		$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$
Phuti Mahanyele	$\sqrt{}$	_	_	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	_		$\sqrt{}$
Rob Still	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$		$\sqrt{}$	$\sqrt{}$	$\sqrt{}$	$\sqrt{}$
Busi Sitole	*	*	$\sqrt{}$				$\sqrt{}$		

<sup>√</sup> Attended

Not attended

Not a Board member but attended as an invitee

## Corporate Governance

## Continued

#### Induction and Development

New Board members are evaluated and an induction process is tailored to introduce them to the organisation in an appropriate manner. Existing Board members are available at all times to ensure that there is a smooth induction of new Board members. Where Board members require additional training, the Company makes resources available.

#### **Board Committees**

The Board has instituted sub-committees to allow the Directors best suited in terms of skills and experience to manage various areas of responsibility. The formation of these committees does not in any way absolve the Board of its overall responsibility to the shareholders and the Company and, as such, each committee is required to report back to the Board at each Board meeting.

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 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 put in place to rectify such deviations. Investment and technical decisions form part of the Board's responsibilities.



Committee	Directors	Appointed	Meetings Attended	Responsibilities	Activities during the period under review
Audit	Rob Still (Independent)  Cobus Loots	18 August 2008	22 June 2012 21 September 2012 5 September 2011 14 February 2012 22 June 2012 21 September 2012 21 September 2012	particular, has regard to all factors and risks that may impact on the integrity of the integrated report.  Ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities.  Overseeing the internal audit function, and in particular responsible for the appointment, performance assessment and/or dismissal thereof.  Reviewing the expertise, resources and experience of the Company's finance function and the suitability	<ul> <li>The Audit Committee has reviewed the expertise and experience of the Financial Director, and her expertise and experience are considered appropriate for her position.</li> <li>All non-audit services rendered by the Group's external auditors during the year were approved.</li> <li>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 were identified by the Audit Committee.</li> <li>The Audit Committee believes the current financial control environment is adequate.</li> <li>The Audit Committee has satisfied itself of the auditor being 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 Resources audit fee in relation to total fees received, as well as personal and other relationships, when assessing the independence of the external auditors.</li> <li>The Audit Committee believes that it has complied with its legal, regulatory or other responsibilities.</li> </ul>

# Corporate Governance Continued

Committee	Directors	Appointed	Meetings Attended	Re	esponsibilities		ctivities during the eriod under review		
Remune- ration	Phuti Mahanyele (Chairman)	20 July 20 I I	28 February 2012 15 June 2012	<ul> <li>Reviewing the performance of the Executive Directors, employees and executive management.</li> <li>Determining remuneration</li> <li>The committee met during the year under and adopted a Remineration</li> <li>The committee met during the year under and adopted a Remineration</li> </ul>					
	Rob Still	9 September 2004	28 February 2012 15 June 2012	and the basis of the service agreements with due regard to the interests of shareholders.  • Determining the payment of any bonuses to Executive Directors and the granting of options to employees, including Executive Directors, under the Company's share option scheme.		the service due business and sharehor and promotes sound management princip payment o Executive e granting aployees, ve Directors, aany's long-term results for business and sharehor and promotes sound management princip Furthermore, it supp the attraction, retent motivation and align of the talent we nee achieve our business wany's long-term results for business and sharehor and promotes sound management principal for business and sharehor and promotes sound management principal for business and sharehor and promotes sound management principal for business and sharehor and promotes sound management principal for business and sharehor and promotes sound management principal for business and sharehor and promotes sound management principal for business and promotes an			
							benchmark in determining remuneration of individuals.		
Nominations	Keith Spencer (Chairman)	20 October 2009	14 December 2011 6 March 2012		Determining the required capabilities of Director nominees for election	•	The committee met twice during the year. At these meetings it reviewed the composition of the main		
	Rob Still	20 October 2009	14 December 2011 6 March 2012			•	to the Board. Identifying and recommending candidates to fill vacancies occurring between	5	Board, in particular the positions of the Chairman, the Deputy Chairman, Financial Director and the
	Phuti Mahanyele	6 March 2012	14 December 2011 6 March 2012		shareholder meetings. Reviewing, evaluating and recommending changes to the Company's Corporate Governance guidelines. Reviewing the Company's policies and programmes that relate to matters of corporate citizenship, including public issues of significance to the Company and its stakeholders.		position of an additional Independent Director.		

Committee	Directors	Appointed	Meetings Attended	Responsibilities	Activities during the period under review
Safety, Health, Environment and Community (SHEC)	Keith Spencer (Chairman)  Jan Nelson  Ron Holding	12 October 2009 12 October 2009	II August 2011 15 November 2011 12 June 2012 II August 2011 15 November 2011 12 June 2012 II August 2011 15 November 2011	<ul> <li>Establishing a safety, health, environment and community policy framework for the Company.</li> <li>Strategically reviewing the safety performance of all operations compared to the policy framework.</li> <li>Implementing corrective measures when necessary to achieve the objectives of the policy framework.</li> <li>Establishing a Social and Ethics Committee as a subcommittee of SHEC that will perform the functions</li> </ul>	<ul> <li>The committee met three times in the year. I I August 2011, 15 November 2011 and 12 June 2012.</li> <li>During each occasion detailed debate was held on all serious accidents.</li> <li>The circumstances around the fatal accident of Mr Christopher Hlela and the subsequent DMR report in terms of Section 72 of the Mine Health and Safety Act, No 29 of 1996 was dealt with in great detail.</li> <li>The General Manager at BML was requested to</li> </ul>
	Thandeka 6 March 2012 12 June 2012 Ncube	• Th	<ul> <li>attend two of the meetings.</li> <li>The committee approved the commencement of Phase 2</li> </ul>		
	Hester Hickey	12 April 2012	12 June 2012		of the building of the Sinqobile School during the year.  The SHEC Committee believes that it has complied with its legal, regulatory or other responsibilities.

#### Internal Audit

The Audit Committee is responsible for overseeing internal audit in the Pan African Group. Currently the internal audit function within Pan African Resources is currently 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 audit 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 Resources Directors.

An internal audit programme is determined and approved annually by the Audit Committee which defines the reviews to be undertaken during each financial year and focuses on the adequacy and effectiveness of systems of internal control and 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 terms of financial loss, loss of other assets, misstatement or lack/circumvention of internal controls. In line with integrated assurance principles, the internal audit plan also takes into consideration the assurance provided by other activities within the organisation, thereby seeking to eliminate any duplication of assurance efforts.

As a part of the annual reporting of the Internal Audit Function, a written assessment of the effectiveness of the Group's system of internal controls and risk management, including internal financial controls, is provided to the Audit Committee that is based on the areas reviewed. This assessment forms part of the Audit Committee's recommendation to the Board and determines whether adequate and appropriate internal controls are in place over operational and financial processes, that

## Corporate Governance

#### Continued

significant business, financial and other risks have been identified and are being suitably managed, and that satisfactory standards of governance, reporting and compliance are in operation, in order for the Board to report thereon.

The internal audit plan is reviewed and updated by the Audit Committee on a regular basis with input from Executive Management and the external auditors.

#### Information Technology Governance

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 selected Microsoft Dynamics AX as the Enterprise Resource Planning ('ERP') system that would best suit its current system requirements. Microsoft Dynamics AX was successfully implemented during the financial year under review. The Group's internal auditors performed a data migration review to provide assurance on the correctness of the data migrated from Pastel to Microsoft Dynamics AX, and performed a full post implementation review after year end. The Pan African Group will investigate the possible roll-out of Microsoft Dynamics AX across all companies in the Group during the next financial year.

#### Code of Conduct

On I November 2009, Pan African Resources committed to the following Code of Ethics:

"As leaders and employees of Pan African Resources, 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, 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 inconsistent 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 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 wellbeing of the communities.
- Assist in developing our colleagues and teams to become worthy team players and responsible South African citizens."

#### Bribery and Corruption Policy

The Board has introduced a Bribery and Corruption Policy. The Board has adopted a zero-tolerance approach to bribery and corruption and will uphold all laws relevant to countering bribery and corruption in all jurisdictions in which the Group operates. This policy has been communicated to all employees and contractors.

#### Company Secretary

St James's Corporate Services Limited has been the Group's Company Secretary since 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 Company'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 Company's legal advisers, is responsible for drawing the attention of the Directors to their legal duties and, in collaboration with the Company's NOMAD, is responsible for ensuring that new Directors are effectively informed in terms of their duties and responsibilities.

The Company Secretary, together with the Company's investor relations representatives, provides a direct communication link with investors and liaises with the Company'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.

## **Board of Directors**





### **Executive Directors**

#### Jan Nelson (42)

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 Pan African Resources from an exploration company to a gold mining company. He was the driver behind the acquisitions of Barberton Mines and Phoenix Platinum and currently the Evander Gold Mines acquisition which will add further production gold ounces revenue to the Company. He surrounds himself with a competent mining team that is well positioned to build the Company to a mid-tier gold producer.

#### Busi Sitole (36)

Financial Director Appointment date: 14 December 2011 Qualifications: BCom (Hons), CA(SA)

Busi joined Pan African Resources in April 2011 as a Finance Executive and was appointed as the Financial Director in December 2011. She is a Chartered Accountant with a BCom degree from the University of Cape Town and BCom Honours from the University of KwaZulu-Natal. She joined the Shanduka Group in December 2007 as a transactor responsible for sourcing, executing as well as including capital raising and monitoring the company's investments. She also sat on several boards of the company's investee companies. Prior to joining the Shanduka Group, she was a Financial Manager at RMB Treasury Agency Businesses, New Treasury Products Marketer at Absa Capital and Finance Manager at Standard Bank Structured Finance, where she also completed her three years of articles as a trainee accountant.

## **Board of Directors**

#### Continued





### Non-Executive Directors

#### Keith Spencer (62)

Independent Non-Executive Chairman
Appointment date: 8 October 2007
Qualifications: BSc Eng (Mining)
Committees: SHEC (Chairman), Nominations (Chairman)

Keith is a qualified mining engineer with 35 years of practical mining experience, and has managed some of the largest gold mines in the world. In 1984, Keith was appointed as General Manager of Greenside Colliery and in 1986 he moved to Kloof Gold Mine as General Manager. In 1989, he was appointed as consulting engineer for Gold Fields of South Africa to 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 two 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. He was appointed as Chairman of the Board on 14 December 2011.

#### Rob Still (57)

Independent Non-Executive Director
Appointment date: 9 September 2004
Qualifications: BCom (Hons), CTA
Committees: Audit, Remuneration, Nominations

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 worldwide and has held Executive and Non-Executive Directorships in companies listed in South Africa, Australia, Canada and the United Kingdom. He has also been Chairman to Zimbabwe Platinum Mines Limited and Metorex Limited. 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) and Zimbabwe Platinum Mines Limited.





#### Phuti Mahanyele (41)

Non-Executive Director – Deputy Chairman Appointment date: 20 July 2011 Qualifications: BA Economics, MBA Committees: Remuneration (Chairperson), Nominations

Phuti is the CEO of Shanduka Group (Pty) Limited. She joined Shanduka in 2004 as the Managing Director of Shanduka Energy (Pty) Limited, a subsidiary company of the Shanduka Group, led by Cyril Ramaphosa. She was previously the Head of the Project Finance South Africa Unit at the Development Bank of Southern Africa, Prior to that, Phuti was Vice President at Fieldstone where she joined the firm in New York in 1997 and later transferred to the South African office. Phuti holds a BA Economics from Rutgers University (State University of New Jersey, USA) and an MBA from De Montfort University in Leicester, United Kingdom. She completed the Kennedy School of Government Executive Education Programme's Global Leadership and Public Policy for the 21st Century at Harvard University in 2008. She is a member of the boards of a number of Shanduka Group investee companies. Phuti was appointed as the Deputy Chairperson on 14 December 2011.

#### Cobus Loots (34)

Non-Executive Director Appointment date: 14 December 2011 Qualifications: CA(SA), CFA® Charterholder Committees: Audit

Cobus is a principal with Shanduka Resources (Pty) Limited. 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 to pursue a career in finance. Cobus' experience includes mining specific acquisitions and finance, as well as the management of both exploration and producing mineral assets.

## **Board of Directors**

### Continued



#### Hester Hickey (58)

Non-Executive Director Appointment date: 12 April 2012 Qualifications: BCompt, BCom (Hons), CA(SA) Committees: Audit (Chairperson), SHEC

Hester completed her articles at Fisher Hoffman Stride and, after a period as partner of Ironside Greenwood, joined BDO Spencer Stewart in 1990 as National Technical and Training Manager. She joined Transnet in 1994 as Acting Head of Internal Audit, in order to implement and execute a transformation process and particularly, to transform the Internal Audit Department of Transnet from a traditionally focused unit to a more modern risk-based function. In 1998, after a period with Ernst & Young and Liberty Life, Hester joined AngloGold Ashanti, initially as Group Internal Audit Manager and later as Executive Officer: Head of risk – a position she held until recently. Hester is a registered Chartered Accountant and previously served as Chairman of the South African Institute of Chartered Accountants (SAICA). She currently performs board evaluations for the Institute of Directors.

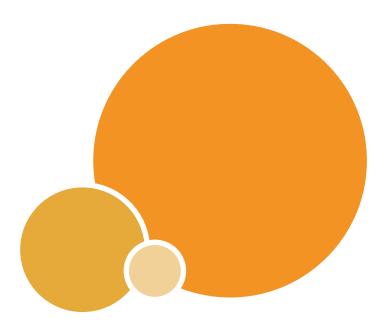


## GAP Analysis

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 has done a lot to address the deficiencies identified in the previous financial year and will work hard in further implementing King III requirements in the next year. Work has commenced on the upgrading of the risk management process and we are in the process of introducing a formal Information Technology governance process. The list below is not exhaustive, but deals with details 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 2.22 of King III	A recent evaluation of the Board and its committees has not been reported upon and there is no overview of this evaluation.	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. This review resulted in a process to appoint a further Director with skills to supplement those of the current members of the Audit Committee.
Principle 3.10 of King III	<ul> <li>No final charter has been adopted for the Audit Committee, and terms of reference for the Internal Audit function remain outstanding.</li> <li>The Audit Committee should comprise at least three members who are Independent Non-Executives with the Chairman being Independent Non-Executive.</li> </ul>	The Company has started working on the charters for internal audit and the Audit Committee, as well as a formal terms of reference for the Audit Committee, which will be finalised and presented to the Board for approval in the next year and is to be included in the next annual report. The Company is aware that the committee must comprise at least three Independent Non-Executives. To address the matter, the Company has appointed a new Independent Non-Executive Director who is also the Chairperson of the Audit Committee. The Audit Committee now comprises two Independent Non-Executive Directors, however, the Chairman of the Company who is also an Independent Non-Executive Director is frequently invited to attend the Audit Committee meetings.

King III Principle	Current Deficiency	Corrective Action Proposed
Principle 9.3 of King III	No independent assurance has been performed on sustainability information.	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	<ul> <li>There is no formal policy detailing the procedures for appointments to the Board.</li> <li>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.</li> </ul>	The Board applies rigorous criteria for the selection of new members. A formal policy will, however, be adopted in the next year:



## Risk Management

No	Risk	Risk Comment	Mitigation Actions
I	Commodity price	A fall in the gold price below our notional cost of production for any sustained period may lead to losses and require the Group to curtail or suspend certain operations.	In the event that the gold price falls to a level near to the operations notional cost of production then a review of all projects, capital expenditure and costs would be performed to focus on cash preservation.
2	Inflation	The annual increase of cost of production could result in significant cost pressures for the mining industry. The Group's profits and financial condition could be affected if the mining cost of inflation is not in line with the increase in the price of gold.	The Group's focus on cost management is to ensure that all costs are monitored and addressed in detail and that sufficient cash flows are available to address all stakeholder requirements.
3	Underground mining flexibility	The Group's operational results may be affected due to the reliance on high grade platforms at Barberton Mines' Fairview Mine, which could affect the Group's operational results and profitability should these platforms be stopped for safety incidents and lack of grades.	Increase diamond drilling ahead of development to minimise stoppages of stopes.  Increase future capital expenditure on Fairview to ensure flexibility.  The Group will be diversifying its production risk in terms of doubling its production in the short term by acquiring Evander Gold Mines.
4	Reliance on vamping contractors	Barberton Mines relies on receiving approximately 20% of its yearly production from vamping contractors. This highlights the following risks:  • Significant decrease in vamping tonnages would affect the financial performance of the Group.  • The availability of old workable areas to be vamped could result in lower production levels.  • A decrease in vamping grades from workable areas could result in lower production levels.	The management team review the performance of the vamping contractor daily.  The team re-evaluate the sweeping and vamping MRM inventories that are available for vamping contractors' operations and the cost thereof.  Apply the MRM strategy to the vamping contractors' operations.
5	Integrating new acquisitions and construction of new plants	Difficulties or delays in integrating new acquisitions and construction of new plants could affect profitability of the Group.	The BTRP construction plan is monitored daily to ensure progress is on plan.  For new acquisitions, the management team will ensure that the Group has sufficient resources that also understand the new operation in all departments.
6	Safety risks	Safety incidents could lead to the suspension and potential closure of operations for indeterminate periods.	The Group ensures strict compliance with safety regulations and internal policies.  The Group also monitors and addresses all incidents to ensure that safety improvement occurs.

No	Risk	Risk Comment	Mitigation Actions
7	Sustainable community development	Non-compliance to community development can lead to the licence being revoked by the DMR and an uprising by surrounding communities.	The Group reviews and addresses sustainable community development in line with the available cash flows and profitability of the operations. For projects that have been undertaken this year, refer to page 36.
8	Water use licences in South Africa	The majority of our South African operations are lawful users with existing water permits in terms of the Water Act of 1954. The Group's operations have applied for water use licences in terms of the National Water Act, 1998. The Group's operations have been issued water licences in respect of most of its shafts. Our water licence for Sheba Mines is still outstanding although we remain the legal historical users.	The management team at Barberton Mines is liaising with the Department of Water Affairs as to the status of the water licence, and if there are any further requirements to perform to obtain the licence.
9	Compliance with Corporate Governance and public disclosure requirements	The Group is focused and committed to maintaining high standards of Corporate Governance and public disclosure in order to comply with the standards of both the JSE and the UKLA.	The Group has appointed a JSE sponsor and a UK NOMAD to ensure compliance with regards to Corporate Governance and public disclosure.
10	Potential liability for occupational health diseases	There may be claims in the future with regard to occupational health diseases which could lead to large legal fees being incurred.	The Group ensures that safety is guaranteed at all times by providing employees with Personal Protective Equipment ('PPE'). Safety regulations are well practiced throughout the operations and entrance and exit medical screenings take place.
11	Environmental regulations	Mining groups are subject to extensive environmental regulations and non-compliance could result in potential closure of mining operations or delay in the construction of the Barberton Tailings Retreatment Project due to pending environmental requirements.	The respective management teams of the operations ensure that they engage with an environmental specialist to ensure compliance with changes in regulations and compliance thereof.
12	HIV/AIDS	The incidence of HIV/AIDS in South Africa has a significant impact on communities with the loss of mining skills and experienced mine workers. HIV/AIDS also results in loss of production and increased medical costs for employees.	Both Phoenix and Barberton Mines, on a regular basis, have HIV/AIDS campaigns to ensure awareness and promotion of healthy living. Barberton Mines also ensures that ARVs are available for employees who are infected with HIV/AIDS. This year approximately 70% of Barberton employees went for voluntary testing and counselling.
13	Labour	The Group has two competing unions (ie NUM and AMCU) on its Barberton Mines' operation. The effect of union rivalry could significantly impact production and the Group's cost structure.	The Executive Committee and Board will perform a strategic workshop with respect to the risks associated with the competing unions.
14	BIOX® Recoveries	The Group's profitability is highly sensitive due to downtime or fall in recoveries within the BIOX® Plant.	The Barberton Mines' management team has ensured that sufficient capital expenditure is spent to ensure that the plant's efficiencies are maintainable in the future.

## Key Performance Indicators (KPIs)

Level	KPI	Measurable	2012	2011	% Change	Achievement	Comment
	(US\$/oz)	Costs	776	781	(0.64)	Moderate	Decreased largely due to devaluation of ZAR exchange rate by 10.87%. In ZAR terms the total cost per kilogram increased by 10.16% therefore increase is mainly attributable to the ZAR exchange rate devaluation in the current financial year.
Corporate	Gold Sold	Revenue	94,449	92,197	2.44	Good	Gold sold ounce increase due to an additional 1,068oz of low grade sources being processed and sold in the current financial year, as well as higher head grades achieved from underground mining.
Ö	Capital Expendi- ture	Growth	£17.4 million	£21.0 million	(19.05)	Good	Mainly attributable to Phoenix Platinum and Barberton Tailings Retreatment Plant capitalised expenditures as well as Barberton on mine capital expenditures.
	Income Tax	Effective tax rate	29.11%	35.01%	(16.85)	Good	Current year effective rate has decreased due to Barberton Mines moving to the lower tax formulae as per relevant regulations, and due to the gold operation increasing its capital expenditure, which for gold mines is a tax deduction in the year the capital expenditure is incurred.
	Tonnes	Volume	308kt	296kt	4.05	Good	Total tonnes increased due to processing of low grade surface sources.
no.	Recovered Grade (g/t)	Quality	9.53g/t	9.68g/t	(1.51)	Moderate	Processing of low grade surface sources diluted the current year's recovered grades.
Mining	(%) Total Recovery	Gold sales	91.22%	91.00%	0.24	Moderate	No significant change.
	BEE	Mining title	26.00%	26.00%	0.00	Good	The Group complies with relevant legislation.
	Fatal Accidents	Safety	I	_	I	Poor	Safety still remains the Group's top priority and focus area.
Growth	Resource Base	Sustain- ability	5,887koz	5,670koz	3.81	Good	The total resource base increased by 3.81% due to a combination of underground slimes and other surface sources added to the inventory in the Measured and Inferred Categories.



## **Audit Committee Report**

#### **Financial Statements**

The committee has evaluated the Group financial statements for the year ended 30 June 2012 and, based on the information provided to the committee, considers that the Group complies, in all material respects, with the requirements of the Act and International Financial Reporting Standards ('IFRS').

The requirements of King III are continuously being assessed and improved on with significant issues resolved.

#### External Auditor

The committee nominated the South African and UK firm of Deloitte & Touche for re-appointment as external auditors of the Pan African Group.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession.

The Audit Committee, in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved for the 2012 financial year end, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The committee approved a non-audit services policy which determines the nature and extent of any non-audit services which Deloitte & Touche may provide to the Company. The policy allows for limited tax and corporate governance advice as well as the provision of reporting accountant services in relation to capital market transactions

### Financial Director

Due to the resignation of Cobus Loots as the Financial Director of the Group in December 2011, Busi Sitole was appointed as the new Financial Director. The committee has assessed and is satisfied that the Group Financial Director, Busi Sitole, has the appropriate skill, expertise and experience as required by the JSE Listings Requirement 3.84(h).

### Internal Auditor

The committee plays an oversight role of internal audit by approval of the Internal Audit Plan and review of the reporting of any findings on a regular basis. The committee satisfied itself that the internal audit function is independent and has the necessary resources, standing and authority to discharge its duties. The Head of Internal Audit has direct access to the

Chairman of the Audit Committee, and internal audit are invited to attend each Audit Committee meeting.

## Accounting Practices and Internal Control

Based on the available and communicated information together with discussions with the independent external auditor; the committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review. The committee reviewed the auditor's report to those charged with governance and can report that there were no material issues requiring immediate additional attention. The value added issues raised are receiving the appropriate attention to ensure increased effectiveness in all areas of financial and business systems and controls.

On behalf of the Audit Committee

**HH Hickey** 

Chairman: Audit Committee

26 September 2012

## Remuneration Report

All the Executive Directors have employee contracts with the Company and are remunerated by the Company for services performed.

In accordance with the Company's Articles of Association, Non-Executive Directors are entitled to Directors' fees (refer to note 32). These fees are paid quarterly.

The Remuneration Committee comprises one Independent Non-Executive Director and one Non-Executive Director. The CEO, the Financial Director and the Executive: HR are regularly invited to attend the committee meetings but are excluded from the meeting in the event that their remuneration and/or benefits are discussed. The Remuneration Committee meets at least twice a year. It reviews the performance of the CEO, executives and senior management and sets the scale, structure and basis of their remuneration and the terms of their service agreements with due regard to the interest of all stakeholders and the performance of the Company.

Basic salary and benefits are reviewed annually against competitive market data and analysis (PWC Remchannel Survey) and are adjusted accordingly.

Short-term incentives are paid annually and are based on the Company's performance. The collective Key Performance Areas ('KPAs') account for 80% and are based on gold sold, costs and safety whereas the individual KPAs account for 20% and are specific to the individual concerned. The performance areas are objective measurements based on the Company's actual achievements versus the set business plan for the financial year.

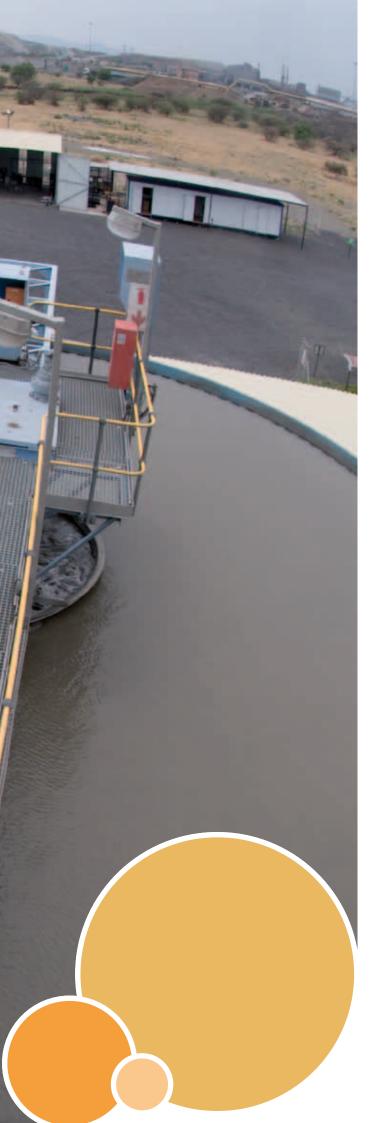
### Share Options

The Equity Share Option Plan was discontinued in 2008 and replaced with the Pan African Share Appreciation Bonus Plan. The main objective of the Share Appreciation Bonus Plan is to give appropriate incentives to selected employees who are employed at a managerial level within the Group, to ensure retention of key skills required for the ongoing profitable performance and growth of Pan African Resources, its subsidiary companies and any other entities which Pan African Resources controls ('the Group' and 'Group Company/ies'), and to align management interests with those of the shareholders of Pan African Resources.

Further details in terms of the Equity Share Option Plan and the terms of the Share Appreciation Bonus Plan can be obtained from the Company Secretary.







# Annual Financial Statements

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Independent Auditor's Reports

Certificate of the Company Secretary

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Consolidated and Company Statement of Financial Position

Consolidated and Company Statement of Cash Flows

Consolidated and Company Statement of Changes in Equity

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## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 June 2012.

#### Principal Activities

The Group's principal activity during the year was of gold and platinum mining activities. A full review of the activities of the business and of future prospects are contained in the Chief Executive Officer's report and Financial Director's report, which accompanies these financial statements, with financial and nonfinancial 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 100.

#### 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 8.

The Pan African Board previously stated the Company's policy is to pay an annual dividend, subject to the capital requirements of the Company. This policy has not changed. However, taking into account the funding required to implement the Evander Gold Mines transaction and the concomitant proposed rights offer, and following discussions with our major shareholders, the Board of Directors has decided to forego the declaration of a dividend in respect of the 2012 financial year. The final dividend paid for the year ended 30 June 2011 was £7.4 million.

The Board remains committed to continue with the Company's dividend policy and intends to resume the dividend payment in the 2013 financial year, normal legal and commercial considerations permitting. Pan African Resources is positive that the Evander Gold Mines transaction, once implemented, will further support the Group's cash flows and drive to enhance shareholder returns through dividends.

#### Policy for Payment of Creditors

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

#### Risk Management

The key business risks to which the Company is exposed have been considered and are addressed on pages 98 and 99.

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 are 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.

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
- prior approval of all significant expenditure including all major investment decisions; and
- 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.

## Directors' Report

#### Continued

#### Going Concern

The Group is currently generating significant levels of cash from its operations, is debt-free and has a revolving credit facility of £11.6 million with a major bank which it has not yet utilised. However, the terms of its agreement to acquire Evander Gold Mines from Harmony will require it to make a significant (approximately £116.2 million) cash payment once all the outstanding conditions precedent have been met. The Directors currently envisage that the required funding will be met by a combination of existing cash, additional equity (for which irrevocable shareholder undertakings of £54 million have been obtained), cash held by Evander Gold Mines and debt funding. The level of debt funding required is expected to exceed the capacity of the current revolving credit facility, but we have secured credit committee approval from a major bank for the required increase in the size of the facility and are satisfied that the remaining steps to obtain final approval are procedural in nature.

The Group's ability to fund the transaction and meet the working capital needs of the enlarged Group thereafter is also sensitive to a number of other factors including, but not limited to, changes in gold price, production rates and cost levels. We have therefore produced cash flow forecasts and run sensitivities in respect of the above factors as well as considered the potential impact on our funding position of a national strike in the South African mining sector between now and the completion of the transaction. In the event there are unexpected adverse changes to the Group's cash flows, the Directors are confident that the Group could manage its financial affairs in a number of ways, including a reduction in discretionary capital expenditure, obtaining additional debt funding and, in the event of a short-term downturn, a focus on higher grade ores and working capital management.

Having taken into consideration the above factors, the Directors believe that the Group's forecasts and projections show that the Company and Group will be able to complete the Evander Gold Mines' acquisition, meet all its other contractual commitments and have adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the results for the year ended 30 June 2012.

#### Events After the Reporting Period

## Acquisition of Evander Gold Mines from Harmony

Readers are referred to the detailed description of the transaction in the CEO's report.

On 17 August 2012 Pan African Resources issued an update on the Evander Gold Mines' acquisition status. Pan African Resources announced that 57% of the shareholders had committed to vote in favour of the transaction and that it had secured £54.2 million (ZAR700 million) through rights offer commitments.

Pan African Resources has made a further payment of £2.5 million (ZAR30 million) to Harmony in respect of the second tranche of the Break Fee in terms of the Agreement. Therefore the full Break Fee, being an amount of £4.1 million (ZAR50 million), has been paid by Pan African Resources to Harmony. Pan African Resources and Harmony have furthermore agreed that the Break Fee shall be set off against the £77.5 million (ZAR1 billion) Deposit. The balance of the Deposit (if it becomes payable, at Harmony's election) shall therefore constitute a total amount of £73.6 million (ZAR950 million).

The Secured Capital, in addition to Pan African's existing cash funds available and, to the extent necessary, draw-downs by Pan African Resources from existing debt funding facilities, will be sufficient to allow Pan African Resources to make payment of the Deposit. Pan African Resources intends to fund the balance of the Purchase Consideration through a combination of, inter alia, third party debt financing and funds generated from Pan African's existing operations.

The Group is in the process of finalising the debt component of £46.5 million (ZAR600 million) required for part of the financing of the Evander Gold Mines' transaction.

#### Disposal of Manica Gold Project

#### I. Introduction

On 29 August 2012, Pan African Resources announced that it entered into an agreement to dispose of 100% of its Manica Gold Project ('Manica') to Auroch Minerals Mozambique (Pty) Limited, a wholly-owned subsidiary of Terranova Minerals NL ('Terranova'), for a total potential purchase consideration ('Purchase Consideration') of AUD6 million (GBP4 million/ZAR52.4 million) payable in cash, and 96,666,668 shares in Terranova ('Terranova Shares'), subject to certain terms and conditions more fully described below ('Transaction').

#### 2. Purchase Consideration

In terms of the Agreement, Pan African Resources shall receive the first portion of the Purchase Consideration comprising AUD2 million (GBP1.3 million/ZAR17.5 million) and 25,000,000 shares in Terranova upon the fulfilment or, where possible, waiver of the conditions precedent to the Transaction.

The remaining portion of the Purchase Consideration shall only become payable in tranches upon achievement of the following

milestones by Manica during the four-year period following the completion of the Transaction:

- the delineation of at least 400,000oz of Joint Ore Reserves Committee Code ('IORC') Inferred Gold Resource of oxide ore with a cut-off grade of 1.25g/t being defined on the Northern and/or Southern shear zones of Manica's mining concession ('Concession') ('400koz Milestone');
- the delineation of at least 1,000,000oz of a JORC Inferred Gold Resource of oxide ore with a cut-off grade of 1.25g/t being defined on the Northern and/or Southern shear zones of the Concession ('I,000koz Milestone');
- the completion of a positive Bankable Feasibility Study ('BFS') on either the oxide or sulphide ore on the Concession which recommends the construction of a mine with at least a 10-year life and production scope of 50,000oz per annum and at any time after completion of the BFS, the Board of Directors of Terranova elects to commence construction of the mine as recommended in the BFS and has financing arranged for the construction of the mine ('BFS Milestone'); and
- the production of either oxide or sulphide ore at the plant constructed at Manica to process ore from the Concession at the capacity specified in the BFS ('Capacity Milestone').

The remaining portion of the Purchase Consideration shall be settled upon the achievement of the various milestones described above as follows:

- AUD 1,000,000 (GBP658,700/ZAR8,728,300) and 20,066,667 Terranova shares upon achievement of the 400koz milestone;
- AUD I,000,000 (GBP658,700/ZAR8,728,300) and 20,066,667 Terranova shares to be paid and issued upon achievement of the 1.000koz milestone:
- AUD1,000,000 (GBP658,700/ZAR8,728,300) and 24,366,667 Terranova shares or a payment of AUD7,310,000 (GBP4,815,097/ZAR63,803,873) in cash, at Terranova's election, to be paid and/or issued upon achievement of the BFS milestone; and
- AUD1,000,000 (GBP658,700/ZAR8,728,300) and 7,166,667 Terranova shares or AUD2,150,000 (GBP1,416,205/ ZAR18,765,845) in cash, at Terranova's election, to be paid and/or issued upon achievement of the capacity milestone.

Pan African Resources expects to utilise the cash portion of the Purchase Consideration for the funding of the construction and development of its Bramber Tailings Retreatment Project and expects to retain the Terranova Shares received in terms of the Transaction so as to continue to participate in the development of Manica through Terranova.

#### 3. Conditions Precedent to the Transaction

The implementation of the Transaction remains subject to the fulfilment or, where possible, waiver of, inter alia, the following conditions precedent within six months of the date of the Agreement:

- Terranova raising capital of not less than AUD5 million (GBP3.3 million/ZAR43.6 million), at a price of not less than AUD0.30 (GBP0.20/ZAR2.62) per share, to fund the initial working capital requirements required for the development of Manica:
- Terranova obtaining a report prepared by an independent expert stating that the Transaction is fair and reasonable to Terranova's shareholders;
- Terranova obtaining all the necessary regulatory approvals, on acceptable terms, as are required to give effect to the Transaction: and
- Terranova and Pan African Resources, to the extent required, obtaining all the necessary shareholder approvals required to implement the Transaction.

Furthermore, the Transaction remains conditional upon Terranova, within one month of the date of the Agreement, confirming that it is satisfied with the results of a due diligence exercise to be concluded over Manica.

The Transaction shall become effective upon the fulfilment or. where possible, waiver of all the conditions precedent to the Transaction

#### 4. Details of Manica and Terranova

Manica is a gold exploration project situated in central Mozambique approximately 4km north of the town of Manica, which lies approximately 270km inland of the port city of Beira, Mozambique. The project, which spans 42km<sup>2</sup>, is positioned in the Beira Corridor, which contains major road and rail infrastructure linking Zimbabwe to Beira and has a JORC resource of some 3Moz at 1.83g/t Au. The area surrounding Manica is well known for hosting gold mines such as Penhalonga, Rezende, Monarch and Old West. The reefs in these mines have typically been classified as porphyry mineralisation within quartz-diorites where gold is hosted in quartz veins.

Listed on the Australian Securities Exchange, Terranova is a mineral exploration company which is involved in the acquisition, exploration and evaluation of gold and copper assets. Terranova has gold projects in Western Australia including the Beete Gold, Peninsula Gold projects in the eastern fields Region and the Crawford Copper Project in the Crawford Belt of the Gascoyne Province, although going forward Terranova's primary focus will be on Manica. Terranova currently has 42.5 million fully diluted shares (this includes 20 million partially paid shares) in issue.

#### **Directors**

The following were Directors during the year under review: Mr KC Spencer\*

Ms P Mahanyele (appointed 20 July 2011)

## Directors' Report

#### Continued

Mr JP Nelson
Ms YB Sitole (appointed 14 December 2011)
Mr JAJ Loots
Mr RG Still\*
Mrs HH Hickey\* (appointed 12 April 2012)
Mr MC Ramaphosa (resigned 14 December 2011)
Mr RM Smith (resigned 20 July 2011)
\* Independent

#### **Auditor**

Deloitte LLP has been appointed as United Kingdom 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 has expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Jan Nelson

Chief Executive Officer

26 September 2012

## Independent Auditor's Report - South Africa

#### To the Shareholders of Pan African Resources PLC

We have audited the consolidated and separate financial statements of Pan African Resources PLC set out on pages 114 to 154, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these 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 consolidated and separate 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 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 entity'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 presentation of the financial statements.

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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Pan African Resources PLC as at 30 June 2012, 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 MLE Tshabalala

Poilte . I out

Partner

26 September 2012

## Independent Auditor's Report - United Kingdom

#### To the Shareholders of Pan African Resources PLC

We have audited the financial statements of Pan African Resources Plc for the year ended 30 June 2012 which comprise the 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 I to 37. The financial reporting framework that has been applied in their preparation is applicable by law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company'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 Company'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 Company and the Company'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 2012 and of the Group's and the Parent Company's profit for the year then ended;
- · the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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.

David Paterson (Senior statutory auditor)

for and on behalf of Deloitte LLP Chartered Accountants and Statutory Auditor London, United Kingdom

26 September 2012

## 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 Janus's Caparate Services Limited

St James's Corporate Services Limited

26 September 2012

# Consolidated and Company Statement of Comprehensive Income for the year ended 30 June 2012

		Gro	pany		
	Notes	30 June 2012 (Audited)	30 June 2011 (Audited) £	30 June 2012 (Audited) £	30 June 2011 (Audited)
	140162		L	L	L
Revenue Gold sales Realisation costs	4	101,068,596 (163,217)	79,208,399 (157,763)	- -	- -
On-mine revenue Cost of production – Gold Depreciation	5 16	100,905,379 (46,122,811) (3,259,010)	79,050,636 (45,345,417) (2,885,243)	- - -	- - -
Mining profit Other expenses Impairment Royalty costs	8	51,523,558 (5,916,227) (48,238) (3,848,450)	30,819,976 (2,796,657) – (2,368,239)	- 21,644,712 - -	20,471,875 - -
Net income before finance income and finance costs Finance income Finance costs	4 & 9 9	41,710,643 652,267 (136,765)	25,655,080 802,022 (40,128)	21,644,712 551,154 –	20,471,875 772,957 –
Profit before taxation Taxation	10 13	42,226,145 (12,984,511)	26,416,974 (9,248,309)	22,195,866 –	21,244,832 -
Profit after taxation		29,241,634	17,168,665	22,195,866	21,244,832
Other comprehensive income: Foreign currency translation differences		(10,248,051)	3,814,677	(7,013,252)	1,855,200
Total comprehensive income for the year		18,993,583	20,983,342	15,182,614	23,100,032
Profit attributable to: Owners of the parent Non-controlling interest		29,241,634 - 29,241,634	17,168,665 - 17,168,665	22,195,866 - 22,195,866	21,244,832 - 21,244,832
Total comprehensive income attributable to: Owners of the parent Non-controlling interest		18,993,583	20,983,342	15,182,614 -	23,100,032
		18,993,583	20,983,342	15,182,614	23,100,032
Earnings per share Diluted earnings per share	14 14	2.02 2.01	1.20 1.19	- -	- -

## Consolidated and Company Statement of Financial Position as at 30 June 2012

		Gr	pany		
		30 June 2012 (Audited)	30 June 2011 (Audited)	30 June 2012 (Audited)	30 June 2011 (Audited)
	Notes	£	£	£	£
ASSETS					
Non-current assets					
Property, plant and equipment and					
mineral rights	16	62,411,655	59,052,015	126,209	189,657
Other intangible assets	17	_	14,214,426	_	_
Goodwill	18	21,000,714	21,000,714	_	_
Investments	19	_	-	50,101,244	53,259,921
Rehabilitation trust fund	20	2,662,934	3,013,385	_	_
		86,075,303	97,280,540	50,227,453	53,449,578
Current assets					
Inventories	21	1,868,735	1,457,202	-	_
Receivables from subsidiaries	34	_	-	19,505,668	27,146,884
Trade and other receivables	22	6,828,047	4,254,401	1,621,219	121,000
Cash and cash equivalents	23	19,782,179	10,123,822	17,812,893	11,546,466
		28,478,961	15,835,425	38,939,780	38,814,350
Non-current assets held for sale	35	13,135,215	_	13,155,070	_
Total assets		127,689,479	113,115,965	102,322,303	92,263,928
EQUITY AND LIABILITIES					
Capital and reserves	24				
Share capital		14,482,623	14,440,406	14,482,623	14,440,406
Share premium		51,149,299	50,932,830	51,149,299	50,932,830
Translation reserve		(1,937,509)	8,310,542	(5,158,052)	1,855,200
Share option reserve		904,902	861,450	792,143	777,585
Retained income		59,432,741	37,607,283	36,881,921	22,102,231
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		100 405 455	00744110	00 707 00 4	01.440.252
parent		102,625,655	90,746,110	99,707,934	91,668,252
Total equity		102,625,655	90,746,110	99,707,934	91,668,252
Non-current liabilities					
Long-term provisions	26	3,043,954	3,386,591		_
Long-term liabilities	27	868,881	181,285	429,565	27,329
Deferred taxation	28	10,088,530	9,841,695	_	
		14,001,365	13,409,571	429,565	27,329
Current liabilities					
Trade and other payables	25	7,709,729	8,193,750	886,569	568,347
Payable to other Group companies	34	_	_	1,298,235	_
Current tax liability		3,352,730	766,534	_	_
		11,062,459	8,960,284	2,184,804	568,347
Total equity and liabilities		127,689,479	113,115,965	102,322,303	92,263,928
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The financial statements of Pan African Resources PLC, registration number 3937466 were approved by the Board of Directors on 26 September 2012 and signed on its behalf by :

Jan Nelson Chief Executive Officer Financial Director

## Consolidated and Company Statement of Cash Flows for the year ended 30 June 2012

		Group Compa			pany
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		(Audited)	(Audited)	(Audited)	(Audited)
	Notes	£	£	£	£
Net Cash Generated from/(Used in)					
Operating Activities	37	30,575,270	16,610,289	(8,392,150)	(5,680,503)
Investing Activities					
Dividends received		_	_	24,500,396	21,650,960
Deposit		(1,548,779)	_	(1,548,779)	_
Additions to property, plant and					
equipment, mineral rights		(17,424,906)	(21,033,991)	(13,202)	(181,183)
Additions to intangibles		(505,273)	(800,619)	_	_
Loans to subsidiaries		_	_	(6,836,569)	(14,614,028)
Funding of rehabilitation trust fund		115,970	122,145	-	_
Net (Cash Used in)/Generated from					
Investing Activities		(19,362,988)	(21,712,465)	16,101,846	6,855,749
Financing Activities					
Loans from subsidiaries		_	_	1,298,235	(5,738,018)
Shares issued	24	258,686	1,545,000	258,686	1,545,000
Net Cash from/(Used in) Financing					
Activities		258,686	1,545,000	1,556,921	(4,193,018)
Net Increase/(Decrease) in Cash and					
Cash Equivalents		11,470,968	(3,557,176)	9,266,617	(3,017,772)
Cash and cash equivalents at the					
beginning of the year		10,123,822	12,756,262	11,546,466	14,240,891
Effect of foreign exchange rate changes		(1,812,611)	924,736	(3,000,190)	323,347
Cash and Cash Equivalents at the end					
of the year	23	19,782,179	10,123,822	17,812,893	11,546,466

# Consolidated and Company Statement of Changes in Equity for the year ended 30 June 2012

GROUP	Share capital	Share premium account	Translation reserve	Share option reserve	Retained earnings	Realisation of equity reserve	Merger reserve	Total
Balance at 30 June 2010 Issue of shares Total comprehensive	<b>14,095,406</b> 345,000	<b>49,732,830</b> 1,200,000	4,495,865 –	754,394 –	25,814,783 -	(10,701,093) -	(10,705,308) -	<b>73,486,877</b> 1,545,000
income	_	_	3,814,677	_	17,168,665	_	_	20,983,342
Dividends paid Share-based payment	_	_	_	-	(5,376,165)	_	_	(5,376,165)
– 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
Issue of shares Total comprehensive	42,217	216,469	_	_	_	_	_	258,686
income	-	-	(10,248,051)	_	29,241,634	_	_	18,993,583
Profit for the year Dividends paid	_	_	_	_	(7,416,176)	_	_	(7,416,176)
Share-based payment  - charge for the year	_	_	_	43,452	_	_	_	43,452
Balance at 30 June 2012	14,482,623	51,149,299	(1,937,509)	904,902	59,432,741	(10,701,093)	(10,705,308)	102,625,655
COMPANY 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 Total comprehensive	345,000	1,200,000	_	_	_	_	_	1,545,000
income	_	_	1,855,200	_	21,244,832	_	_	23,100,032
Dividend issue	_	_	_	38,066	(5,376,165)	_	_	(5,376,165) 38,066
Charge for the year				30,000				30,000
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
Issue of shares	42,217	216,469	1,033,200	///,363	22,102,231	_	1,360,000	258,686
Total comprehensive	12,217	210,107						230,000
income	_	_	(7,013,252)	_	22,195,866	_	_	15,182,614
Dividends paid	_	_		_	(7,416,176)	_	_	(7,416,176)
Share-based payment  - charge for the year	_	_	_	14,558	_	_	_	14,558
Balance at 30 June 2012	14,482,623	51,149,299	(5,158,052)	792,143	36,881,921	_	1,560,000	99,707,934

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

for the year ended 30 June 2012

#### I GENERAL INFORMATION

Pan African is a company incorporated in England and Wales under the Companies Act 2006. The Company 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.

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.

#### Historic Reverse Acquisition

On 31 July 2007 the Company acquired 74% of Barberton Mines (Pty) Limited ('Barberton') in a share-for-share transaction. IFRS 3 '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 these financial statements. 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, foreign currency, commodity price, interest rate and liquidity 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. Further details are provided (refer to page 26 in front section).

#### 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 adopted by the European Union that were effective at 30 June 2012 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, for the first time, were in issue and effective as at 30 June 2012:

New and Revised International Financial Reporting Standards	Effective Date				
Pre-payments of a Minimum Funding Requirement	Applies to annual periods beginning on or after I January 2011 (applied retrospectively from the beginning of the earliest comparative period presented)				
Amendments to IFRS 7 Financial Instruments: Disclosures	Applies to annual periods beginning on or after 1 July 2011				
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1)	Applicable to annual periods beginning on or after I July 201 I				

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 and Revised International Financial Reporting Standards	Effective Date
IAS 27 Separate Financial Statements (2011)	Applicable to annual reporting periods beginning on or after 1 January 2013
IAS 28 Investments in Associates and Joint Ventures (2011)	Applicable to annual reporting periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments (2009)	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2015
IFRS 9 Financial Instruments (2010)	Applies to annual periods beginning on or after I January 2015
IFRS 10 Consolidated Financial Statements	Applicable to annual reporting periods beginning on or after 1 January 2013
IFRS 11 Joint Arrangements	Applicable to annual reporting periods beginning on or after 1 January 2013
IFRS 12 Disclosure of Interests in Other Entities	Applicable to annual reporting periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	Applicable to annual reporting periods beginning on or after 1 January 2013
Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	Applicable to annual periods beginning on or after I January 2012
IAS 19 Employee Benefits (2011)	Applicable to annual reporting periods beginning on or after 1 January 2013
Presentation of Items of Other Comprehensive Income (Amendments to IAS I)	Applicable to annual reporting periods beginning on or after 1 July 2012
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	Applicable to annual periods beginning on or after I January 2013 and interim periods within those periods
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	Applicable to annual periods beginning on or after I January 2014
Government Loans (Amendments to IFRS 1)	Applicable to annual periods beginning on or after I January 2013

## Notes to the Financial Statements: Accounting Policies and Financial Reporting Terms Continued

for the year ended 30 June 2012

New and Revised International Financial Reporting Standards	Effective Date
Annual Improvements 2009 – 2011 Cycle	Applicable to annual periods beginning on or after I January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	Applies to annual periods beginning on or after 1 January 2013

The impact of the adoption of the above 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 Company and entities controlled by the Company (its subsidiaries) to 30 June each year. Control is achieved where the Company 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 acquisitions 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 re-assessment, 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 within capital under construction until commercial levels of production are achieved. Capital under construction is not depreciated. All revenue generated during the commissioning phase is capitalised back to the property, plant and equipment as per IAS 16.

#### 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 life of mine ('LOM') to their residual values using the units-of-production method based on estimated proven 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 10 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 that they 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, the recoverable amount of the asset being the higher of fair value less costs to sell or value in use 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 CGUs expected to benefit from the synergies of the combination. Cash-generating units 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.

## Notes to the Financial Statements: Accounting Policies and Financial Reporting Terms Continued

for the year ended 30 June 2012

#### **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 or 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 or liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets or 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 or 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 or liabilities denominated in such other currencies are translated at the rates ruling at the Statement of Financial Position date. Profits or 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 or 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 of Translation differences on foreign loans to subsidiaries which are classified as equity loans are also accounted for as equity.

#### Inventories

Inventories include the gold bullion on hand, PGM concentrate, gold or PGM in process and consumable stores.

Bullion on hand and PGM concentrate 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.

Gold or PGM in process inventories represent materials that are currently in the process of being converted to a saleable gold or PGM product. The gold or PGM in process inventories are valued only if they are reliably measurable and are valued at the average cost of the material fed to process plus the in-process conversion costs.

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

#### 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 Company's estimate of cash instruments that will eventually vest. At each Statement of Financial Position date, the Company 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.

## Notes to the Financial Statements: Accounting Policies and Financial Reporting Terms Continued

for the year ended 30 June 2012

#### Provision for Environmental Rehabilitation Costs

Long-term environmental obligations are based on Barberton Mines and Phoenix Platinum 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 clean up 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 Statement of Financial Position 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:

- (a) it is probable that delivery will be made;
- (b) the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognised;
- (c) the buyer specifically acknowledges the deferred delivery instructions; and
- (d) 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 will 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 at 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 will 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 initially valued at fair value and 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 have expired.

#### **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 remeasured 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

## Notes to the Financial Statements: Accounting Policies and Financial Reporting Terms Continued

for the year ended 30 June 2012

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 or 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.

#### Non-Current Assets Held-For-Sale

A non-current asset is designated as held-for-sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use and the asset is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset, an active divestiture programme has been initiated, the non-current assets is marketed at a price reasonable to its fair value and the disposal is expected to be completed within one year from classification. Non-current assets held-for-sale are stated at lower of carrying value and fair value less cost to sell and are reviewed for impairment at each subsequent reporting date.

At the time of classification as held-for-sale, these assets are reviewed for impairment. The impairment charged to the income statement is the excess of the carrying value of the non-current asset and its expected net selling price (fair value less costs to sell). At each subsequent reporting date, the carrying values are reassessed for possible impairment. A reversal of impairment is recognised for any subsequent increase in net selling price but not in excess of the cumulative impairment loss already recognised. No depreciation is provided on non-current assets from the date they are classified as held-for-sale.

#### 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 PGMs.

#### 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 or liabilities at the date of the financial statements and the reported amounts of revenue or 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 (this includes the scope and timing of work required, the related costs and the discount rate used);
- Estimates made in determining the recoverable amount of assets, this includes the estimation of cash flows and the discount rates used (including future production levels, commodity price and costs);
- 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;
- 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;
- 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 recoverability 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 and hence the recoverability of any related capital expenditure.

for the year ended 30 June 2012

		Group		Company	
		£ 30 June 2012	£ 30 June 2011	£ 30 June 2012	£ 30 June 2011
4	Revenue Gold sales Finance income	101,068,596 652,267 101,720,863	79,208,399 802,022 80,010,421	- 551,154 551,154	- 772,957 772,957
5	Cost of Production Salaries and wages Mining Processing Engineering and technical services Electricity Security Administration and Other	(22,477,760) (6,026,400) (4,081,816) (4,070,486) (5,114,015) (2,393,207) (1,959,127)	(20,926,658) (6,364,329) (4,757,202) (3,702,615) (4,445,681) (3,034,428) (2,114,504)	- - - - - -	- - - - - -
		(46,122,811)	(45,345,417)	_	_

#### 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: Barberton Mines, 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 Jun	e 2012		30 June 2011			
			Corporate and		Corporate and			
	Barberton Mines £	Phoenix Platinum* £	Growth Projects	Group £	Barberton Mines £	Phoenix Platinum* £	Growth Projects £	Group £
Revenue								
Gold sales*** Realisation costs	101,068,596 (163,217)	- -	-	101,068,596 (163,217)	79,208,399 (157,763)	- -	- -	79,208,399 (157,763)
On-mine revenue Cost of production Depreciation	100,905,379 (46,122,811) (3,259,010)	- - -	- - -	100,905,379 (46,122,811) (3,259,010)	79,050,636 (45,345,417) (2,885,243)	- - -	- - -	79,050,636 (45,345,417) (2,885,243)
Mining profit Other expenses** Impairment costs Royalty costs	51,523,558 (1,484,792) (48,238) (3,848,450)	- (59,957) - -	- (4,371,478) - -	51,523,558 (5,916,227) (48,238) (3,848,450)	30,819,976 (288,930) – (2,368,239)	- (12,943) - -	- (2,494,784) - -	30,819,976 (2,796,657) – (2,368,239)
Net income/(loss) before finance income and finance costs Finance income Finance costs	46,142,078 96,202 (136,765)	(59,957) 4,911 –	(4,371,478) 551,154 –	41,710,643 652,267 (136,765)	28,162,807 29,065 (40,128)	(12,943) - -	(2,494,784) 772,957 –	25,655,080 802,022 (40,128)
Profit/(loss) before taxation Taxation	46,101,515 (13,058,128)	(55,046) 73,617	(3,820,324)	42,226,145 (12,984,511)	28,151,744 (9,251,933)	(12,943) 3,624	(1,721,827) -	26,416,974 (9,248,309)
Profit/(loss) after taxation	33,043,387	18,571	(3,820,324)	29,241,634	18,899,811	(9,319)	(1,721,827)	17,168,665
Other comprehensive income: Foreign currency translation differences	(3,840,331)	550,605	(6,958,325)	(10,248,051)	1,737,540	269,848	1,807,289	3,814,677
Total comprehensive income/(loss) for the year	29,203,056	569,176	(10,778,649)	18,993,583	20,637,351	260,529	85,462	20,983,342

<sup>\*</sup> Costs directly attributable to Phoenix Platinum, along with attributable overheads, are capitalised to capital under construction.

 $<sup>\</sup>hbox{$**$} \quad \hbox{Other expenses exclude inter-company management fees and dividends}.$ 

<sup>\*\*\*</sup> All gold sales were made in RSA and the majority of revenue generated was to a single customer.

f.         f.<		30 Jur		ne 2012 Corporate and		30 June 2011 Corporate and			
£         £									
6 Segmental Analysis continued Segmental Assets (Total assets excluding goodwill) 48,864,455 19,617,673 38,206,637 106,688,765 excluding goodwill) 23,552,791 275,378 1,235,655 25,063,824 20,212,973 1,556,006 600,876 22,365		Mines Platinum*		* Projects	Group	Mines	Platinum*	Projects	Group
Segmental Assets (Total assets excluding goodwill)         48,864,455       19,617,673       38,206,637       106,688,765       43,333,140       16,990,521       31,791,590       92,1         Segmental Liabilities       23,552,791       275,378       1,235,655       25,063,824       20,212,973       1,556,006       600,876       22,366		££		£	£	£	£	£	£
excluding goodwill)       48,864,455       19,617,673       38,206,637       106,688,765       43,333,140       16,990,521       31,791,590       92,1         Segmental Liabilities       23,552,791       275,378       1,235,655       25,063,824       20,212,973       1,556,006       600,876       22,36	6 Segmental Analysis continued	I	mental Analysis continu						
Segmental Liabilities         23,552,791         275,378         1,235,655         25,063,824         20,212,973         1,556,006         600,876         22,36	Segmental Assets (Total assets		nental Assets (Total assets						
	excluding goodwill)	48,864,455 19,617,673	uding goodwill)	38,206,637	106,688,765	43,333,140	16,990,521	31,791,590	92,115,251
Goodwill 21,000,714 21,00	Segmental Liabilities	23,552,791 275,378	nental Liabilities	1,235,655	25,063,824	20,212,973	1,556,006	600,876	22,369,855
200dwiii – 21,000,714 – 21,00	Goodwill		dwill	-	21,000,714	_	_	-	21,000,714
Net Assets (excluding goodwill) 25,311,664 19,342,295 36,970,982 81,624,941 23,120,167 15,434,515 31,190,714 69,74	Net Assets (excluding goodwill)	25,311,664 19,342,295	Assets (excluding goodwill)	36,970,982	81,624,941	23,120,167	15,434,515	31,190,714	69,745,396
Capital Expenditure         10,739,237         6,672,468         13,202         17,424,906         6,773,729         14,079,722         180,540         21,03	Capital Expenditure	10,739,237 6,672,468	tal Expenditure	13,202	17,424,906	6,773,729	14,079,722	180,540	21,033,991

All assets are held within South Africa with the exception of £13.1 million (2011: £10.7 million) relating to Manica which is held in Mozambique.

#### 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:

	Gra	Group		pany
	£	£	£	£
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Not later than one year	125,066	194,641	99,221	108,451
Later than one year and no later than five years	211,447	381,925	192,256	344,077
Later than five years	_	_	_	-
	336,513	576,566	291,477	452,528
Minimum lease payments under operating leases				
recognised as an expense in the year:	135,073	226,374	87,684	48,532

Leases are negotiated for an average term of three to five years. The current lease agreement increases by 8% annually.

for the year ended 30 June 2012

		Group Compa			npany
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
		£	£	£	£
8	Other (Expenses)/Income				
	Dividends received – subsidiaries	-	_	24,500,396	21,650,960
	Management fees	-	(40.2(4)	1,486,277	1,306,054
	Foreign exchange gain/(loss)	850,775	(40,366)	850,775	(40,366)
	Operating leases	(135,073)	(226,374)	(87,684)	(48,532)
	Non-mining depreciation	(57,617)	(25,416)	(46,985)	(25,416)
	Non-Executive Directors' fees Executive Directors' fees	(205,120) (363,638)	(156,328) (684,585)	(205,120) (363,638)	(243,445) (684,585)
	Equity settled share option expense	(43,452)	(107,056)	(14,558)	(38,066)
	Auditor's fees	(141,692)	(119,549)	(85,574)	(72,999)
	Salaries corporate office	(1,301,623)	(764,356)	(1,301,623)	(764,356)
	Investor and public relations	(229,683)	(218,886)	(229,683)	(218,886)
	New business	(1,629,808)	(266,969)	(1,629,808)	(266,969)
	Cash settled share option expense	(775,049)	(68,414)	(425,430)	(26,919)
	Legal fees	(116,943)	(186,074)	(76,313)	(60,368)
	Community projects	(1,183,416)	(228,145)	(9,378)	(5,385)
	Other net (expense)/income	(583,888)	295,861	(716,942)	11,153
		(5,916,227)	(2,796,657)	21,644,712	20,471,875
9	Finance Income/(Costs)	, ,	· · · · · · · · · · · · · · · · · · ·		
,	Interest received – Bank	652,267	802,022	551,154	772,957
	Interest received – Bank Interest paid – Bank	(136,765)	(40,128)	331,137	772,737
	Therest paid Bank	` ′	` ′	551.154	772.057
_		515,502	761,894	551,154	772,957
10	Profit Before Taxation				
	Profit before taxation has been arrived at after charging:				
	Management fee expense/(income)				
	– Shanduka	77,887	81,761		_
	– Barberton Mines	_	_	(1,241,823)	(1,306,054)
	- Phoenix Platinum	-	-	(244,453)	_
	Equity settled share option expense (refer to note 33)	43,452	107,056	14,558	38,066
	Cash settled share options expense (refer to note 27)	775,049	68,414	425,430	26,919
	Depreciation	3,316,627	2,885,243	46,985	25,416
	Impairment costs Staff costs	48,238 23,779,383	- 21,691,014	1,301,623	- 764,356
	Royalty costs	3,848,450	2,368,239	1,301,623	707,330
	Operating leases	135,073	226,374	87,684	48,532
П	Auditor's Remuneration	•	,	,	·
	Fees payable to the Company's auditors for the audit				
	of the Company's annual financial statements	12,077	10,500	12,077	10,500
	Audit of the consolidated financial statements	58,824	68,965	58,824	68,965
	Audit of the Company's subsidiaries pursuant to	30,02 1	00,703	30,02 !	00,700
	legislation	56,118	46,551	_	_
	Under/(over) provision of audit fee in the prior year	8,496	(7,817)	8,496	(7,817)
	Total audit fees	135,515	118,199	79,397	71,648
	Other services rendered by the auditors	6,177	1,351	6,177	1,351
	Total non-audit fees	6,177	1,351	6,177	1,351
	All fees are paid to Deloitte South Africa with the exc	ception of £32,000	(2011: £28,624) w	hich is paid to Del	oitte LLP (UK).

		Group		Company	
		£ 30 June 2012	£ 30 June 2011	£ 30 June 2012	£ 30 June 2011
12	Staff Costs	·	,	•	,
	The average number of employees were:				
	Corporate and Growth Projects	15	11	12	10
	Mining	1,820	1,757	_	
		1,835	1,768	12	10
	Their aggregate remuneration comprised:				
	Salaries and wages	22,302,552	20,227,325	1,253,599	737,120
	Other retirement costs (refer to note 30)	1,476,831	1,463,689	48,024	27,236
		23,779,383	21,691,014	1,301,623	764,356
13	Taxation				
	Income tax expense				
	South African normal taxation				
	– current year	11,134,846	8,151,100	-	_
	– prior year	_	10,421	-	_
	Deferred taxation  – current year	1,849,665	1,086,788	_	_
		, ,		_	
	Total taxation charge Profit before taxation	12,984,511 42,226,145	9,248,309 26,416,974	22,195,866	21244022
	Taxation at the South African taxation rate of 28%	11,823,321	7,396,753	6,214,842	21,244,832 5,948,553
	Non-deductible expenses/(exempt income)	12,167	29,976	(6,169,150)	(5,917,782)
	Taxation rate differential	1,149,023	1,821,580	(0,100,100)	(5,7.7,7.52)
	Tax effect of utilisation of tax losses	-	_	(45,692)	(30,771)
	Taxation expense for the year	12,984,511	9,248,309	_	_
	Effective taxation rates	%	%	%	%
	Statutory rate	28.00	28.00	28.00	28.00
	Taxation rate differential	2.72	6.90	-	_
	Non-deductible expenses/(exempt income)	0.03	0.11	(27.79)	(27.86)
	Tax effect of utilisation of tax losses	-	-	(0.21)	(0.14)
	Effective taxation rate	30.75	35.01	0.00	0.00

There are no significant unrecognised temporary differences associated with undistributed profits of 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 £12 million unredeemed capital carried forward, deductible against future profits.

During the year under review South Africa's gold mining income tax formula was reduced upon the introduction of withholding tax on dividends that replaced the secondary tax on companies resulting in the effective tax rate of Barberton Mines decreasing to 29.1% (2011: 34.5%).

for the year ended 30 June 2012

#### 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.

	Net profit £	30 June 2012 Weighted average number of shares	Earnings per share (Pence)	Net profit £	30 June 2011 Weighted average number of shares	Earnings per share (Pence)
From continuing operations Basic EPS Share options Diluted EPS	29,241,634 - 29,241,634	1,445,202,485 8,085,456 1,453,287,941	2.02 (0.01) 2.01	17,168,665 - 17.168.665	1,432,666,738 6,157,835 1,438,824,573	1.20 (0.01)

#### 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:

	Net profit £	30 June 2012 Weighted average number of shares	Earnings per share (Pence)	Net profit £	30 June 2011 Weighted average number of shares	Earnings per share (Pence)
Earnings as reported Adjustments:	29,241,634	1,445,202,485	2.02	17,168,665	1,432,666,738	1.20
Impairment costs Loss on disposal of property,	48,238		0.01	-	1,432,666,738	0.00
plant and equipment	17,922		0.00	_	1,432,666,738	0.00
Headline earnings per share* Share options	29,307,794 -	1,445,202,485 8,085,456	2.03 (0.01)	17,168,665 –	1,432,666,738 6,157,835	1.20 (0.01)
Diluted headline earnings per share	29,307,794	1,453,287,941	2.02	17,168,665	1,438,824,573	1.19

<sup>\*</sup> Headline earnings per share is required to be disclosed in terms of the Listing Requirements of the JSE Limited.

		Group	
	(Pen	,	,
	30 June 20	12 30 June 2011	<u> </u>
Net asset value per share	7.0	<b>)9</b> 6.28	.8
Tangible net asset value per			
share*	4.7	<b>73</b> 3.85	5

<sup>\* (</sup>Total assets less goodwill, non-current assets held for sale, non-current liabilities and current liabilities).

#### 15 Dividends

The Board of Directors has recommended that no dividend be declared for the year ended 30 June 2012 (2011: final dividend of 0.5135p paid). This is due to the purchase of Evander Gold Mines (Pty) Limited which requires significant cash funding from Pan African Resources PLC (refer to note 36).

#### 16 Property, Plant and Equipment and Mineral Rights

	Land*	Mineral Rights and Mining Property	Building and Infra- structure	Plant and Machinery	Capital Under Construc- tion****		Other	Total
	£	£	£	£	£	£	£	£
Group								
Cost								
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
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
Transfer from other								
intangible assets***	_	120,885	_	_	_	_	_	120,885
Additions	170,041	814,845	263,455	2,544,706	9,938,461	3,603,515	89,883	17,424,906
Disposal	_	_	_	(18,876)	_	_	_	(18,876)
Impairment**	_	_	_	(48,238)	_	_	_	(48,238)
Foreign currency translation								, , ,
reserve	(13,332)	(4,208,205)	(317,765)	(2,813,744)	(1,433,315)	(5,105,568)	(41,454)	(13,933,383)
Re-classified as non-current	` /	, ,	, ,	, /	, ,	, ,	, ,	,
assets held for sale	-	-	-	(742,089)	-	-	-	(742,089)
Balance at 30 June 2012	188,699	18,554,630	1,938,760	16,522,976	14,653,365	30,725,266	290,406	82,874,102

for the year ended 30 June 2012

	Land* £	Mineral Rights and Mining Property £	Building and Infra- structure £	Plant and Machinery £	Capital Under Construc- tion*****	Shafts and Explor- ation £	Other £	Total £
Property, Plant and Equipment and Mineral Rights continued Accumulated Depreciation								
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)
Charge for the year****	-	(264,219)	(57,985)	(1,674,409)	-	(1,262,397)	(57,617)	(3,316,627)
Disposal	_	_	_	954	-	_	_	954
Reclassified as non-current assets held for sale	_	_	_	446,047	_	_	_	446,047
Foreign currency translation				110,017				110,017
reserve	_	505,546	144,498	1,142,580	_	1,623,460	9,977	3,426,061
Balance at 30 June 2012	-	(2,979,847)	(839,880)	(6,699,888)	-	(9,848,643)	(94,189)	(20,462,447)
Carrying amount 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
At 30 June 2012	188,699	15,574,783	1,098,880	9,823,088	14,653,365	20,876,623	196,217	62,411,655
Cost Balance at 30 June 2010 Additions	- -	- -	- -	- -		- -	46,141 181,183	46,141 181,183
Foreign currency translation reserve	_	_	-	_	_	_	8,882	8,882
Balance at 30 June 2011	-	-	-	_		_	236,206	236,206
Additions Transfer from other	_	_	_	_		_	13,202	13,202
intangible assets*** Foreign currency translation	-	_	-	_	_	_	-	_
- · · · · · · · · · · · · · · · · · · ·							(20 114)	(20 114)
reserve	-	-	-	_	_	_	(39,114)	(39,114)

		Land* £	Mineral Rights and Mining Property £	Building and Infra- structure £	Plant and Machinery £	Capital Under Construc- tion*****	Shafts and Explor- ation £	Other £	Total £
16	Property, Plant and Equipment and Mineral Rights continued Accumulated Depreciation								
	Balance at 30 June 2010	_	_	_	_		_	(18,499)	(18,499)
	Charge for the year Foreign currency translation	_	-	-	_		_	(25,416)	(25,416)
	reserve	_	_	_	-	-	_	(2,634)	(2,634)
	Balance at 30 June 2011	_	_	_	_		_	(46,549)	(46,549)
	Charge for the year Foreign currency translation	_	-	-	_		_	(46,985)	(46,985)
	reserve							9,449	9,449
	Balance at 30 June 2012	_	_	-	_		_	(84,085)	(84,085)
	Carrying amount								
	At 30 June 2011	_	-	-	-	_	-	189,657	189,657
	At 30 June 2012	_	_	_	_	-	_	126,209	126,209

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.

#### 17 Other Intangible Assets

	Group £ 30 June 2012
Exploration and evaluation assets  Balance at 30 June 2010  Exploration expenditure  Transfer to property, plant and equipment and mineral rights  Foreign currency translation reserve	13,087,880 800,619 (1,061,675) 1,387,602
Balance at 30 June 2011 Exploration expenditure Transfer to property, plant and equipment and mineral rights Foreign currency translation reserve Transfer to assets held for sale*  note 35	14,214,426 505,273 (120,885) (1,711,403) (12,887,411)
Balance at 30 June 2012	-

<sup>\*</sup> The exploration and evaluation assets transferred to non-current assets held for sale relate to the Manica Project in Mozambique.

The final impairment of the Segalla Plant held at Barberton Mines, refer to note 35.

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 (refer to note 17).

<sup>\*\*\*\*</sup> The direct mining depreciation, excluding other depreciation, totals £3,259,010 (2011: £2,885,243) as reflected and disclosed in Statement of Comprehensive Income. The other depreciation which is not mining related of £57,617 (2011: £25,416) is now reflected in Other (expenses)/income in note 8.

<sup>\*\*\*\*\*</sup> Capital under construction refers to capital spent on the Phoenix and the Barberton treatment plants.

for the year ended 30 June 2012

		Group		Com	pany
		£	£	£	£
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
- - - 1	Goodwill Goodwill acquired in a business combination is allocated at acquisition to the cash generating units that are expected to benefit from that business combination.				
(	Goodwill	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 the discount rate using post-tax rate of 11.88% (2011: 12.10%) for Barberton Mines which reflects 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\$1,492 and an exchange rate of ZAR8.34 to the Dollar over the life of projects. The life of project was estimated at 17 years for Barberton Mine. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

#### 19 Investments

	Co	mpany
	£	£
	30 June 2012	30 June 2011
Investments	50,101,244	53,259,921

At 30 June 2012 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 2012	Carrying amount 2011
Barberton Mines (Pty) Limited	South Africa	Gold Mining	100%	45,770,663	45,770,663
Explorator Limitada* Mistral Resource Development	Mozambique	Exploration	100%	-	88,972
Corporation* Brampton Capital Overseas	British Virgin Isles	Exploration	100%	_	584,705
Limited* Phoenix Platinum Mining (Pty)	British Virgin Isles	Exploration	100%	-	2,485,000
Limited Emerald Panther Investments 91	South Africa	Platinum Mining	100%	4,330,581	4,330,581
(Pty) Limited**	South Africa	Shelf Company	100%	_	_
				50,101,244	53,259,921

<sup>\*</sup> Transferred to non-current assets held for sale during the financial year under review

<sup>\*\*</sup> Emerald Panther Investments 91 (Pty) Limited is a shelf company acquired to facilitate the acquisition of Evander Gold Mines Limited from Harmony (refer to note 36).

		Gra	oup	Com	pany
		£ 30 June 2012	£ 30 June 2011	£ 30 June 2012	£ 30 June 2011
0	Rehabilitation Trust Fund Funds held in trust fund (refer to note 26)	2,662,934	3,013,385	-	_
I	Inventories Consumable stores Mineral stocks Provision for obsolete stock	1,964,622 9,116 (105,003) 1,868,735	1,555,693 - (98,491) 1,457,202	- - - -	- - - -
2	Trade and Other Receivables Trade receivables Other receivables and prepayments VAT receivable Deposit*	4,176,485 249,253 853,530 1,548,779 6,828,047	1,880,730 624,948 1,748,723 – 4,254,401	17,977 54,463 – 1,548,779 1,621,219	49,400 71,600 - - 121,000
	* The deposit relates to a non-refundable amount paid to Harmony as a 'break fee' with regards to the Evander Gold Mines (Pty) Limited acquisition (refer to note 36). This payment will be deducted off the purchase price payable on completion as per the acquisition agreement.  The average credit period is: Number of days	15	9		

The ageing of trade receivables is current and is consistent with that of the prior year. No balances are past due or impaired.

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.

for the year ended 30 June 2012

#### 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.

	Gra	iroup Com <sub> </sub>		ipany	
	£	£ 20 h = 2011	£	£	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	
Cash and cash equivalents	19,782,179	10,123,822	17,812,893	11,546,466	
Credit facilities					
The Group has the following credit facilities at					
30 June 2012:		12712020			
Nedbank Limited revolving credit facility*	11,615,841	13,712,029		_	
Absa Bank Limited overdraft facility	1,587,498	1,828,271	77,439	_	
Guarantee**	1,143,979	619,112	_	_	
Credit card	38,719	9,141	_	_	
US\$ trading facility***	7,356,700	_	_	_	
	21,742,737	16,168,553	77,439	_	
* 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.  ** The guarantees relate to £298,345 for Eskom, and £226,122 for the DMR.  *** The US\$ trading facility relates to facilities held by Barberton Mines for the purposes of trading US\$ on US\$ gold sales.					
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 1,448,262,361					
(2011: 1,444,040,711) ordinary shares of £0.01 each	14,482,623	14,440,406	14,482,623	14,440,406	

During the period under review the Company announced the issue and allotment of 4,221,650 new ordinary shares in respect of share options exercised:

- On 28 October 2011 200,000 shares issued to F Chadwick at 7 pence per share.
- On 24 November 2011 723,650 shares issued to D Negri at 6 pence per share.
- On 3 April 2012 500,000 shares issued to N Spruijt at 7 pence per share.
- On 27 April 2012 450,000 shares issued to C Strydom at 7 pence per share.
- On 27 April 2012 850,000 shares issued to C Strydom at 5 pence per share.
- On 27 April 2012 288,000 shares issued to P Human at 7 pence per share.
- On 27 April 2012 850,000 shares issued to P Human at 5 pence per share.
- On 27 April 2012 360 000 shares issued to R Le Roux at 7 pence per share.
- Current number of share options outstanding at 30 June 2012 is 14,282,100 (2011: 18,503,750).

		Group		Com	. ,
		£ 30 June 2012	£ 30 June 2011	£ 30 June 2012	£ 30 June 2011
25	Trade and Other Payables Trade and other payables Accruals VAT payable	3,140,458 4,532,185 37,086	6,264,168 1,868,026 61,556	166,869 681,689 38,011	273,730 233,061 61,556
	Total trade and other payables	7,709,729	8,193,750	886,569	568,347
	The average credit period is:  Number of days  The fair value of trade payables is not materially different from the carrying value presented.	25	50		
26	Provisions	Gro Decomissioning and rehabilitation	Total	Com Decomissioning and rehabilitation	Total
	Balance at 30 June 2010	3,222,780	3,222,780	£	£
	Provided during the year Utilised during the year Foreign currency translation	(11,214) 175,025	- (11,214) 175,025	- - -	- - -
	Balance at 30 June 2011 Provided during the year Utilised during the year Foreign currency translation	<b>3,386,591</b> 115,970  - (458,607)	<b>3,386,591</b> 115,970  - (458,607)	- - -	- - -
	Balance at 30 June 2012	3,043,954	3,043,954	_	_
	Balance at 30 June 2011 Long-term provisions	3,386,591 3,386,591	3,386,591 3,386,591	-	<u>-</u>
	Balance at 30 June 2012 Long-term provisions	3,043,954	3,043,954	_	_
		3,043,954	3,043,954	_	-

#### Rehabilitation provision

The provision includes the estimate of the costs of decommissioning and 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 decommission and rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over the 17-year Life of Mine.

for the year ended 30 June 2012

		Group		Com	pany
		£	£	£	£
		30 June 2012	30 June 2011	30 June 2012	30 June 2011
27	Long-Term Liabilities				
	Cash settled share appreciation arrangement*				
	Opening balance	69,456	_	27,329	-
	Expense for the year	775,049	68,414	425,430	26,919
	Foreign currency translation	(46,992)	1,042	(23,194)	410
	Closing balance	797,513	69,456	429,565	27,329
	Post-retirement benefits				
	Opening balance	111,829	115,418	_	_
	Utilised for the year	(24,586)	(9,710)	_	_
	Foreign currency translation	(15,875)	6,121	_	_
	Closing balance	71,368	111,829	-	_
	Total	868,881	181,285	429,565	27,329

<sup>\*</sup> On 9 May 2011, PAR established a cash settled share appreciation programme entitling selected executives and employees of the PAR Group, as approved by the Board of Directors of PAR, to be allocated notional shares in PAR. These notional shares will confer the conditional right on the participant to be paid a cash settlement equal to the appreciation in the PAR share price from the date of allocation to the date of surrender or deemed surrender of notional shares. Participation in the share appreciation programme 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 the 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 PAR 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'.

Remuneration Committee 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 surrenderable 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 participant's estate is entitled, within a period of six 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.

#### 27 Long-Term Liabilities continued

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

PAR cash settled share appreciation arrangements

	30 June 2012		30 June 2011		
	Weighted		Weighted		
	average		average		
	exercise price	Number	exercise price	Number	
	(Rands)	of options	(Rands)	of options	
Outstanding at the beginning of the year	1.15	33,669,103	_	_	
Granted during the year	_	_	1.15	33,669,103	
Exercised during the year	_	_	_	_	
Forfeited in the year	1.15	(1,806,000)	_	_	
Outstanding and exercisable at the end of the year	1.15	31,863,103	1.15	33,669,103	

Cash settled share appreciation arrangements have to be valued annually at fair value.

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

	30 June 2012	30 June 2011
Weighted average share price	R1.96	R1.12
Weighted average exercise/strike price	R1.15	RI.15
Expected volatility	50.00%	70.33%
Expected life	3-4 years	4-5 years
Risk-free rate	5.83-6.14%	7.56-7.84%
Expected dividend yield	4.00%	4.00%

The Group recognised total expenses of £775.049 (2010: £68.414) relating to cash-settled share appreciation arrangement payment 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 I	9 May 2011	2	731 9	May 2013	0.97	7,965,776	7,189,113
Tranche 2	9 May 2011	3	1,096 9	May 2014	0.99	7,965,776	6,829,657
Tranche 3	9 May 2011	4	1,461 9	May 2015	1.01	15,931,551	12,976,348
Total						31,863,103	26,995,118

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

for the year ended 30 June 2012

			Group		Com	Company	
			£	£	£	£	
		Notes	30 June 2012	30 June 2011	30 June 2012	30 June 2011	
28	Deferred Taxation						
	Deferred tax liabilities						
	Property, plant and equipment		10,841,728	10,469,324	_	_	
	Provisions		(673,643)	(623,950)	_	_	
	Other		(79,555)	(3,679)	_	_	
	Net deferred tax liabilities		10,088,530	9,841,695	-	_	
	Reconciliation of						
	deferred tax liabilities:						
	Net deferred liabilities at the						
	beginning of the year		9,841,695	8,092,332	_	_	
	Deferred tax charge for the year	13	1,849,665	1,086,788	_	_	
	Translation difference		(1,602,830)	662,575	_	_	
	Net deferred liabilities at the end						
	of the year		10,088,530	9,841,695	_	_	

Deferred tax assets not recognised for PAR Company amounted to £169,980 (2011: £234,620).

Assessed loss carried forward for PAR Company amounted to £607,071 (2011: £837,929).

#### 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.

	Gro	Group Comp		pany	
	£	£	£	£	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	
Components of capital:					
Cash and cash equivalents	(19,782,179)	(10,123,822)	(17,812,893)	(11,546,466)	
Net interest-bearing assets	(19,782,179)	(10,123,822)	(17,812,893)	(11,546,466)	
Equity	102,625,655	90,746,110	99,707,934	91,668,252	
Net debt to equity ratio (%)	(19.28)	(11.00)	(17.87)	(13.00)	
Categories of financial instruments:					
Financial assets:					
Cash and cash equivalents	19,782,179	10,123,822	17,812,893	11,546,466	
Receivables	4,176,485	1,880,730	17,977	49,400	
Financial liabilities:					
Trade and other payables	7,672,643	8,132,194	849,483	506,791	

#### 29 Financial Instruments continued

#### 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 £16,763 (2011: £4,879) 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 2012	30 June 2011
Customers above 5%	2,570,181	1,831,330

#### 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.

#### 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 2012	Average rate for the year ended 30 June 2012
Pound Sterling/Rand	12.91	12.27
Gold price	\$1,599	\$1,694
		Impact of 10% currency or gold price movement on profit
Foreign currency/gold price sensitivity		£
2012		6,411,352
2011		5,341,923

for the year ended 30 June 2012

#### 29 Financial Instruments continued

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	Impact of 10% currency movement on translation reserve
2012 Assets Liabilities	28,478,961 11,062,459	25,889,965 10,056,781
2011 Assets Liabilities	15,835,425 8,193,750	14,395,841 7,448,864

#### 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 £11,615,841 (2011: £13,998,153). The Group expects to meets its other obligations from operating cash flows and proceeds of maturing financial assets.

#### 29 Financial Instruments continued

#### Liquidity risk analysis continued

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

	Weighted average interest rate	Less than 12 months	I-5 years	Total
Group				£
2012				
Trade and other payables	0%	7,672,643	_	7,672,643
2011				
Trade and other payables	0%	8,132,194	_	8,132,194
Company				
2012				
Trade and other payables	0%	849,483	_	849,483
2011				
Trade and other payables	0%	506,791	_	506,791

#### 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, Mineworkers 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 £1,476,831 (2011: £1,463,689) 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 Service's 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 £12,305,025 (2011: £3,671,395).

Authorised commitments for the new financial year not yet contracted for totalled £30,197,687 (2011: £9,641,460).

#### Contingent liabilities

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

#### Guarantees

The Group had guarantees of £11,615,841 in favour of Nedbank Limited (2011: 13,712,029) and £298,345 (2011: £352,185) in favour of Eskom, and £226,122 (2011: £266,927) 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 2012 (2011: £nil).

for the year ended 30 June 2012

#### 32 Directors' Emoluments

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

				30 June 2012 £	30 June 2011 £
Executive Directors Emoluments Share options exercised				363,638 -	311,592 372,993
Total				363,638	684,585
Non-Executive Directors Emoluments				205,120	156,328
Total				205,120	156,328
Total remuneration				568,758	840,913
Individual	Share options exercised £	Cost to Company £	Bonuses £	Total 2012 £	Total 2011 £
Executive Mr JP Nelson Mr JAJ Loots*^ Miss YB Sitole#	- - -	216,767 39,091 61,792	45,988 - -	262,755 39,091 61,792	597,468 87,117 –
Total	-	317,650	45,988	363,638	684,585
Individual	Share options exercised	Directors' fees £	Bonuses £	Total 2012 £	Total 2011 £
Non-Executive Mr RG Still Ms P Mahanyele* Mr KC Spencer Mr RM Smith*^^ Mr MC Ramaphosa*~ Mr JAJ Loots*^ Mrs HH Hickey**	- - - - - -	46,102 36,545 76,041 — 21,243 19,448 5,741	- - - - -	46,102 36,545 76,041 — 21,243 19,448 5,741	38,235 - 43,559 26,135 48,399 - -
Total	_	205,120		205,120	156,328

		30 June 2012 £	30 June 2011 £
_	Directors' Emoluments continued  Three highest paid Non-Directors (Cost to Company)		
F	R Holding	235,972	158,014
	Strydom	219,540	220,843
A	A van den Bergh	158,356	147,987

- \* Directors' fees accruing to these Directors are paid by the Company to Shanduka Group (Pty) Limited.
- ^ Director resigned as Executive Director and was appointed as Non-Executive Director on 1 December 2011.
- # Director was appointed on 1 December 2011.
- \*\* Director was appointed on 12 April 2012.
- ^^ Director resigned on 20 July 2011.
- ~ Director resigned as the Non-Executive Chairman on 14 December 2011.

#### Non-Executive Directors

During the year under review, the Non-Executive Directors were Mr RG Still, Mr KC Spencer, Mr RM Smith, Mr MC Ramaphosa, Ms P Mahanyele, Mr JAJ Loots and Mrs HH Hickey.

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 2012 Chairperson £	30 June 2012 Member £	30 June 2011 Chairperson £	30 June 2011 Member £
Board of Director's Chairperson	39,834	_	41,139	_
Board of Director's Deputy Chairperson	23,432	_	24,199	_
Board of Directors	_	18,277	_	18,875
Remuneration Committee	7,030	4,686	7,260	4,840
Audit Committee	7,030	4,686	9,680	7,260
SHEC Committee	7,030	4,686		7,260
Nominations Committee	7,030	4,686	7,260	4,840

#### **Equity-settled options**

	Total options outstanding I July 2011	Grant date	Strike price (pence)	Options granted/ (exercised) during the period	Grant/ (exercise) date	Grant/ (exercise) price (pence)	Trans- ferred out	Total options 30 June 2012
Mr KC Spencer	3,000,000	21 July 2008	5.2	-		-	_	3,000,000
Mr J Hopwood*	1,000,000	21 July 2008	5.2	-		-	(1,000,000)	-
Total	4,000,000		5.2				(1,000,000)	3,000,000
Mr JP Nelson	6,000,000	21 July 2005	2.0	(6,000,000)	6 October 2010	(2.0)	_	_
Mr RG Still	4,000,000	9 August 2004	2.5	(4,000,000)	4 November 2010	(2.5)	_	_
Mr KC Spencer	3,000,000	21 July 2008	5.2	_		_	_	3,000,000
Mr J Hopwood*	1,000,000	21 July 2008	5.2	-		-	-	1,000,000
Total	14,000,000		_	(10,000,000)		_	_	4,000,000

<sup>\*</sup> Mr | Hopwood was a Non-Executive Director who passed away on 18 March 2010. The Board of Directors approved that his share options be transferred to his spouse.

for the year ended 30 June 2012

#### 32 Directors' Emoluments continued

#### Directors' interest in shares

As at 30 June 2012 the interests of Directors in the issued share capital of the Company were as follows:

Mr JP Nelson: 1,122,442 ordinary shares (2011: 1,122,422).

Mr |A| Loots: 65,000 ordinary shares (2011: 65,000).

Mr RG Still: 2,000,000 ordinary shares (2011: 2,000,000). In addition, as a Director of Pangea Exploration (Pty) Limited ('Pangea') and a trustee of a family trust 'The Alexandra Trust' which owns 33.33% of Pangea, Mr RG Still is deemed to have an indirect, non-beneficial interest in the 1,793,796 ordinary shares (2011: 41,824,408) held by Pangea and the 12,430,900 ordinary shares (2011: Nil) held by the Alexandra Trust.

No trading was undertaken by any of the Directors between financial year end and the date of approval of the annual financial statements.

#### Cash settled options

	Total options outstanding I July 2011	Grant date	Strike price (pence)	Options granted/ (exercised) during the period	Grant/ (exercise) date	Grant/ (exercise) price (pence)	Total options 30 June 2012
Mr JP Nelson*	5,805,000	9 May 2011	0.11	_		_	5,805,000
Mr RA Holding**	5,127,134	9 May 2011	0.11	_		_	5,127,134
Mr C Strydom**	4,650,000	9 May 2011	0.11	_		_	4,650,000
Mr A van den Bergh**	3,625,177	9 May 2011	0.11	_		_	3,625,177
	19,207,311		0.11				19,207,311

<sup>\*</sup> Executive Director

#### 33 Equity-Settled Share Options

On I 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, share 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;

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
- (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.

<sup>\*\*</sup> Highest paid Non-Directors

#### 33 Equity-Settled Share Options continued

An option holder may not exercise a share option under the share option programme by later than the end of the year preceding the 10th anniversary of the grant date. Upon death of an option holder, the estate would be entitled to exercise the options vested to date within 12 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.

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

The exercise price of the share options is converted to GBP at a GBP:ZAR closing exchange rate of 12.91. The number and weighted average exercise price of share options are as follows:

	30 June : Weighted average exercise price	Number of options	30 June Weighted average exercise price	2011 Number of options
Outstanding at 1 July Granted during the year Exercised during the year Forfeited during the year	5.2p - 6.3p -	18,503,750 - (4,221,650) -	4.8p - 4.5p 6.2p	55,145,000 - (34,500,000) (2,141,250)
Outstanding 30 June 2012	6.4p	14,282,100	5.2p	18,503,750
	30 June : Vested	2012 Unvested	30 June Vested	2011 Unvested
Total number share options at year end	10,112,100	4,170,000	11,013,750	7,490,000

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 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 one to four 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 £43,452 (2011: £107,056) related to equity-settled share-based payment transactions during the reporting period.

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

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#### 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 financial position	
	£	£	£	£
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Dividends received*	24,500,396	21,650,960	-	_
Fee received from Barberton Mines*	(1,241,823)	(1,306,054)	_	_
Admin fee received from Phoenix Platinum*	(244,453)	(211,078)	_	_
Fee paid to Metorex		· –	_	_
Fee paid to Shanduka	(77,887)	(81,761)	_	_
Directors' fees paid to Shanduka	(116,328)	(161,651)	_	_
	22,819,905	19,890,416	_	_
Loans to subsidiaries				
Explorator Limitada*^	_	_	_	11,224,272
Phoenix Platinum*	_	_	19,505,668	15,922,612
Mistral Resources*^	_	_	_	_
	-	_	19,505,668	27,146,884
Payable to another Group Company				
Barberton Mines*	_	_	1,298,235	_
	-	_	1,298,235	_
Payable to other related parties				
Fee payable to Shanduka **	_	_	28,058	93,543
	-	_	28,058	93,543

<sup>\*</sup> These related party transactions related to Pan African and eliminate on consolidation.

All of the related party transactions are at arm's length

<sup>^</sup> Transferred to non-current assets held for sale (refer to note 35).

<sup>\*\*</sup> Included in trade and other payables.

#### 35 Non-Current Assets Held For Sale

The carrying value of non-current assets held for sale previously classified under other intangible assets (Group) or investments (Company) on 30 June 2012 are as follows:

Asset name	Country of incorporation	Principal activity	Proportion of capital effectively held by Company	Group (£) 30 June 2012	Company (£) 30 June 2012	Group (£) 30 June 2011	Company ( <i>£</i> ) 30 June 2011
Explorator Limitada*	Mozambique	Exploration	100%	12,887,411	9,996,393	_	_
<ul> <li>Transferred from Intangibles*</li> <li>Transferred from inter-company loan account*</li> </ul>	Mozambique Mozambique	Exploration  Exploration	100%	12,887,411	9,996,393	-	-
Explorator Limitada –	'	1					
transferred from investments* Mistral Resource Development	Mozambique	Exploration	100%	-	88,972	_	-
Corporation – transferred from investments* Brampton Capital Overseas Limited –	British Virgin Isles	Exploration	100%	-	584,705	-	-
transferred from investments* Barberton Mines –	British Virgin Isles	Exploration	100%	-	2,485,000	_	-
Segalla Plant **	South Africa	Processing	100%	247,804	_	_	
				13,135,215	13,155,070	-	_

<sup>\*</sup> As outlined in note 36, Pan African has agreed to sell, free of encumbrances, its wholly-owned subsidiary, Mistral's shareholdings to Auroch for a AU\$2,000,000 cash consideration and 25,000,000 consideration shares in Terranova, with an option to receive additional Deferred Cash Consideration (if payable) and Deferred Consideration Shares (if to be issued), the details of which are set out below. The disposal of our Manica exploration project (which is accounted for within the corporate and growth segment) allows us to remain focused on our strategy of the development and growth of our South African based operating assets.

Should at any time during the period of four years, from the date of the completion of the transaction, any of the deferred consideration milestones be achieved, then Auroch will pay Pan African the following deferred cash consideration payments upon achievement of each of the milestones as set out below:

- AU\$1,000,000 upon achievement of the 400koz Milestone 1;
- AU\$1,000,000 upon achievement of the 1,000koz Milestone 2;
- AU\$1,000,000 upon achievement of a Bankable Feasibility Study Milestone; and
- AU\$1,000,000 upon achievement of a Capacity Milestone; collectively, the Deferred Cash Consideration.

In addition, Auroch will issue to Pan African the deferred consideration shares upon the achievement of certain milestones as set out below:

- 20,066,667 shares to be issued upon achievement of the 400koz Milestone I;
- 20,066,667 shares to be issued upon achievement of the 1,000koz Milestone 2;
- 24,366,667 shares to be issued upon achievement of the Bankable Feasibility Study Milestone or at Auroch's election, payment of AU\$7,310,000 in cash; and
- 7,166,667 shares to be issued upon achievement of the Capacity Milestone or at Auroch's election, payment of AU\$2,150,000 in cash collectively the Deferred Consideration Shares.

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#### 35 Non-current Assets Held For Sale continued

Milestone I – 400koz Milestone means delineation of at least 400,000oz of JORC Inferred Gold Resource of oxide ore with a cut-off grade of I.25g/t being defined on the northern and/or southern shear zones of the Mining Concession (including the existing 90,000oz of JORC Inferred Gold Resource of oxide ore at a cut-off grade of I.25g/t that has already been delineated on the Mining Concession).

Milestone 2 - 1,000koz Milestone means delineation of at least 1,000,000oz of a Joint Ore Reserves Committee Code ('JORC') Inferred Gold Resource of oxide ore with a cut-off grade of 1.25g/t being defined on the northern and/or southern shear zones of the Mining Concession (including the existing 90,000oz of JORC Inferred Gold Resource of oxide ore at a cut-off grade of 1.25g/t that has already been delineated on the Mining Concession and any ounces of JORC Inferred Gold Resource of oxide ore that satisfied the 400koz Milestone).

The decision was taken to sell the Segalla Plant which forms part of the Barberton Mines' segment, during the financial year under review. An offer of £247,805 was received for the plant. The sale is expected to be completed within 12 months.

	30 June 2012 (£)
	(L)
Cost	742,089
Accumulated depreciation	(446,047)
Impairment	(48,238)
Net book value	247,804

#### 36 Events After the Reporting Period

#### Acquisition of Evander Gold Mines Limited from Harmony

Readers are referred to the detailed description of the transaction in the CEO's report.

On 17 August 2012 Pan African issued an update on the Evander Gold Mines acquisition status. Pan African announced that 57% of the shareholders had committed to vote in favour of the transaction and that it had secured £54.2 million (ZAR700 million) through rights offer commitments.

Pan African has made a further payment of £2.5 million (ZAR30 million) to Harmony in respect of the second tranche of the Break Fee in terms of the Agreement. Therefore the full Break Fee, being an amount of £4.1 million (ZAR50 million), has been paid by Pan African to Harmony. Pan African and Harmony have furthermore agreed that the Break Fee shall be set off against the £77.5 million (ZAR1 billion) deposit. The balance of the deposit (if it becomes payable, at Harmony's election) shall therefore constitute a total amount of £73.6 million (ZAR950 million).

The secured capital, in addition to Pan African's existing cash funds available and, to the extent necessary, draw-downs by Pan African from existing debt funding facilities, will be sufficient to allow Pan African to make payment of the deposit. Pan African intends to fund the balance of the purchase consideration through a combination of, *inter alia*, third party debt financing and funds generated from Pan African's existing operations.

The Group is in the process of finalising the debt component of  $\pounds 46.5$  million (ZAR600 million) required for part of the financing of the Evander Gold Mines transaction.

#### Disposal of Manica Gold Project

Readers are referred to the detailed description of the transaction in the 'Events after the reporting period' section of the Directors' report. On 29 August 2012 Pan African announced that it entered into an agreement to dispose of 100% of its Manica Gold Project to Auroch Minerals Mozambique (Pty) Limited, a wholly-owned subsidiary of Terranova Minerals NL, for a total potential purchase consideration of AUD6 million (GBP4 million/ZAR52.4 million), payable in cash and 96,666,668 shares in Terranova, subject to certain terms and conditions more fully described in note 35 and the Directors' report.

<sup>\*\*</sup> Segalla Plant.

		Group £ £		Comp	•
		30 June 2012	30 June 2011	£ 30 June 2012	£ 30 June 2011
37 Reconciliation of Profit Cash Generated by/(U					
Profit before taxation Adjusted for:		42,226,145 7,516,314	26,416,974 4,692,474	22,195,866 (24,564,577)	21,244,832 (22,333,516)
Dividends received Impairment Equity and cash settled sh	are options costs	- 48,238 818,501	- - 175,470	(24,500,396) - 439,988	(21,650,960) - 64,985
Net finance income Royalty costs Non-mining depreciation		(515,502) 3,848,450 57,617	(761,894) 2,368,239 25,416	(551,154) - 46,985	(772,957) – 25,416
Depreciation – Mining	ore working capital changes	3,259,010 49,742,459	2,885,243	(2,368,711)	(1,088,684)
Working capital changes	ore working cupital changes	(650,582)	858,377	841,583	11,389
Increase in inventories (Increase)/decrease in trad (Decrease)/increase in tra		(411,533) (1,024,867)	(330,828) (459,742)	- 48,560	- 41,337
Long-term liabilities and p Non-cash items	• •	(139,062) 924,880	1,916,375 (267,428)	720,458 72,565	(7,491) (22,457)
Cash generated by/(utilise	ed in) operations	49,091,877	31,967,825	(1,527,128)	(1,077,295)
Income taxes paid Royalties paid Net finance income Dividends paid		(8,364,216) (3,251,717) 515,502 (7,416,176)	(8,310,193) (2,433,072) 761,894 (5,376,165)	- 551,154 (7,416,176)	- 772,957 (5,376,165)
Net cash from/(used in) c	perating activities	30,575,270	16,610,289	(8,392,150)	(5,680,503)
Taxation paid during the y Taxation charge per the st income Less: deferred taxation	rear: tatement of comprehensive	£ 12,984,511 (1,849,665)	£ 9,248,309 (1,086,788)		
Taxation unpaid at the beg Taxation unpaid at the end Foreign currency translation	d of the year	11,134,846 689,543 (2,878,642) (581,531)	8,161,521 528,566 (689,543) 309,649		
Taxation paid during the y	rear	8,364,216	8,310,193		
Royalty paid during the ye Royalty costs unpaid at th Royalty costs unpaid at th Royalty costs charge for th Foreign currency translation	e beginning of the year e end of the year ne year	£ 76,991 (474,087) 3,848,450 (199,637)	£ 48,419 (76,991) 2,368,239 93,405		
Royalty paid		3,251,717	2,433,072		

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#### 38 Shareholder Analysis

Register date: 29 June 2012

Issued share capital: 1,448,262,361 shares

Chamah aldan aa naad	Number of shareholders	Danaantasa	Number of shares	Downsontono
Shareholder spread		Percentage		Percentage
I – I 000 shares	457	7.20	282,233	0.02
1 001 – 10 000 shares	2,707	42.66	14,802,638	1.02
10 001 - 100 000 shares	2,452	38.64	87,273,383	6.03
100 001 - 1 000 000 shares	576	9.08	171,501,057	11.84
I 000 001 shares and over	154	2.43	1,174,403,050	81.09
Total	6,346	100	1,448,262,361	100
Distribution of shareholders				
Banks	3	0.05	261,200	0.02
Brokers	18	0.28	13,258,749	0.92
Close corporations	97	1.53	7,452,298	0.51
Endowment funds	9	0.14	1,517,891	0.10
Individuals	5,067	79.85	154,968,746	10.70
Insurance companies	20	0.32	14,283,914	0.99
Investment companies	9	0.14	33,974,018	2.35
Medical aid schemes	8	0.13	1,927,855	0.13
Mutual funds	92	1.45	259,399,586	17.91
Nominees and trusts	733	11.55	472,315,246	32.61
Other corporations	68	1.07	1,742,767	0.12
Pension funds	116	1.83	96,203,433	6.64
Private companies	91	1.43	386,641,219	26.70
Public companies	15	0.24	4,315,439	0.30
Total	6,346	100	1,448,262,361	100
Public/non-public shareholder				
Non-public shareholders	5	0.08	542,152,178	37.43
Director	3	0.05	17,412,138	1.20
Strategic Holder (more than 10%)	2	0.03	524,740,040	36.23
Public Shareholders	6,341	99.92	906,110,183	62.57
Total	6,346	100	1,448,262,361	100
Beneficial holding of 3% or more				
Shanduka Gold (Pty) Limited			366,168,585	25.28
Coronation Fund Managers			158,571,455	10.95
Allan Gray Investment Council			114,466,244	7.90
Investec Asset Management (SA)			92,067,989	6.36
Investec Asset Management (UK)			51,516,434	3.56

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of Pan African Resources PLC will be held at the offices of Canaccord Genuity Limited, Eighth Floor, 88 Wood Street, London EC2V 7QR on 30 November 2012 at 10:00 (all times stated are United Kingdom times unless otherwise stated) to consider and, if thought fit, transact the following business:

### Ordinary Business

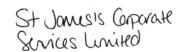
- I To receive and adopt the Directors' report, the Audited Statement of Accounts and Auditor's report for the year ended 30 June 2012.
- 2 To re-elect Mr JP Nelson as a Director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
- 3 To re-elect Mr JAJ Loots as a Director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
- 4 To re-elect Mr RG Still as a Director of the Company, who retires by rotation pursuant to the Articles of Association of the Company.
- 5 To re-elect Ms YB Sitole as a Director of the Company, who was appointed since the last Annual General Meeting.
- 6 To re-elect Mrs HH Hickey as a Director of the Company, who was appointed since the last Annual General Meeting.
- 7 To increase the maximum ordinary aggregate fees of all of the Directors of the Company to a sum not exceeding £500,000 per annum, pursuant to Article 97 of the Company's Articles of Association.
- 8 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 resolution which will be proposed as an Ordinary Resolution:

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 £4,970,362.20; 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 2013, 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.

By Order of the Board



#### St James's Corporate Services Limited

Company Secretary

7 November 2012 6 St James's Place London England SWIA INP

## Explanatory Notes

#### Entitlement to attend and vote

- I The Company specifies that only those members registered on the Company's register of members at:
  - 18:00 on 28 November 2012; or
  - if the AGM is adjourned, at 18:00 on the date two days 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 I 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 his/her vote. To appoint a proxy using the proxy form, the form must be:

- · completed and signed; and
  - sent or delivered to 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); no later than 10:00 on 28 November 2012.

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 10:00 on 28 November 2012. 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 18:00 on 6 November 2012 the Company's issued share capital comprised 1,448,262,361 ordinary shares of Ip 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 18:00 on 6 November 2012 was 1,448,262,361.

## Directors' interests and documents on display

II 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: RAIO) by 10:00 on 28 November 2012 (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 project.
Aster®	Registered name for a water purification system developed by Gold Fields 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 risings).
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 causes the death of a person
Gabions	Used to stabilise against erosion.
Greenstone Belt	Geological zone of variably metamorphosed matic to ultramatic volcanic sequences with associated sedimentary rocks that occur within Archaen 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 <i>in situ</i> mineralisation estimate – low level of geoscientific knowledge and confidence.
	A mineral resource reported as an in situ mineralisation estimate –

Term	Definition
King III	Report on Corporate Governance in South Africa.
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	A 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 crate a wall against erosion alien invasive plants. The mine has introduced a control and management programme 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.
SAMREC	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves.
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

AMG Average Mining Grade  ARV Antiretroviral  BBBEE Broad Based Black Economic Empowerment  BF Mineral Reserve Block Factor  BFS Bankable Feasibility Study  BGB Barberton Gold Mining Operations  BICK® Biological Oxidation  BICK® Biological Oxidation  BML Barberton Italings Retreatment Plant  CPR Competent Persons Report  CSI Corporate and Social Investment  CTRP Chrome Tailings Retreatment Plant  CTRP Chrome Tailings Retreatment Plant  CTRP Department of Mineral Resources  EBITDA Earnings Before Interest, Exaction, Depreciation and Amortisation,  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterpise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Assessments  KPIs Local Economic Development  LOM Life Of Mine  LTTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South Africa Inlineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority  MRM Mineral Resources and Mineral Resources	Abbreviation	Definition
BBBEE Broad Based Black Economic Empowerment BF Mineral Reserve Block Factor BFS Bankable Feasibility Study BGB Barberton Greenstone Belt BGMO Barberton Gold Mining Operations BIOX® Biological Oxidation BIML Barberton Hines Limited BTRP Barberton Tailings Retreatment Plant CCPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Famings Refore Interest, Taxation, Depreciation and Amortisation, ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan IRM International Ferro Metals Limited JORC Joint Ore Reserves Committee Code JSE JSE Limited  C Pound Sterling KPAS Key Performance Assessments KPIS Key Performance Assessments LDD Local Economic Development LIGO Life Of Mine LITIFIR Lost Time Injury Frequency Rate m metres MCF Mine Call Factor MPRDA Mining Qualifications Authority	AMG	Average Mining Grade
BF Mineral Reserve Block Factor BFS Bankable Feasibility Study BGB Barberton Greenstone Belt BGMO Barberton Gold Mining Operations BIOX® Biological Oxidation BML Barberton Times Limited BTRP Barberton Times Limited BTRP Barberton Times Limited CPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant CTRP Chrome Tailings Retreatment Plant CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation, ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan IFM International Ferro Metals Limited JORC Joint Ore Reserves Committee Code JSE JSE Limited  £ Pound Sterling KPAs Key Performance Assessments KPIs Key Performance Assessments LED Local Economic Development LED Local Economic Development LIFR Lost Time Injury Frequency Rate m metres MCF Mine Call Factor MPRDA Mining Qualifications Authority	ARV	Antiretroviral
BFS Bankable Feasibility Study BGB Barberton Greenstone Belt BGMO Barberton Gold Mining Operations BIOX® Biological Oxidation BML Barberton Mines Limited BTRP Barberton Tailings Retreatment Plant CPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation. ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan IPM International Ferro Metals Limited JORC Joint O're Reserves Committee Code JSE JSE Limited  £ Pound Sterling KPAs Key Performance Assessments KPIs Key Performance Indicators LED Local Economic Development LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate m metres MCF Mine Call Factor MPRDA Mining Qualifications Authority	BBBEE	Broad Based Black Economic Empowerment
BGB Barberton Greenstone Belt BGMO Barberton Gold Mining Operations BIOX® Biological Oxidation BML Barberton Mines Limited BTRP Barberton Tailings Retreatment Plant CPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation, ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan IPM International Ferro Metals Limited JORC Joint Ore Reserves Committee Code JSE JSE Limited  £ Pound Sterling KPAs Key Performance Assessments KPIs Key Performance Indicators LED Local Economic Development LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate m metres MCF Mine Qualifications Authority	BF	Mineral Reserve Block Factor
BGMO Barberton Gold Mining Operations BIOX* Biological Oxidation BML Barberton Mines Limited BTRP Barberton Tailings Retreatment Plant CPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation. ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan International Ferro Metals Limited JORC Joint Ore Reserves Committee Code JSE JSE Limited  £ Pound Sterling KPAs Key Performance Assessments KPIs Key Performance Indicators LED Local Economic Development LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate m metres MCF MInning Qualifications Authority Mining Qualifications Authority	BFS	Bankable Feasibility Study
BIOX® Biological Oxidation BML Barberton Mines Limited BTRP Barberton Tailings Retreatment Plant CPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation. ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan IFM International Ferro Metals Limited JORC Joint Ore Reserves Committee Code ISE JSE Limited  £ Pound Sterling KPAs Key Performance Assessments KPIs Key Performance Assessments KPIs Local Economic Development LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate m metres MCF Mine Call Factor MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002 MQA Mining Qualifications Authority	BGB	Barberton Greenstone Belt
BML Barberton Mines Limited BTRP Barberton Tailings Retreatment Plant CPR Competent Persons Report CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant DMR Department of Mineral Resources EBITDA Earnings Refore Interest, Taxation, Depreciation and Amortisation. ECSA Engineering Council of South Africa EIA Environmental Impact Assessment ERP Enterprise Resource Planning HEPS Headline Earnings Per Share IDP Integrated Development Plan IPM International Ferro Metals Limited JORC Joint Ore Reserves Committee Code ISE JSE Limited  £ Pound Sterling KPAs Key Performance Assessments KPIs Key Performance Indicators LED Local Economic Development LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate m metres MCF Mine Call Factor MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002 MQA Mining Qualifications Authority	BGMO	Barberton Gold Mining Operations
BTRP Barberton Tailings Retreatment Plant  CPR Competent Persons Report  CSI Corporate and Social Investment  CTRP Chrome Tailings Retreatment Plant  DMR Department of Mineral Resources  EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation.  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	BIOX®	Biological Oxidation
CPR Competent Persons Report  CSI Corporate and Social Investment  CTRP Chrome Tailings Retreatment Plant  DMR Department of Mineral Resources  EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation.  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	BML	Barberton Mines Limited
CSI Corporate and Social Investment CTRP Chrome Tailings Retreatment Plant  DMR Department of Mineral Resources  EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation.  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIS Key Performance Assessments  KPIS Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	BTRP	Barberton Tailings Retreatment Plant
CTRP Chrome Tailings Retreatment Plant  DMR Department of Mineral Resources  EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation.  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	CPR	Competent Persons Report
DMR Department of Mineral Resources  EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation.  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	CSI	Corporate and Social Investment
EBITDA Earnings Before Interest, Taxation, Depreciation and Amortisation.  ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning HEPS Headline Earnings Per Share  IDP Integrated Development Plan IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited   C Pound Sterling  KPAS Key Performance Assessments  KPIS Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	CTRP	Chrome Tailings Retreatment Plant
ECSA Engineering Council of South Africa  EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAS Key Performance Assessments  KPIS Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA Mining Qualifications Authority	DMR	Department of Mineral Resources
EIA Environmental Impact Assessment  ERP Enterprise Resource Planning  HEPS Headline Earnings Per Share  IDP Integrated Development Plan  IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIS Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	EBITDA	Earnings Before Interest, Taxation, Depreciation and Amortisation.
ERP Enterprise Resource Planning HEPS Headline Earnings Per Share  IDP Integrated Development Plan IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	ECSA	Engineering Council of South Africa
HEPS Headline Earnings Per Share IDP Integrated Development Plan IFM International Ferro Metals Limited JORC Joint Ore Reserves Committee Code JSE JSE Limited  £ Pound Sterling KPAS Key Performance Assessments KPIS Key Performance Indicators LED Local Economic Development LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate m metres MCF Mine Call Factor MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002 MQA Mining Qualifications Authority	EIA	Environmental Impact Assessment
IDP Integrated Development Plan IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	ERP	Enterprise Resource Planning
IFM International Ferro Metals Limited  JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	HEPS	Headline Earnings Per Share
JORC Joint Ore Reserves Committee Code  JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs LED Local Economic Development  LOM Life Of Mine LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA Mining Qualifications Authority	IDP	Integrated Development Plan
JSE JSE Limited  £ Pound Sterling  KPAs Key Performance Assessments  KPIs Key Performance Indicators  LED Local Economic Development  LOM Life Of Mine  LTIFR Lost Time Injury Frequency Rate  m metres  MCF Mine Call Factor  MPRDA The South African Mineral and Petroleum Resources Development Act 28 of 2002  MQA Mining Qualifications Authority	IFM	International Ferro Metals Limited
£     Pound Sterling       KPAs     Key Performance Assessments       KPIs     Key Performance Indicators       LED     Local Economic Development       LOM     Life Of Mine       LTIFR     Lost Time Injury Frequency Rate       m     metres       MCF     Mine Call Factor       MPRDA     The South African Mineral and Petroleum Resources Development Act 28 of 2002       MQA     Mining Qualifications Authority	JORC	Joint Ore Reserves Committee Code
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MQA Mining Qualifications Authority	MCF	Mine Call Factor
· · · · · · · · · · · · · · · · · · ·	MPRDA	The South African Mineral and Petroleum Resources Development Act 28 of 2002
MRM Mineral Resources and Mineral Reserves	MQA	Mining Qualifications Authority
	MRM	Mineral Resources and Mineral Reserves

Abbreviation	Definition
Mt	Million tonnes
mt	metric tonnes
MZM	Meticals
NAV	Net Asset Value
NOMAD	Nominated Adviser
NUM	National Union of Mineworkers
Oz	Ounces
Pan African or the Company	Pan African Resources PLC
PGM	Platinum Group Metals
Phoenix Platinum	Phoenix Platinum Mining (Pty) Limited —The Chromite Tailings Retreatment Plant in the North-West province, South Africa
Plato	South African Council for Professional and Technical Surveyors
PPE	Personal Protective Equipment
PRF	Overall Plant Recovery Factor
RIFR	Recordable Injury Frequency Rate
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SENS	Stock Exchange News Service
SG	Specific Gravity
SHEC	Safety, Health, Environment and Community
SIFR	Serious Injury Frequency Rate
SLP	Social and Labour Plan
SPV	Special Purpose Vehicle
t	Tonnes
UASA	United Association of South Africa
TSF	Tailings Storage Facility
WPL	Western Platinum Limited
ZAR	South African Rand

## **Contact Details**

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JSE Sponsor

One Capital Cobus Human

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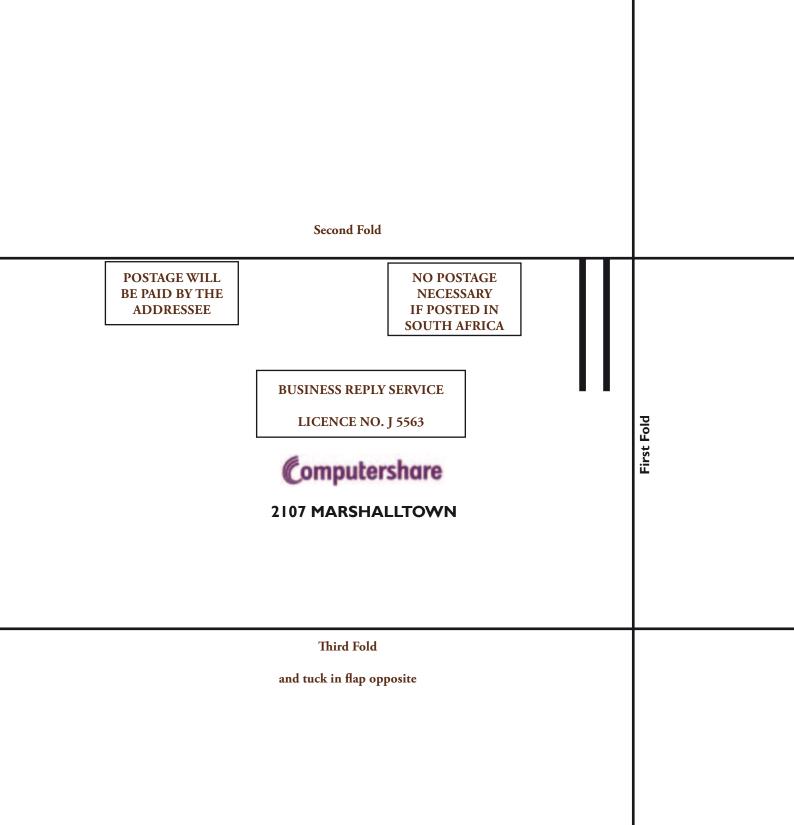
#### SA Investor and Public Relations

Vestor Media and Investor Relations Louise Brugman Office: 27 (0) 11 787 3015 Cell: 083 504 1186

# Form of Proxy - Pan African Resources PLC

(Incorporated and registered in England and Wales under Companies Act 1985 with registration number 3937466 on 25 February 2000) Share code AIM: PAF ISIN: GB0004300496 Share code JSE: PAN

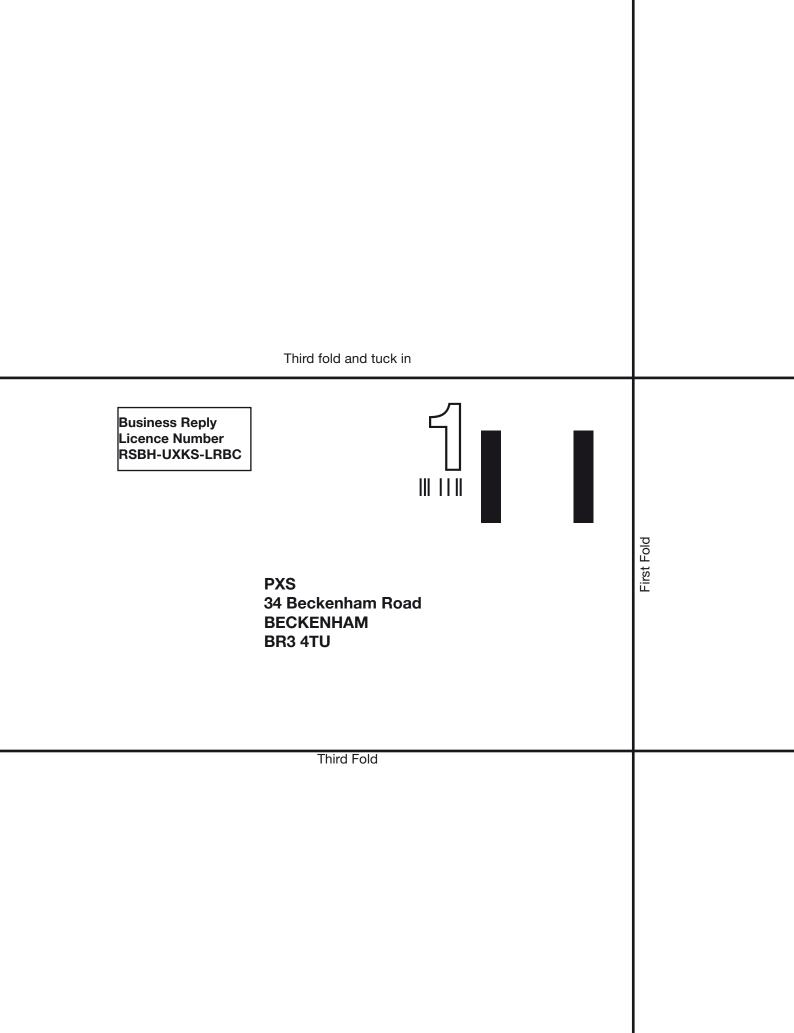
den	s Form of Proxy is for use by all non-South African shareholders and naterialised shareholders only. (e, the undersigned, being a member of the above-named company, here				
Name of proxy Numb		per of shares proxie	es appointed over		
Car If yo	ny/our proxy to attend, speak and vote on my/our behalf at the Annual laccord Genuity Limited, Eighth Floor, 88 Wood Street, London EC2V 7Q ou wish to appoint multiple proxies please see note 1 below.   Please proxy will vote on the undermentioned resolutions, as indicated.	R at 10:00 on 30 N	November 2012 and	d at any adjournme	ent thereof.
	DINARY BUSINESS:	For	Against	Voting withheld*	Discretionary**
I	To receive the accounts and the reports of the directors and auditors thereon				
2	To re-elect Mr JP Nelson as a Director of the Company				
3	To re-elect Mr JAJ Loots as a Director of the Company				
4	To re-elect Mr RG Still as a Director of the Company				
5	To re-elect Ms YB Sitole as a Director of the Company				
6	To re-elect Mrs HH Hickey as a Director of the Company				
7	To increase the maximum ordinary aggregate fees of the Directors to a sum not exceeding £500,000 per annum				
8	To re-appoint Deloitte LLP as auditors of the Company and to authorise the Directors to determine their remuneration				
SPE	ECIAL BUSINESS:	For	Against	Voting withheld*	Discretionary**
pro:	The 'Vote Withheld' option is to enable you to abstain on the specified resolution.  Please note a 'Vote Withheld' has no legal effect and will not be counted in the votes 'For' and 'Against'.  If you select 'Discretionary' or fail to select any of the given options, the proxy is authorised to vote (or abstain from voting) at his or her discretion on the specified resolution. The proxy is also authorised to vote (or abstain from voting) on any other business, which may properly come before the meeting.  Name:	full name in the this form. Please to which they an the number of si multiple instruction the same envelope of the things of the	wish, delete the words "th choice. Please initial such this form of proxy must 34 Beckenham Road, Bec mited, Ground Floor, 70 h hours before the start of corporation, the form mus fficer or attorney duly auth th holders, the signature of e shown. The vote of the se	int more than one pro- r's name and the numlr r proxy (which, in aggre- e also indicate if the pro- nust be signed and shote a member of the Com- nd will be used only in a e Chairman of the Meralteration. be lodged at the Com- kenham, BR3 4TU or of farshall Street, Johannes the meeting. It be executed under its norised in writing, any of them will suffice enior joint holder who tre-	xy you may photocopy per of shares in relation gate, should not exceed xy instruction is one of ld be returned together pany. the event of a poll being eting" and substitute the pany's Registrars, Capita Computershare Investor burg 2001, South Africa common seal or under but the names of all joint enders a vote whether in
Signa	(BLOCK CAPITALS) ture:	person or by pro- and for this purp in the Register of	xy, shall be accepted to the ose seniority shall be dete Members in respect of th	exclusion of the votes or ermined by the order in the joint holding.	of the other joint holders, which the names stand
Addı		shareholders and issue them with stipulated in the and their CSDP of the cut-off time Dematerialised s	shareholders in South A: I who wish to attend the the necessary authority to custody agreement govern or broker. These instructio and date advised by the shareholders in South A:	AGM should instruct to a attend the meeting in hing the relationship bet ns must be provided to CSDP or broker for instrict who are not ow	neir CSDP or broker to n person, in the manner ween such shareholders the CSDP or broker by structions of this nature. In name dematerialised
Dated this day of 2012		their CSDP or br agreement gover These instruction	I who cannot attend but roker with their voting inst ning the relationship betwo is must be provided to the SDP or broker for instruct	ructions, in the manner een such shareholders a e CSDP or broker by tl	stipulated in the custody nd their CSDP or broker.
			ncertificated form (ie. in C accordance with the proc		



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## In the coming year:

- No further major acquisitions
- Successful integration of Evander Gold Mines
- Commissioning of BTRP
- Continue to safely optimise profits from the operations in the Group
- Complete the divestment of Manica Project
- Resume dividend payment

