79 **Au** +1 +3

Gold

196.97

2-8-18-32-18-1

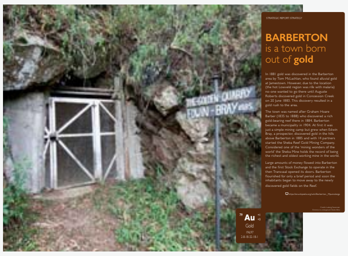
Integrated annual report

for the year ended 30 June 2016

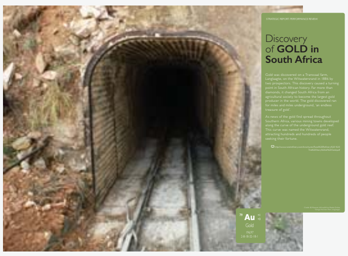
PROFITABLE • SUSTAINABLE • STAKEHOLDERS • GROWTH

Strategic report:
Business overview

Strategic report:
Strategy



Strategic report:
Performance review



Transparency and accountability

Annual financial statements

Shareholders' information

Supplementary information

This report represents one of three elements of Pan African Resources' 2016 financial year-end communication strategies with stakeholders, the other two being:

- Online supplementary information, which contains additional non-financial disclosures referencing GRI
- Pan African Resources' mineral resources and mineral reserves report, which provides technical information on the mineral assets compliance with the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code)

The above supplementary information, together with this 2016 integrated annual report, is available on the group's website at www.panafricanresources.com

Feedback

We welcome any feedback stakeholders may have on our integrated annual report. Please contact info@paf.co.za with your feedback. Online copies of our integrated annual report are available on our website http://www.panafricanresources.com. A limited number of hard copies are available on request from the Company Secretary, whose details appear on the inside back cover.

Navigational tools

The following tools will assist you throughout the report

For further reading on our website www.panafricanresources.com

For further reading in this report

About this report

Scope and boundary

We are pleased to present Pan African Resources' integrated annual report (the report). The report presents, to our shareholders and other stakeholders, an overview of the group's financial and non-financial information for the period 1 July 2015 to 30 June 2016. The report includes the activities of the holding company, Pan African Resources, and all of its operations and subsidiaries. The group's subsidiaries are incorporated in South Africa and their functional currency is ZAR. The group's business is conducted in ZAR and the accounting records are maintained in this same currency, with the exception of precious metal product sales, which are conducted in USD, prior to conversion into ZAR. The ongoing review of the results of the operations conducted by executive management and the board is also performed in ZAR. The report includes abbreviations and terms which have been defined in the glossary on page 195.

KING III IIRC GRI IFRS

Process for defining report content

The process for defining the report content was guided by the recommendations contained in the International Integrated Reporting Framework, issued by the International Integrated Reporting Council in December 2013. We continue to embed the guiding principles and content elements contained in the International Integrated Reporting Framework. The content in the report focuses on those issues which materially impact our ability to create and sustain value over the short (one year), medium (two to three years) and long term (beyond three years). Pan African Resources appreciates that its business operations use various forms of capital, including *financial capital, human capital, natural capital, intellectual capital, manufactured capital* and *social and relationship capital*. Consideration of the six forms of capital is shown in our business model on page 26.

Further, the report has been prepared in line with the London Stock Exchange's (LSE) Alternative Investment Market (AIM), the LSE's international market for smaller growth companies, and the Johannesburg Stock Exchange's (JSE) Listings Requirements. We have applied the majority of principles of the King Report on Corporate Governance (King III), with an explanation for non-compliance on page 89. The UK Corporate Governance Code (UK Code) was considered in the preparation of the report. The sustainability information contained in this report and online was prepared based on the GRI G3.1 standard disclosure guidelines. A separate GRI report is available on our website at www.panafricanresources.com. The abridged mineral resources and mineral reserves report was based on the Mining and Metals Sector Disclosure Guidelines. The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants Financial Reporting Guides, as issued by the Accounting Practices Committee, and the requirements of the UK Companies Act 2006 (UK Companies Act).

Assurance

Pan African Resources' external auditors, Deloitte LLP, as the statutory auditor and Deloitte & Touche SA as the local auditor for JSE reporting purposes, have independently audited the financial statements for the year ended 30 June 2016. Their unmodified audit reports are set out on pages 112 and 113.

Forward-looking statements

Statements in this report that address exploration activities, mining potential and future plans and objectives of Pan African Resources are forward-looking statements and forward-looking information that involve various risks, assumptions and uncertainties and are not statements of fact. The directors and management of Pan African Resources believe that the expectations expressed in such forward-looking statements or forward-looking information are based on reasonable assumptions, expectations, estimates and projections. However, these statements should not be construed as being guarantees or warranties (whether expressed or implied) of future performance. There can be no assurance that such statements will prove to be accurate and actual values, results and future events could differ materially from those anticipated in these statements. Important factors that could cause actual results to differ materially from statements expressed in this report include, among others, the actual results of exploration activities; technical analysis; the lack of availability to Pan African Resources of necessary capital on acceptable terms; general economic, business and financial market conditions; political risks; industry trends; competition; changes in government regulations; delays in obtaining governmental approvals; interest rate fluctuations; currency fluctuations; changes in business strategy or development plans and other risks. Although Pan African Resources has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. Pan African Resources is not obliged to publicly update any forward-looking statements included in this report, or revise any changes in events, conditions or circumstances on which any such statements are based, occurring after the publication date of this report, other than as required by regulation.

Statement from the board of directors

The board acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has applied its collective mind in the preparation and presentation of the report and is satisfied that the report addresses all material matters and fairly presents the integrated performance of Pan African Resources.

Keith Spencer
Chairman

Cobus Loots
Chief Executive Officer

20 September 2016

Investment case

Pan African Resources is a mid-tier African-focused precious metals producer.

The key enablers of our strategy are:

People
Fostering relationships through action, integrity and honesty

Disciplined approach to capital management

- Management team that continues to drive shareholder value
- Limited gearing with strong statement of financial position

Committed to sustainability

- Focused on achieving zero harm
- Legacy of environmentally responsible mining, rehabilitation liabilities are well-funded
- Strong relationships with labour, government and communities

Action
Leadership, planning and control

Preferred gold investment

- Profitable production growth from long-life assets
- Long-life quality gold mining operations Barberton Mines – up to 22 years' life of mine and Evander Mines – 16 years' life of mine
- Significant resource and reserve base, with a focus on bringing these ounces to account in the form of cash flows and earnings
- Ability to conclude further value-accretive acquisitions
- Strong track record of replenishing mineral reserves by targeting exploration and development to increase the life of mine
- Gold mining assets provide a safe haven investment in volatile equity markets

Results
Delivering on all our targets without compromise
Maximising sustainable gold
Positive impact on earnings

Proven business model, committed to low-cost production and, successful organic growth with occasional opportunistic value-accretive transactions

- Culture of delivery – Barberton Mines' BTRP and Evander Mines' ETRP
- Quality assets delivering strong returns
- PGM and coal assets do not detract from gold focus, but increase return to shareholders
- Focused on strong and sustainable margins
- Total mineral resources gold of 34.9Moz and 0.6Moz of platinum group elements and attractive project pipeline
- People focused

Delivering consistent and increasing returns

- Attractive dividend yield and sector-leading dividend pay-out with a track record of dividend growth
- Attractive profitability and cash flow generation
- High-margin assets allow for dividend to be maintained
- Project delivery: BTRP payback – 18 months, ETRP forecasted payback – less than four years and the Uitkomst Colliery – forecasted payback of less than five years

Salient features

16.5%
Gold sold:
204,928oz
(2015: 175,857oz)

43.1%
Revenue:
ZAR3,632.8 million
(2015: ZAR2,539.4 million)

163.1%
Earnings per share:
30.20 cents per share
(2015: 11.48 cents per share)

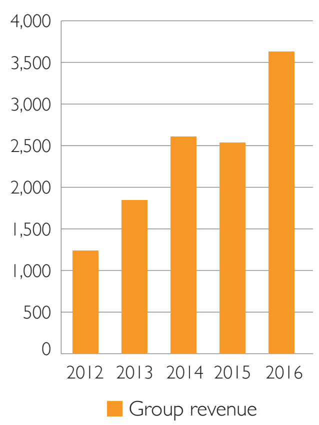
156.1%
Headline earnings:
ZAR547.1 million
(2015: ZAR213.6 million)

160.2%
Profit after tax:
ZAR547.0 million
(2015: ZAR210.2 million)

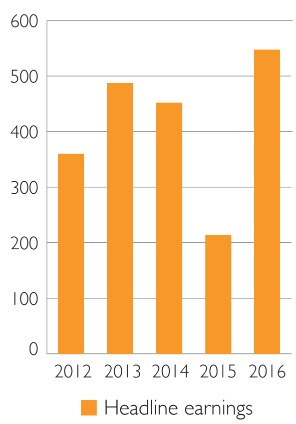
3.5%
All-in costs per kilogram:
ZAR410,206/kg
(2015: ZAR425,084/kg)

34.6%
Proposed final dividend:
ZAR0.15438 per share (2015: ZAR0.11466 per share)
equating to **ZAR300 million** (2015: ZAR210 million)

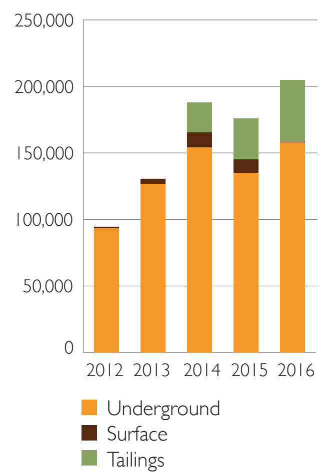
Group revenue
ZAR millions



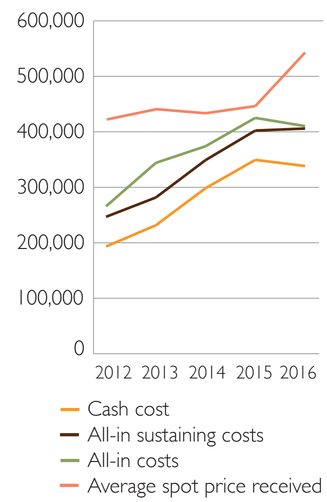
Headline earnings
ZAR millions



Gold sold
Ounces



Revenue and cost per kg
ZAR/kg



Chairman's review

Keith Spencer
Chairman

"Our 2016 financial year was characterised by a much improved gold price as well as a significant increase in the gold produced by our operations. Group profits increased 160.2% to ZAR547 million and all-in sustaining costs increased 0.9% to ZAR405,847/kg. The group's proposed dividend of ZAR300 million for the 2016 financial year is sector leading, with a five-year historical average dividend yield in excess of 5%."

In general, the year under review delivered attractive returns in the global gold industry, with the USD gold price rallying early in 2016. Investor sentiment towards the sector improved due to a number of factors, including continued global economic volatility and uncertainty.

Locally, the rand continued along a volatile path, resulting in an overall depreciation during the year under review of almost 30% against the average ZAR/USD exchange rate. This depreciation assisted group earnings, both in GBP and ZAR. Although the rand strengthened following year-end, it remains vulnerable to further depreciation if South Africa is downgraded to non-investment grade at the end of 2016. A downgrade will negatively impact the country's ability to attract foreign investment to fund economic growth, increase South Africa's cost of borrowing and add to inflationary pressures.

In August 2016, South Africa also went to the polls in one of the most fiercely contested local government elections since the advent of democracy. The elections were peaceful and well organised, with the governing African National Congress losing support nationally and also in major metropolitan areas. The manner in which these elections were conducted is encouraging for South Africa's young democracy.

Despite a volatile operating environment, Pan African Resources experienced an excellent financial and operational performance on the back of the strong rand gold price and the much improved operational performance at Evander and Barberton Mines. Gold revenue at Evander Mines rose 58.3% to ZAR1,538.3 million as the underground head grade improved to 5.7g/t, largely due to mining at 8 Shaft's newly-established 25 level. The Evander Tailings Retreatment Plant also enhanced production growth and delivered low-cost, high-margin gold ounces. Barberton Mines' gold sales rose by 7.1% to 113,281oz with a head grade of 11.0g/t and the Barberton Tailings Retreatment Plant contributed 28,591oz.

Phoenix Platinum's performance was negatively affected by International Ferro Metals Limited's (IFM) business rescue proceedings announced in August 2015 in respect of its South African subsidiary (IFMSA), with processing and mining activities suspended. In July 2016, Phoenix Platinum reached agreement to allow for the cession of its IFMSA agreement to the new owner of the IFMSA assets, TC Smelters Proprietary Limited. This agreement has provided Phoenix Platinum with security of tenure going forward. The platinum price that has been trending upward since the beginning of 2016, together with productivity improvements implemented at Phoenix Platinum, should contribute positively to the operation's sales and performance going forward. The Uitkomst Colliery, which was acquired during the year, contributed ZAR11.4 million in earnings which was in line with expectations.

Group profits increased 160.2% to ZAR547 million and all-in sustaining costs increased by only 0.9% to ZAR405,847/kg. The group's final proposed dividend of ZAR300 million for the 2016 financial year is sector leading, with a five-year historical average dividend yield in excess of 5%. During the year under review, the group's net debt position increased marginally, despite the cash acquisition of the Uitkomst Colliery and funds used for a portion of the Shanduka Gold Proprietary Limited (Shanduka Gold) transaction. Following year-end, the group's liquidity position improved further, resulting in limited gearing and a strong financial position for future acquisitive or organic growth opportunities. Further details on the group's financial results are included in the reviews by the Chief Executive Officer and Financial Director on pages 14 and 38 respectively.

Apart from our solid financial and operational performance, other key highlights during the year included finalising the acquisition of the Uitkomst Colliery as well as the conclusion of the Shanduka Gold transaction. The group assumed control of the Uitkomst Colliery operations on 31 March 2016 which, as testament to the group's track record of project delivery, was immediately cash-generative and has a forecast payback period of four years. The board remains confident that this acquisition will contribute to group earnings and cash flows going forward. The Shanduka Gold transaction concluded in June 2016 realised material value for Pan African Resources' shareholders via an investment – at a discounted price – in Pan African Resources' shares through Shanduka Gold, on an earnings-accretive basis. It also allows the group to preserve its black economic empowerment (BEE) ownership, in compliance with prevailing BEE legislation and provides funding headroom to swiftly access potential growth opportunities. Further details on this transaction are included in the reviews by the Chief Executive Officer and Financial Director on pages 14 and 38 respectively.

Due to the inherent risk associated with mining, there can be no compromise at Pan African Resources regarding our efforts to reduce the danger associated with unhealthy or unsafe conditions in the workplace. Safety is one of the group's key priorities and we have a robust governance process in place that includes policies, procedures and standards to reinforce behaviours in support of our strategic objective of zero harm. Regrettably, we experienced one fatality at Evander Mines on 26 June 2016. We extend our deepest condolences to the family, friends and colleagues of our deceased colleague, Mr Joaquim Armando Muxhanga. Measures to further improve the group's safety performance continue to be introduced.

The group embraces the targets for social development and community upliftment as encapsulated in the Mining Charter. Our operations made good progress in achieving these goals, most notably meeting employment equity targets at management level. The group maintains its commitment to improving living conditions for mineworkers at all operations. The transformation trusts at our gold mining operations continued to generate funds to invest back into our communities by encouraging suppliers to contribute 1% of their contract value to these transformation trusts. A total of ZAR1.7 million was collected on behalf of these trusts during the year under review. The group recognises the immense need to uplift the communities in which we operate and invested ZAR21.0 million in corporate social investment and socio-economic development initiatives to alleviate the social and economic challenges facing these communities.

Pan African Resources is committed to maintaining good relationships with our labour unions through a proactive, consultative, open-door approach. We are pleased to note that we successfully concluded multi-year wage agreements across our operations at Barberton and Evander Mines and did not experience significant labour disruptions during the year under review. South Africa's labour environment will remain challenging in the short to medium term and we appreciate that all parties have to cooperate to ensure the sustainability of our industry into the future.

In keeping with the group's belief that its employees and associated communities should benefit from mining activities, we will be implementing our BEE transaction at Uitkomst Colliery by 31 December 2016 – employee share ownership schemes are already in place at our gold mining operations. The programme at Uitkomst Colliery will provide employees, the community and a strategic partner with a direct 9% shareholding through a trust structure. Value will be created for beneficiaries based on the profitability of the Uitkomst Colliery operation's performance.

Skills shortages remain a challenge in South Africa and many students do not have the resources for tertiary education. To effect a positive change, the group entered into a memorandum of understanding with the University of Johannesburg to provide bursaries for 16 mining and engineering students over a period of three years. These students will also be exposed to practical on-the-job training at the group's operations and this initiative provides an alternative talent pipeline for the group going forward. Further detail on this initiative is shown on page 71.

One of Pan African Resources' key strategic pillars is sustainability. This entails continuous environmental management and oversight to minimise the negative impact of our operations on natural resources and the environment. I am pleased to note that there were no significant reportable environmental incidents or impacts on biodiversity at any of our operations during the year under review. The group constantly rehabilitates old mining areas and had a healthy rehabilitation trust fund balance of ZAR321.5 million as at year-end for restoring environmental disturbances. The estimated cost of rehabilitation is reviewed annually and appropriately adjusted for changes in legislation or technology.

Pan African Resources is committed to the highest standards of governance. We strive to embed sound corporate governance practices into our daily operations and processes, as part of our robust corporate governance framework, taking into account both local (King III) and international (UK Code) best practice. The board has been kept apprised of developments relating to the new version of the King Code (King IV), which is a more practical approach to good corporate governance. King IV follows an outcomes-based rather than a rule-based approach, which should promote greater accountability and transparency. The board does not foresee any significant obstacles in implementing King IV once it is finalised later in 2016.

As we head into the 2017 financial year, we are well placed to further explore growth opportunities, either acquisitively or organically, backed by our dynamic management team and strong financial position. One such opportunity relates to the Elikhulu tailings retreatment project (Elikhulu), where the board has mandated a feasibility study to provide guidance on how best to proceed. The results of this study will be available in November 2016, after which shareholders will be notified.

I would like to thank my fellow board members for their continued active participation in our business and their insights during the year under review. I also warmly thank the executive management team, who showed great commitment and determination in delivering on key objectives during the year under review. Thank you to our shareholders and employees, all business partners and industry regulators for your ongoing support of Pan African Resources.

Keith Spencer
Chairman

20 September 2016

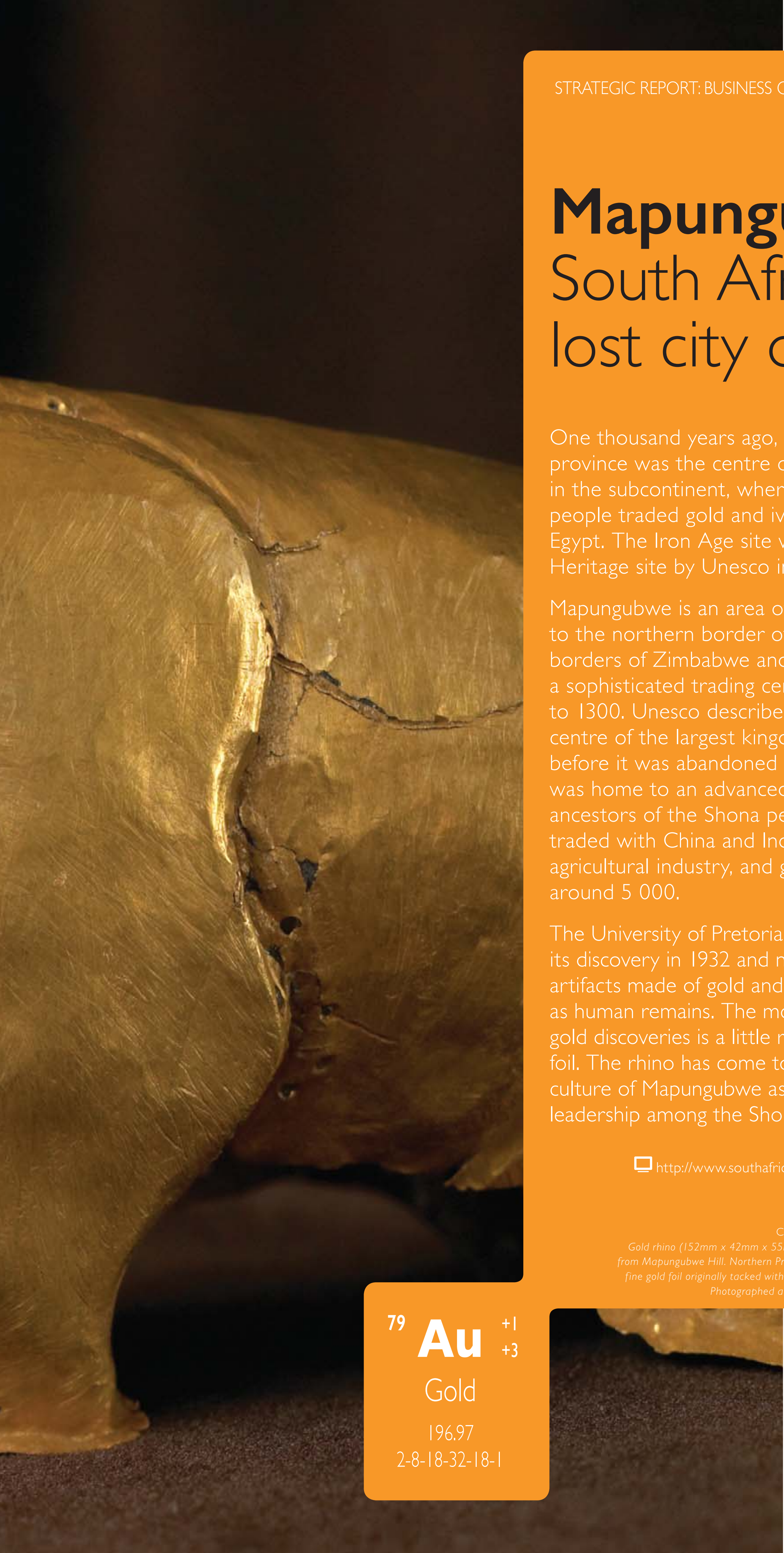
Mapungubwe: South Africa's lost city of **gold**

One thousand years ago, Mapungubwe in Limpopo province was the centre of the largest kingdom in the subcontinent, where highly sophisticated people traded gold and ivory with China, India and Egypt. The Iron Age site was declared a World Heritage site by Unesco in July 2003.

Mapungubwe is an area of open savannah adjacent to the northern border of South Africa and the borders of Zimbabwe and Botswana. It thrived as a sophisticated trading centre from around 1220 to 1300. Unesco describes Mapungubwe as the centre of the largest kingdom in the subcontinent before it was abandoned in the 14th century. It was home to an advanced culture of people – the ancestors of the Shona people of Zimbabwe. They traded with China and India, had a flourishing agricultural industry, and grew to a population of around 5 000.

The University of Pretoria excavated the site since its discovery in 1932 and now has a collection of artifacts made of gold and other materials, as well as human remains. The most spectacular of the gold discoveries is a little rhinoceros made of gold foil. The rhino has come to symbolise the high culture of Mapungubwe as well as being a symbol of leadership among the Shona people of Zimbabwe.

http://www.southafrica.info/about/history/mapungubwe.htm



Credit: © Roger de la Harpe/Africa Media Online
Gold rhino (152mm x 42mm x 55mm, weighing 42.8g, 24ct gold). Artifact recovered from Mapungubwe Hill. Northern Province. South Africa. Made from multiple pieces of fine gold foil originally tacked with tiny gold nails onto a wooden core (now decayed). Photographed at the Mapungubwe Museum, University of Pretoria

79 **Au** +1 +3
Gold
196.97
2-8-18-32-18-1

Group highlights and challenges

HIGHLIGHTS

- *Significant increase in gold production of 16.5% to 204,928oz*
- *ZAR gold price increased by 21.6% to ZAR542,850/kg*
- *Completion of the Shanduka Gold transaction for ZAR546.9 million, effectively improving earnings per share by 17.7% going forward*
- *Acquisition of the Uitkomst Colliery for a cash consideration of ZAR148 million*
- *BTRP continues to perform above expectations, producing 28,591oz of gold*
- *ETRP produced 18,151oz, of which 6,724oz were from tailings sources and 11,427oz from surface feedstock material*
- *Share price increased by 108% from ZAR1.80 to ZAR3.75*
- *Maintenance of an industry-leading dividend yield throughout the low precious metals price cycle*
- *ZAR21.0 million invested in CSI and SED initiatives*
- *ZAR33.3 million invested in human resources development*

CHALLENGES

- *Regression in safety accident rates*
- *Volatile commodity prices and exchange rates*
- *Subdued growth outlook for the South African economy*

Our history

2000

Incorporated as Viking Internet PLC in February

Admitted to AIM in May

2001 – 2006

Exploration phase

2007

Acquired 74% of Barberton Mines from Metorex Limited (Metorex)

2009

Acquired the remaining 26% of Barberton Mines from Shanduka in exchange for 295.7 million shares in the company

Exercised the option to acquire 100% of Phoenix Platinum from Metorex for cash in May

2013

Finalised the acquisition of 100% of the share capital of Evander Mines for a total net purchase consideration of ZAR1.3 billion

Commissioned Barberton Tailings Retreatment Plant

2015

Commissioned Evander Tailings Retreatment Plant

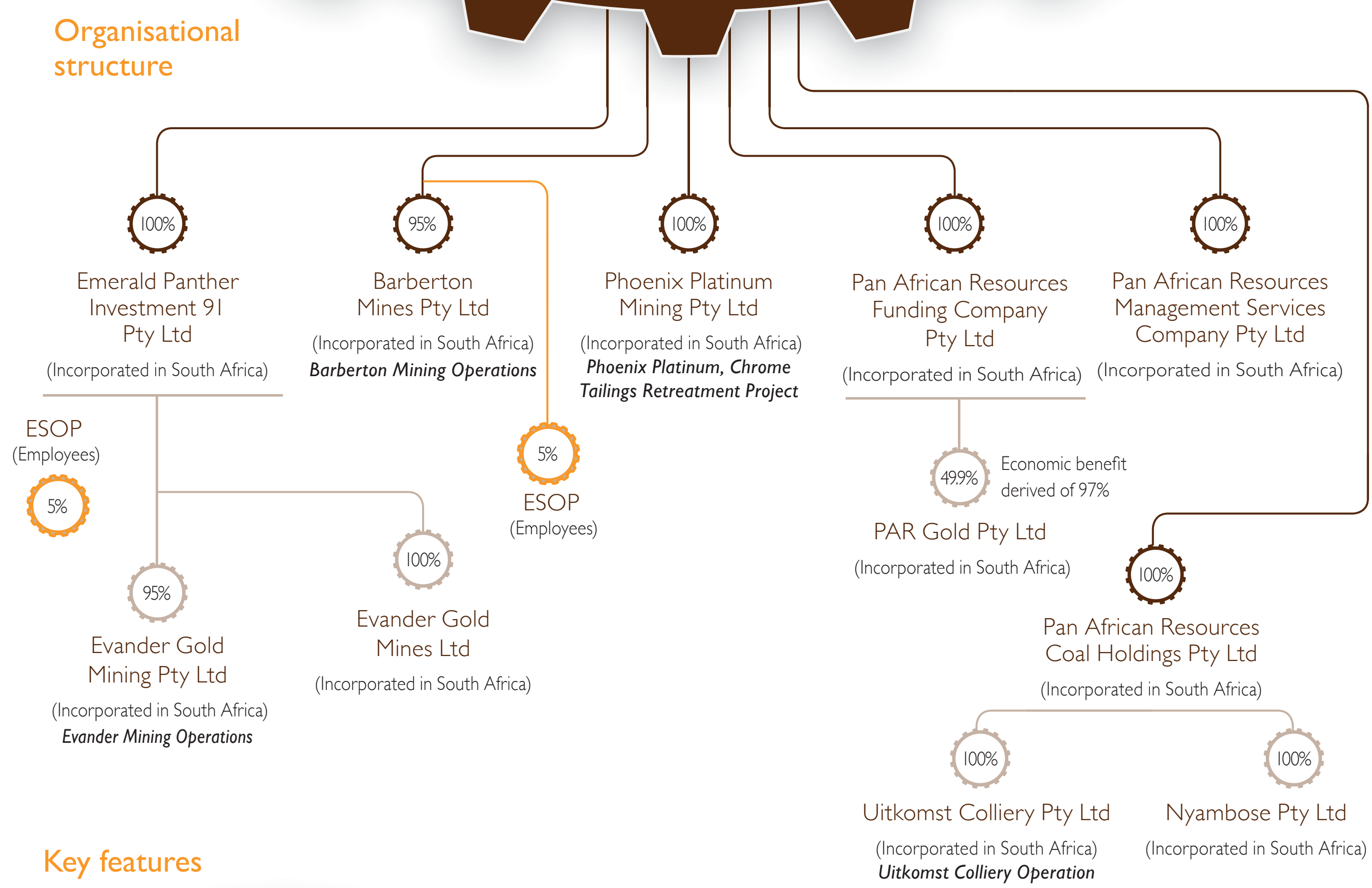
Acquired the Uitkomst Colliery on 31 March for a cash consideration of ZAR148 million

Acquired shares held by Standard Bank of South Africa Limited and the shares held by Jadeite Limited therefore gaining control in Shanduka Gold. Pan African Resources acquired the stake for ZAR546.9 million, a significant discount to prevailing market price. The transaction was funded from Pan African Resources' operational cash flows and a vendor consideration placement through an issue of shares

Our organisation

PAN AFRICAN RESOURCES PLC

Organisational structure



Key features

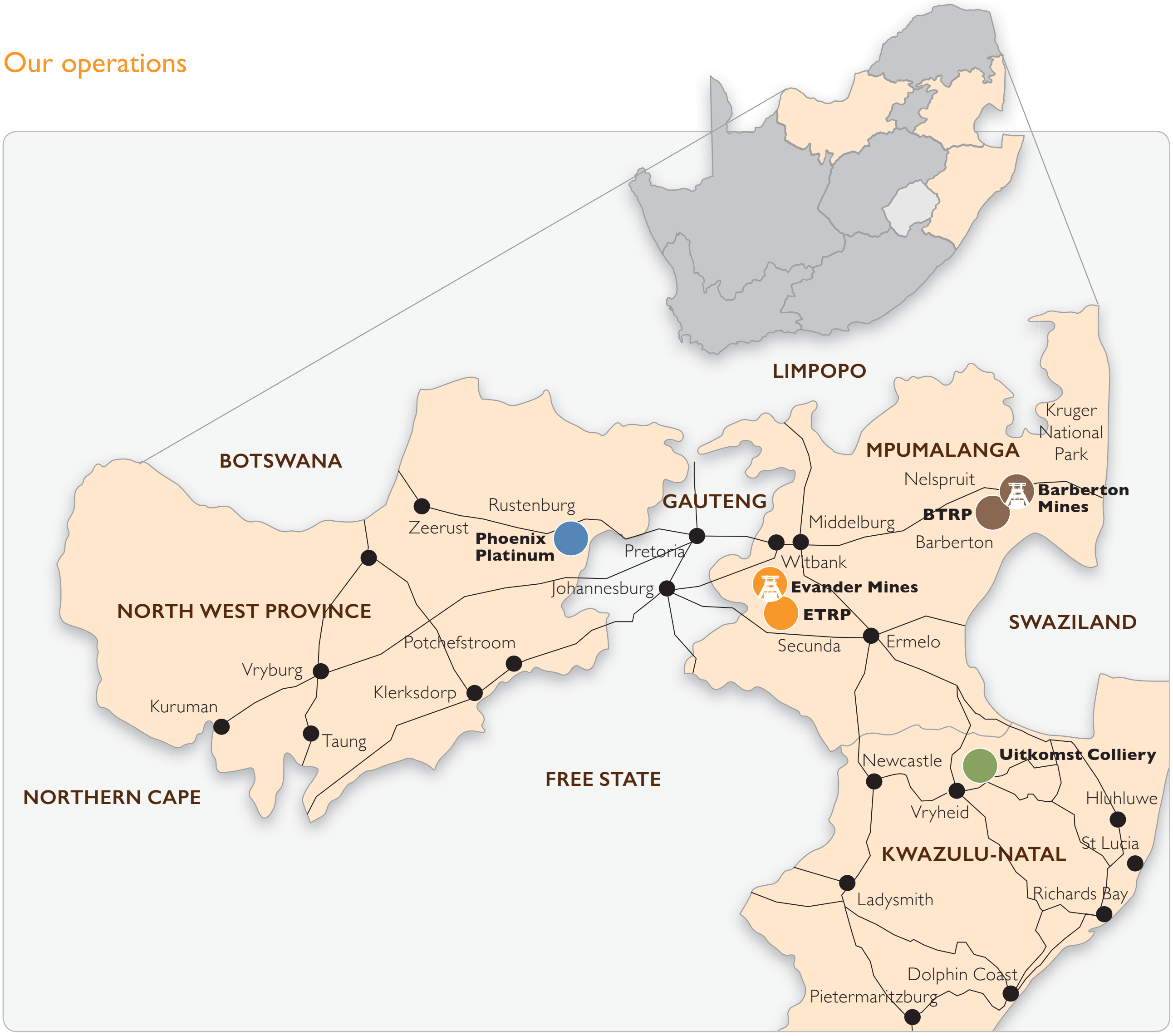
AFRICAN MID-TIER PRECIOUS METALS BUSINESS

- Quality assets with a production capacity in excess of 200,000oz of gold per annum
- Focused on maintaining and increasing profitable production ounces

Dual listed on London's AIM and South Africa's JSE

- Market capitalisation at 30 June 2016 of ZAR7.3 billion (2015: ZAR3.3 billion)
- Diversified shareholder base, major South African and international institutions
- PAR Gold Proprietary Limited (PAR Gold) as empowerment partner with a 22.5% direct shareholding, equating to an effective 23.1% BEE ownership for purposes of the Mineral and Petroleum Resources Development Act (MPRDA). The mining operation's BEE ownership exceeds the MPRDA 26% requirement by combining the BEE shareholding in Pan African Resources (23.1%) and the on-mine employee share ownership schemes (5%)

Our operations



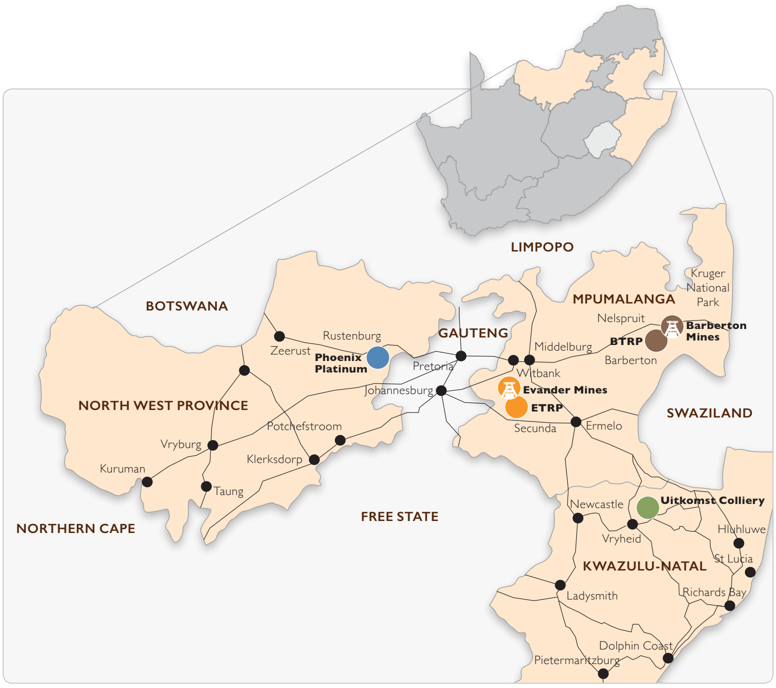
Cash flow generative and dividend paying

- Progressive dividend policy and track record of sector-leading dividend payouts
- A five-year historical average dividend yield in excess of 5%
- Low level of gearing with strong balance sheet
- Access to funding facilities of ZAR1.2 billion

SIGNIFICANT GROWTH PROJECTS

- Gold resources base of 34.9Moz

Operating assets



Pan African Resources is a mid-tier African-focused precious metals producer with a production capacity in excess of 200,000oz gold, 10,000oz PGEs and 400,000 tonnes coal per annum. The group's assets include:

Barberton Mines

three gold mines and the BTRP in Mpumalanga

Evander Mines

a gold mine in Mpumalanga, ETRP and several brownfield projects

Phoenix Platinum

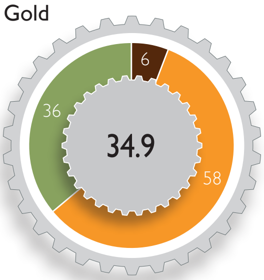
the CTRP in the North West province

Uitkomst Colliery

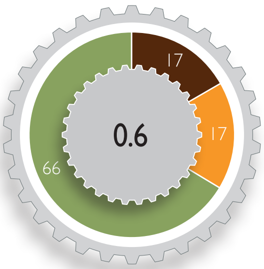
an underground coal mining operation located in the KwaZulu-Natal province

Group Mineral Resources (Moz)

Gold

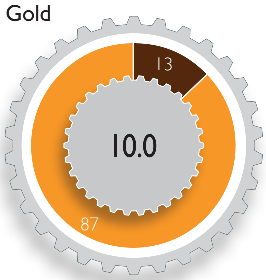


PGEs 4E



Group Mineral Reserves (Moz)

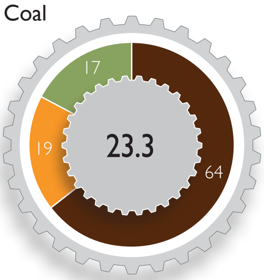
Gold



PGEs 4E

Group Mineral Resources (Mt)

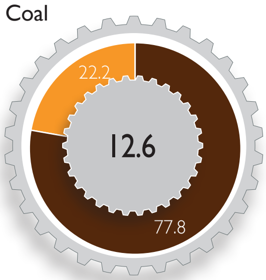
Coal



Measured Indicated Inferred

Group Mineral Reserves (Mt)

Coal



Proved Probable

Operation	Headcount	Life of mine
Barberton Mines	Employees: 1,835 Contractors: 422	22 years
Barberton Tailings Retreatment Plant (BTRP)	Employees: 56 Contractors: 38	14 years
Evander Mines	Employees: 2,406 Contractors: 772	16 years
Evander Tailings Retreatment Plant (ETRP)	Employees: 12 Contractors: 7	16 years
Phoenix Platinum	Employees: 3 Contractors: 58	9 years
Uitkomst Colliery	Employees: 115 Contractors: 326	22 years

Description and location	Operational statistics		Resources and Reserves	
Located in a greenstone belt, this is a low-cost, high grade operation comprising three mines: Fairview, Sheba and New Consort and a recently commissioned tailings retreatment plant (BTRP). **Mining Charter rating: 3**	**Production (tonnes milled):** **Produced (oz/annum):** **Capacity:** **Tonnage (capacity):** **Head grade:** **Sustainable capital per annum:** **Acquired:**	268,383 84,690oz of Au per annum 95,000oz of Au per annum 300,000 tonnes per annum 11.0g/t ZAR120 million 74% from Metorex 2007: remaining 26% from Shanduka 2009	**Resources:** **Reserves:** **Exploration:** **Cash cost:**	9.0Mt @ 10.15g/t (2.9Moz) 4.9Mt @ 9.17g/t (1.4Moz) Ongoing USD694/oz
Located at Barberton Mines, the R325.7 million gold tailings retreatment plant commenced construction in April 2012, was completed on schedule and within budget, and achieved its inaugural gold pour in June 2013. **Mining Charter rating: 3**	**Production (tonnes milled):** **Produced (oz/annum):** **Capacity:** **Tonnage (capacity):** **Head grade:** **Sustainable capital per annum:** **Developed:**	959,215 28,591oz of Au per annum 30,000oz of Au per annum 1.2 million tonnes per annum 1.7g/t ZAR5 million Steady-state production commenced in 2013	**Resources:** **Reserves:** **Exploration:** **Cash cost:**	20.8Mt @ 1.27g/t (0.8Moz) 13.3Mt @ 1.46g/t (0.6Moz) Ongoing USD315/oz
Located in the Witwatersrand basin, current operations comprise 8 Shaft, several potential development projects – Poplar, Evander South, Rolspruit and Elikhulu (a surface tailings retreatment project), the Kinross metallurgical processing plant and tailings storage facility. **Mining Charter rating: 3**	**Production (tonnes milled):** **Produced (oz/annum):** **Capacity:** **Tonnage (capacity):** **Head grade:** **Sustainable capital per annum:** **Acquired:**	408,281 73,496oz 95,000oz of Au per annum 480,000 tonnes per annum 5.7g/t (includes development waste tonnes) ZAR148 million 100% from Harmony in March 2013	**Resources:** **Reserves:** **Exploration:** **Cash cost:**	92.4Mt @ 9.78g/t (29.0Moz) 29.0Mt @ 8.32g/t (7.6Moz) Ongoing USD954/oz
A tailings retreatment project which will exploit historically generated gold tailings deposited in the Kinross tailings storage facility and surface sources. **Mining Charter rating: 3**	**Production (tonnes milled):** **Produced (oz/annum):** **Capacity:** **Tonnage (capacity):** **Head grade:** **Sustainable capital per annum:** **Developed:**	1,841,986 tonnes per annum 18,151oz of Au per annum 20,000oz of Au per annum 2.4 million tonnes per annum Tailings: 0.3g/t Surface feedstock: 1.1g/t – 1.3g/t ZAR2 million Steady-state production commenced in 2015	**Resources:** **Reserves:** **Exploration:** **Cash cost:**	214.5Mt @ 0.30g/t (2.0Moz) 35.8Mt @ 0.31g/t (0.4Moz) Ongoing USD587/oz
Phoenix Platinum is a tailings plant which extracts platinum group metals from chrome tailings. **Mining Charter rating: 3**	**Production (tonnes milled):** **Produced (oz/annum):** **Capacity:** **Tonnage (capacity):** **Head grade:** **Sustainable capital per annum:** **Developed:**	248,981 tonnes per annum 8,339 12,000oz of PGEs per annum 360,000 tonnes per annum 3.1g/t ZAR1 million Steady-state production commenced in 2012	**Resources:** **Reserves:** **Exploration:** **Cash cost:**	6.2Mt @ 3.16g/t (0.6Moz) 2.7Mt @ 2.54g/t (0.2Moz) Ongoing USD613/oz
An underground coal mining operation located in the KwaZulu-Natal province. **Mining Charter rating: New entity, to be rated in the near future**	**Production (tonnes mined):** **Coal washed and sold (tonnes/annum):** **Tonnage (capacity):** **Kcal:** **Sustainable capital per annum:** **Acquired:**	128,022 run-of-mine per annum 136,102 420,000 tonnes per annum >6 000 ZAR10 million 100% on 31 March 2016	**Resources:** **Reserves:** **Exploration:** **Cash cost:**	23.3Mt 12.6Mt Ongoing USD45/tonne

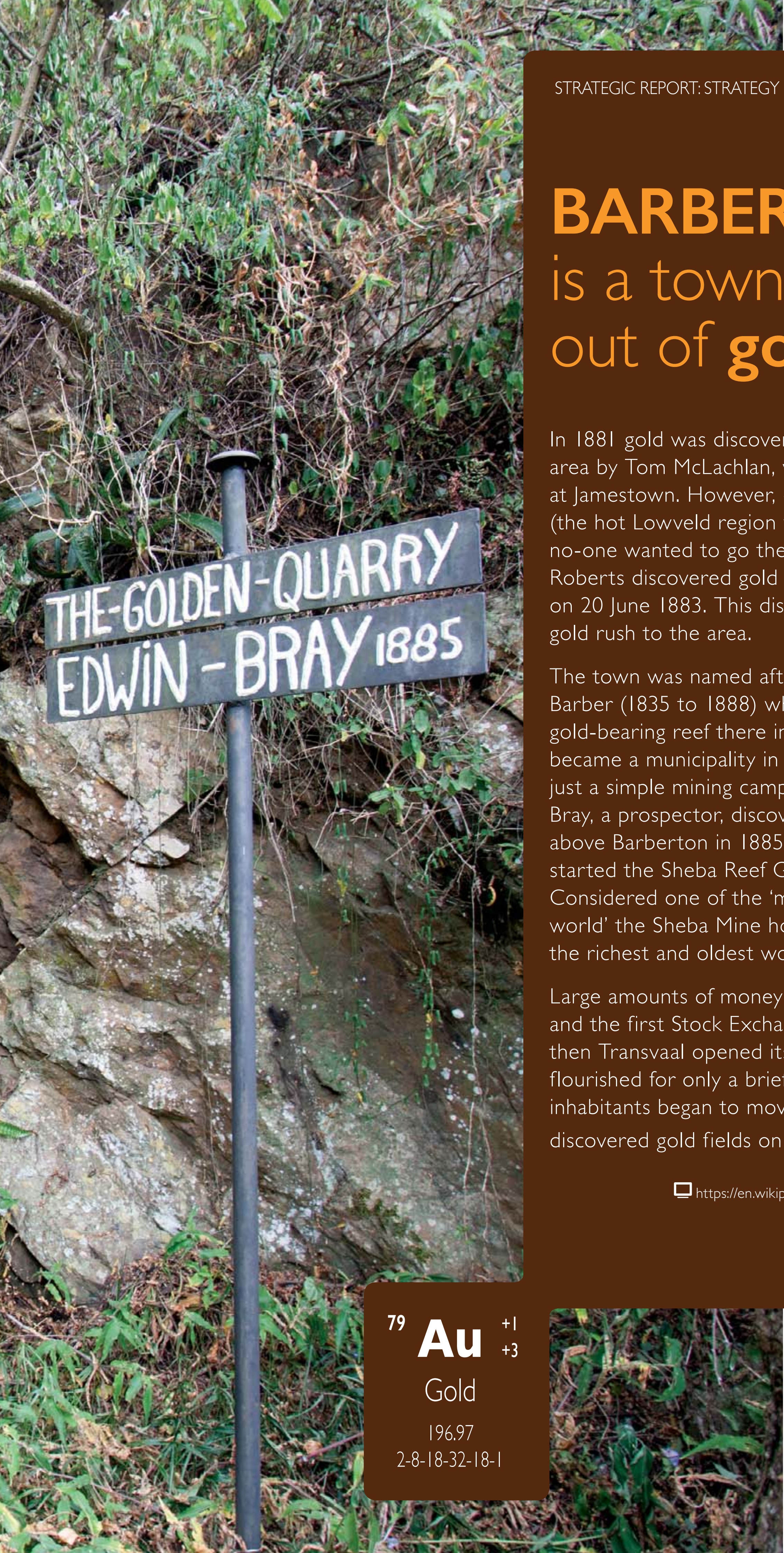
BARBERTON is a town born out of **gold**

In 1881 gold was discovered in the Barberton area by Tom McLachlan, who found alluvial gold at Jamestown. However, due to the location (the hot Lowveld region was rife with malaria) no-one wanted to go there until Auguste Roberts discovered gold in Concession Creek on 20 June 1883. This discovery resulted in a gold rush to the area.

The town was named after Graham Hoare Barber (1835 to 1888) who discovered a rich gold-bearing reef there in 1884. Barberton became a municipality in 1904. At first it was just a simple mining camp but grew when Edwin Bray, a prospector, discovered gold in the hills above Barberton in 1885 and with 14 partners started the Sheba Reef Gold Mining Company. Considered one of the 'mining wonders of the world' the Sheba Mine holds the record of being the richest and oldest working mine in the world.

Large amounts of money flowed into Barberton and the first Stock Exchange to operate in the then Transvaal opened its doors. Barberton flourished for only a brief period and soon the inhabitants began to move away to the newly discovered gold fields on the Reef.

https://en.wikipedia.org/wiki/Barberton,_Mpumalanga



Credit: Ludwig Sevenster
Entrance to underground Sheba Mine

79 **Au** +1 +3
Gold
196.97
2-8-18-32-18-1

Chief Executive Officer's review

Cobus Loots
Chief Executive Officer

"The Pan African Resources group delivered an outstanding set of results for the 2016 financial year. These results include a year of record gold production and profits and the largest dividend payment to date.

Our gold mining operations delivered exceptional results, producing in excess of 200,000oz of gold for the financial year. The performance from Evander Mines, in particular, demonstrated the potential of the operation, with production increasing by 30.8% year-on-year. Results were also assisted by the rand gold price and a full year's production from the ETRP.

Our robust financial position, well-established cash-generative operations, decentralised hands-on management structure and cost-conscious culture differentiate us from our peers. These attributes give Pan African Resources a competitive advantage for further growth through our project pipeline and also position the group to capitalise on potential acquisition opportunities."

HIGHLIGHTS

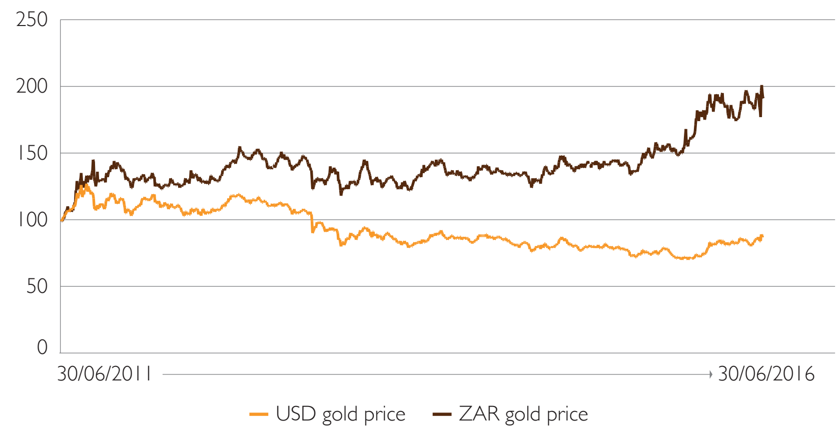
- Recovery of the ZAR gold price, a recent improvement in the USD gold price and much improved investor sentiment towards the sector
- Excellent group financial performance:
  - Revenue increased 43.1% to ZAR3,632.8 million
  - Adjusted EBITDA increased 89.3% to ZAR969.5 million
  - Profit after tax increased 160.2% to ZAR547.0 million, a record for the group
  - Dividend proposed increased by 42.9% to ZAR300 million
- Dividend policy amended to ensure sustainability of future payments
- Outstanding operational performance
  - Gold production up 16.5% to 204,928oz
  - All-in sustaining costs increased by only 0.9% to ZAR405,847/kg
  - All-in costs in USD reduced 23.9% to USD879/oz
  - Evander Mines returned to profitability
  - Barberton Mines' BIOX® recoveries restored to previous levels
- Concluded two significantly value-accretive transactions
  - Completed an investment of 49.9% in Shanduka Gold, allowing the group to preserve and protect its BEE status on a substantially earnings-accretive basis
  - Finalised the acquisition of the Uitkomst Colliery
- Group well positioned for future profitability
  - Completing a definitive feasibility study on Elikhulu at Evander Mines
  - Internal team dedicated to investigating acquisition opportunities

CHALLENGES

- Regression in safety accident rates – measures implemented to address this and improve safety performance
- Subdued growth outlook for the South African economy
- Possible downgrade of South Africa's sovereign credit rating to non-investment grade
- Phoenix Platinum's performance hampered by business rescue proceedings at IFM – however, outlook for Phoenix Platinum is now improved

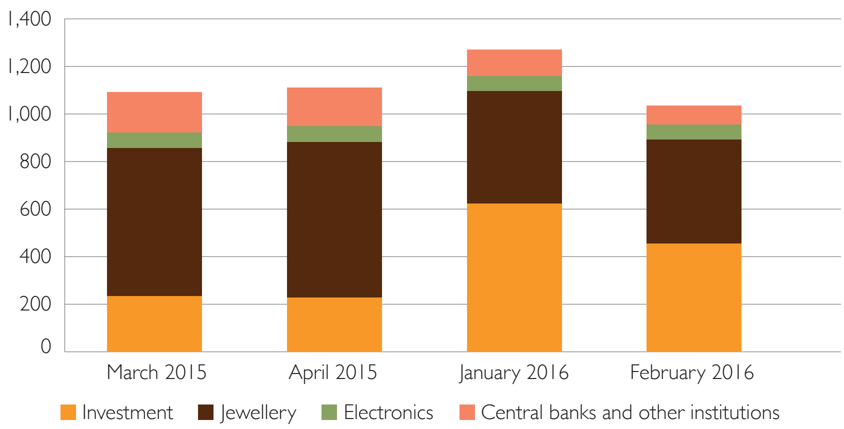
USD vs ZAR gold price – five years

Relative performance rebased to 100

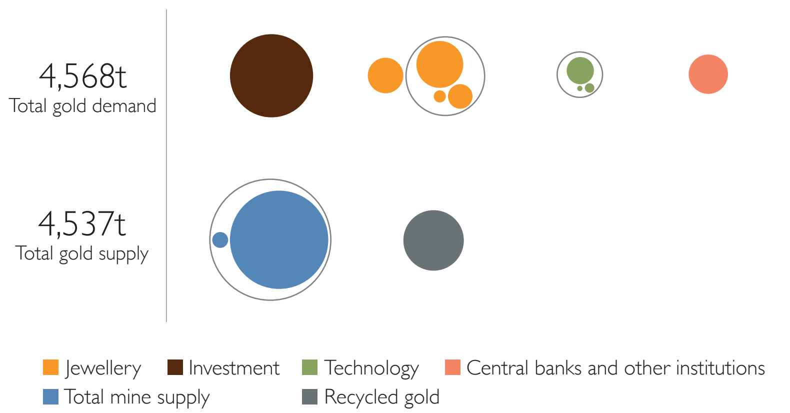


Demand graphs from the World Gold Council

Tonnes



Source: http://www.gold.org/supply-and-demand/interactive-gold-market-charting



Source: http://www.gold.org/supply-and-demand/interactive-gold-market-charting

Overview

On completing a review of any financial year one not only reflects on the year past and these themes that characterised the period, but also how it compares to previous years, as often, only by comparison can one gauge and assess performance. This review captures my thoughts on Pan African achievements to date and its future prospects.

The economic environment and the gold market

As a member of the Pan African Resources board since 2009, I have had the benefit of providing input to a number of integrated reports and annual results. If there is one matter that has remained unchanged in this period, it is the uncertainty that continues to dominate global financial markets and the international geopolitical landscape. The global economy is still grappling with the effects of the 2008 financial crash and the response of central banks to this crisis. While equity markets have recovered and rallied and the United States economy appears to have turned a corner, the uncertainty remains, and a normal interest rate cycle has not yet resumed.

The realisation that the influence of central banks cannot extend indefinitely and that lower interest rates may be prevalent for some time to come resulted in a rally in the USD gold price in early 2016, significantly improved investor sentiment towards gold producers and a rally in gold equities.

Instability in the Middle East, the refugee crisis and terror attacks in Europe and the UK decision to exit the European Union added to the demand for safe-haven assets, with the World Gold Council reporting that the first half of 2016 saw the second-highest gold demand on record. The investment case for gold once again appears attractive.

Despite the impact of favourable value drivers, we remain mindful that the current global and local mining industry remains a challenging operating environment. Analysts believe the higher gold price should not only be attributed to current uncertainties and predict a series of macro-economic and geopolitical events that could result in further global instability.

Our operating environment in South Africa

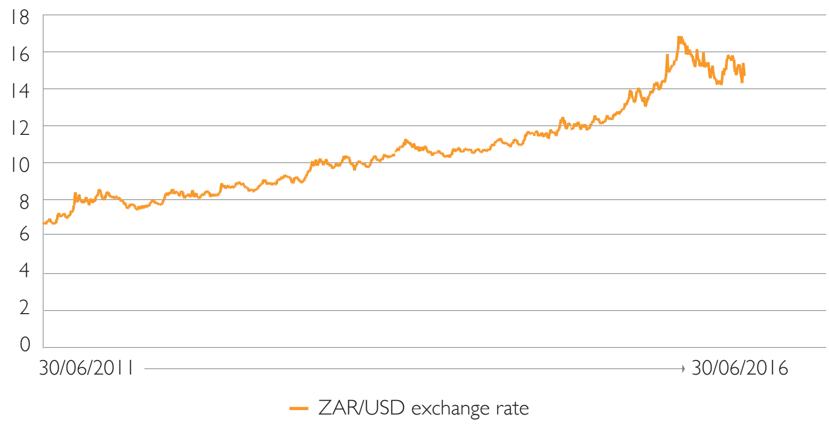
South Africa as a mining investment destination does not enjoy favour with many international investors, and to some extent, the negative perceptions are justified. Legislative uncertainty, labour unrest and electricity shortages are some of the elements that make operations challenging. It would, however, be remiss to consider these difficulties without also taking into account the positive aspects to operating in South Africa. These include:

- World class constitution and legal systems
- A functioning and stable democracy
- A century and more of deep-level and general mining experience
- Access to technical skills and expertise and a well-trained workforce
- Excellent roads and other infrastructure, with our operations experiencing no major power disruptions in the year under review.

Currently, Pan African Resources only has operations in South Africa, and we have equipped and skilled our group to operate successfully and sustainably in the country. Hopefully, by continuing to operate successfully, Pan African Resources and other South African miners can, over time, increase investor appetite for our country.

During the year under review, the rand came under severe pressure against the USD and other currencies, and by year-end it had depreciated on average by 26.7% against the USD. The weakening in our operating currency increased the average ZAR gold price received for the year by 21.6%, which assisted margins. Even though the effect of the weaker rand was less pronounced in our reporting currency (GBP), it also assisted GBP earnings.

ZAR/USD exchange rate – five years



Although the weaker rand will result in inflationary cost pressures over time our operating teams have done well to contain costs during the financial year.

South Africa faces a possible sovereign credit rating downgrade to sub-investment grade, which could lead to a further depreciation in the rand. It is therefore vital that we remain vigilant and continue to look for opportunities to differentiate ourselves and profitably grow our business further, attract investments and provide shareholder returns in the form of dividends and capital appreciation in the company's share price.

Pan African Resources' operations

We cannot control or predict the price we receive for our gold. Exchange rate fluctuations make proceeds from gold receipts even more difficult to forecast.

Our focus is therefore on those factors we can control or influence positively, which includes gold production from operations and the cost of production.

In the prior year Evander Mines' lower grades severely affected the operation's profitability, however, operating difficulties have been addressed, as is evidenced by the excellent operating performances delivered by Evander Mines.

Key operational highlights and features of the past year include the following:

- Total group gold production increased by 16.5% to 204,928oz (2015: 175,857oz). The gold production was a record for the Pan African Resources group and above the 2016 forecast of 200,000oz for the year.
- Underground production from Evander Mines recovered and 8 Shaft produced 73,496oz (2015: 53,746oz), an increase of 36.7% over the prior year. We are now firmly established on the new 25 mining level and this should support a consistent performance from the underground mine going forward.
- The ETRP at Evander Mines contributed low-cost, high-margin ounces to the operation. The plant, which reprocesses CIL tailings, delivered 6,724oz (2015: 2,494oz) from its tailings sources and 11,427oz (2015: 13,842oz) from surface feedstock sources at an all-in sustaining cost of ZAR275,661/kg (2015: ZAR266,453/kg). The performance from the ETRP was in line with expectations and we expect a payback of the capital expenditure for this operation in less than four years. The ETRP serves as a large pilot plant for Elikhulu. This is detailed in the mineral resources and growth section of this review.
- Barberton Mines produced 113,281oz (2015: 105,776oz), which is a 7.1% year-on-year improvement. The BTRP, included in the production number above, produced 28,591oz (2015: 24,283oz) at an all-in sustaining cost of ZAR155,080/kg (2015: ZAR185,280/kg).

Phoenix Platinum's performance in the current year has been hampered by the business rescue proceedings announced by IFM in August 2015 regarding its South African subsidiary (IFMSA), as well as the drought and associated water shortages affecting re-mining and processing. In addition, PGM prices remained subdued during the 2016 financial year.

The 2010 agreement between Pan African Resources, Phoenix Platinum and IFMSA allowed for the construction of the Phoenix Platinum plant on IFMSA property. Phoenix Platinum obtained a portion of its feedstock from IFMSA's processing activities, as well as electricity, water and other services. When IFMSA entered business rescue, mining activities and Phoenix Platinum's access to the current arising feedstock were suspended. Phoenix Platinum is currently processing tailings from old dumps close to the plant.

In terms of the business rescue proceedings, Samancor Chrome Limited's subsidiary, TC Smelters Proprietary Limited (TC Smelters) was selected as the successful bidder to acquire IFMSA's assets. In July 2016, Pan African Resources reached an agreement with TC Smelters, assigning the tailings treatment agreement to TC Smelters. Even though the agreement does not guarantee current arising feedstock to Phoenix Platinum, as this will be dependent on the way in which TC Smelters uses the IFMSA assets, it places Phoenix Platinum in a position where it should be able to continue operations under similar conditions to those prior to the business rescue proceedings. Moreover, it ensures that Phoenix Platinum´s operations and interests are safeguarded. Phoenix Platinum also has alternative sources of feedstock, which were processed during the business rescue proceedings. With the platinum price now on an upward trajectory, Phoenix Platinum is well placed to improve cash flows and value to the group.

Safety, health and environment

The group's board-approved integrated safety, health, environment, quality and community (SHEQC) committee policy is cascaded throughout our operations and our SHEQC performance is driven by the group's philosophy of continuous improvement. It is also used to incentivise management and employees. The group's SHEQC is the board sub-committee responsible for the oversight and management of SHEQC and keeping the board apprised of SHEQC matters relating to compliance, discipline and action plans pertaining to incidents and accidents. The general managers at the mines remain ultimately accountable for SHEQC within their operations.

From a safety perspective we experienced a regression in our group safety accident rates at Evander Mine. In particular the lost time injury frequency rate (LTIFR) and reportable injury frequency rate (RIFR) increased. As safety is non-negotiable, we are actively pursuing measures to reduce injury frequency rates by stepping up management oversight and control of safety across all operations.

We recognise that mining carries inherent health risks. As such, we assume full responsibility for providing a work environment that minimises these risks by promoting work practices conducive to the long-term wellbeing of our employees, ensuring adequate oversight of workplaces and employees and by providing appropriate healthcare facilities and resources.

The group is committed to responsible stewardship of natural resources and the environment by eliminating or minimising the negative impacts of our operations. Environmental management is well entrenched in management practices throughout the group. We strive to continually improve our environmental performance.

Further detail on our safety, health and environmental performance is on page 74.

Dividend policy and payment

We continue to acknowledge our shareholders' desire for an attractive cash return on their investment. To this end, the Pan African Resources board is pleased to recommend the largest ever dividend payment of ZAR300 million (approximately GBP16 million) for approval at the upcoming AGM. We have also revisited our dividend policy, as detailed below, to provide the market with more certainty on future payments and to ensure that our dividend is sustainable.

Pan African Resources aspires to pay a regular dividend to shareholders. In balancing this cash return to shareholders with the group's strategy of generic and acquisitive growth, it believes that a target pay-out ratio of 40% of net cash generated from operating activities, after allowing for the cash flow impact of sustaining capital, contractual debt repayments and also the cash flow impact of once-off items, is appropriate. This measure aligns dividend distributions with the cash-generation potential of the business. In proposing a dividend, the board will also take into account the company's financial condition, future prospects, satisfactory solvency and liquidity assessments and other factors deemed by the board to be relevant at the time.

Value-enhancing and earnings-accretive transactions

During the past year Pan African Resources' executive management, guided by our board, completed two material value-enhancing and earnings-accretive transactions. The details of these are as follows:

Shanduka Gold transaction (the transaction)

Shanduka Gold was Pan African Resources' primary South African empowerment partner for a number of years. Immediately prior to the transaction detailed below, Shanduka Gold was owned by the following entities:

- The Mabindu Business Development Trust (Mabindu) (49.5%)
- Jadeite Limited (Jadeite) (33.6%), a subsidiary of China Investment Corporation
- Standard Bank of South Africa Limited (SBSA) (16.9%).

Shanduka Gold´s only assets are its 22.46% interest in Pan African´s issued ordinary share capital and its interest in a notional loan of ZAR558 million at 30 June 2016.

During the 2016 financial year, after a restructuring of the Shanduka Group, Pan African acquired all of SBSA and Jadeite's shares in Shanduka Gold at a significant discount to the prevailing Pan African share price and the valuation of the shares acquired. Approximately 0.6% of the Shanduka Gold shares acquired from Jadeite were retained by Jadeite for sale at a future date to an independent third party nominated by Pan African Resources. Pan African Resources therefore acquired a 49.9% direct interest in Shanduka Gold, but consolidates the full interest in Shanduka Gold from an accounting perspective. Shanduka Gold was subsequently renamed PAR Gold.

This transaction allowed Pan African to:

- Address operational and value dilution risks presented by the possible dilution of its BEE ownership
- Gain further flexibility and commensurate certainty as to its ability to comply with the BEE legislation
- Partner with Mabindu in furthering Pan African Resources' BEE ownership in a meaningful, mutually beneficial and ongoing basis. More detail on Mabindu is provided on page 181
- Realise further value for shareholders through a reinvestment in the company via Shanduka Gold on an earnings and dividends-accretive basis.

This transaction did not affect the group's operations or its ability to continue paying dividends. More detail on the financial effects of this transaction, and the structure of Shanduka Gold post-transaction, is included in the Financial Director's review.

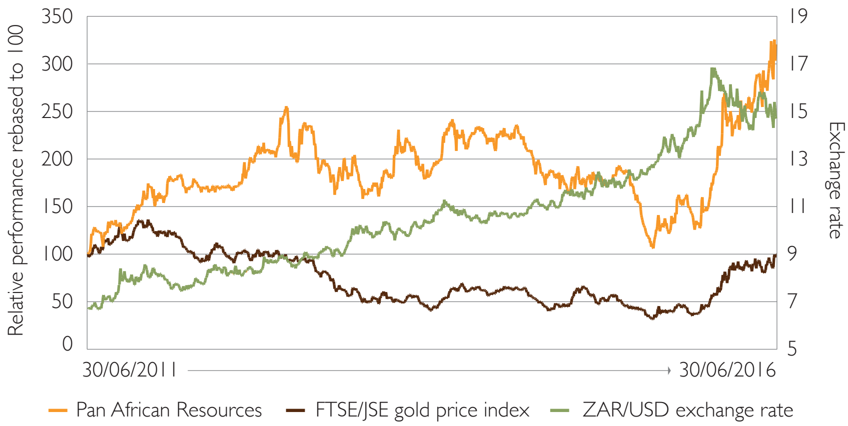
Uitkomst Colliery transaction

On 4 April 2016, Pan African Resources announced it had completed the acquisition of Uitkomst Colliery through a wholly owned subsidiary, Pan African Resources Coal Holdings Proprietary Limited, and that it had assumed effective control of the Uitkomst Colliery on 31 March 2016. The total purchase price of ZAR148 million was less than the ZAR200 million previously announced to the market and was funded from existing facilities and internally generated cash flows.

Uitkomst Colliery, located in Utrecht, KwaZulu-Natal, is a high-quality thermal-coal resource with the added benefit of metallurgical applications, such as a substitute for coke in steelmaking. This coal mine has 115 plant employees and 326 contractors. It produces approximately 34,000 tonnes of saleable coal per month, has approximately 23.3Mt of resources and a life of mine of 22 years at current production levels.

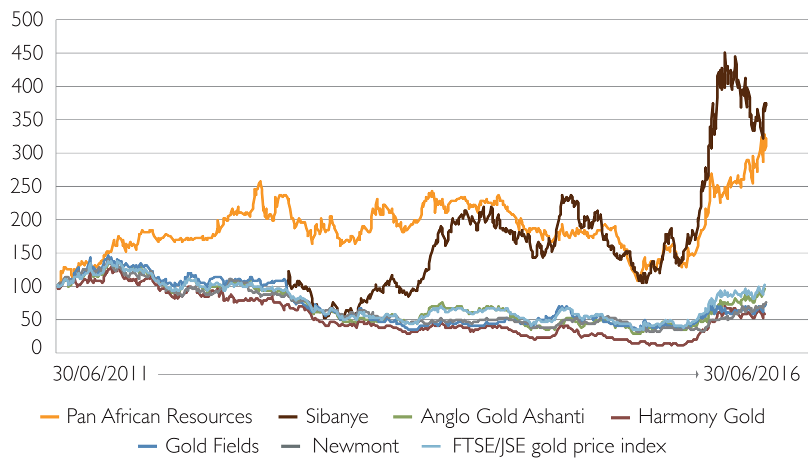
Pan African Resources share price relative to market – five years

Relative performance rebased to 100 and exchange rate



Pan African Resources price relative to peers – five years

Relative performance rebased to 100



Pan African Resources consolidated the Uitkomst Colliery results for three months in the 2016 financial year (from 31 March 2016) and the mine contributed ZAR11.4 million in earnings during this period. We expect the payback on this investment to be less than five years.

Share price performance

The Pan African Resources share price increased significantly, by 108% in ZAR terms from ZAR1.80 to ZAR3.75 during the year under review. In GBP terms the share price increased 100% from 9.5 pence to 19.0 pence.

The share price was supported by the depreciation of the ZAR:USD exchange rate and the increase in the gold price to USD1,325 by year-end.

For the past five years, Pan African Resources has consistently outperformed the FTSE/JSE gold index and its gold mining peers. The share price resilience is supported by our quality gold assets and our ability to consistently generate free cash flows during all gold pricing environments.

Strategy

During the year under review we made significant progress with the group strategic objectives, which are aimed at improving margins and driving profitable production growth, within a sustainable and zero harm framework. Our strategy is underpinned by key strategic pillars, namely profitable, sustainable, stakeholders and growth and the key enablers of our strategy are people, action and results. Our robust financial position, well-established cash-generative operations, decentralised hands-on management structure and cost-conscious culture differentiate us from our peers. These attributes give Pan African Resources a competitive advantage for further growth through our project pipeline and position the group to capitalise on potential acquisition opportunities.

People

We remain committed to our people and safety, which is evident in the way we operate and manage the group, as well as in our strategic objective of zero harm. This commitment extends to providing a working environment conducive to health and safety and ensuring our employees are given the relevant skills and equipment to perform their work in a safe and productive manner. Each of our operations has its own unique in-house safety training programme and all employees undergo medical examinations regularly. Despite these measures, mining retains an element of risk and it is with heartfelt regret that we experienced a fatality at Evander Mines when Mr Joaquim Armando Muxhanga, a locomotive driver, was fatally injured on 26 June 2016, while on duty. The Pan African Resources board and management extend their deepest condolences to Mr Muxhanga's family, friends and colleagues. Additional measures have subsequently been put in place in an effort to prevent any recurrences of accidents of this nature.

We strive to promote a culture in which employees at all levels engage openly with management and employee engagement is ongoing. We successfully concluded multi-year wage agreements with the relevant unions and continue to proactively engage the unions and our employees to further strengthen relations. Barberton Mines secured a two-year agreement ending on 30 June 2017 and Evander Mines secured a three-year agreement ending on 30 June 2018. The effective employee wage increases were above South African inflation and we believe our people are fairly remunerated for their services.

Transformation for the group goes beyond compliance with the Mining Charter and agreed social and labour plans – it is embedded within our culture and we continued to achieve good progress in meeting employment equity targets and delivering on our other initiatives.

During the year under review we invested ZAR21.0 million in corporate social investment and socio-economic development programmes to uplift the communities surrounding the areas in which we operate. We appreciate the needs of our communities and continue our upliftment initiatives by working closely with local municipalities.

Action

We pride ourselves on delivering value to our shareholders and being well positioned to capitalise on acquisitive and organic growth opportunities. This is evident in our acquisition of Uitkomst Colliery, the Shanduka Gold transaction and our plans to explore organic growth at our gold mining operations, as discussed below.

Mineral Resources and Mineral Reserves and organic growth

At Evander Mines, there are opportunities to open two previously closed shafts (7 Shaft and 9 Shaft) – the 9 Shaft "A-block" is particularly attractive due to its shallow reef – with estimated resources of about 300,000m^2 at a grade of 1,207cmg/t (contained 322,000 oz).

Following receipt of a positive high-level economic and technical assessment of the Elikhulu tailings retreatment project at Evander, the company has mandated DRA Projects Proprietary Limited to complete a definitive feasibility study on the project. The results of the study will be available in November 2016, at which time shareholders will be apprised. Elikhulu will potentially treat slimes at a processing capacity of up to 12 million tonnes per annum, at a head grade of 0.29g/t from the Winkelhaak, Leslie and Kinross tailings storage facilities. The total mineral resource for Elikhulu is 178.7 million tonnes at 0.29g/t (1.7M in-situ ounces) with a life of mine of approximately 14 years and 1.7Moz of contained gold. The project is estimated to yield approximately 50,000oz of gold per annum in the initial eight years of production while treating the Kinross and Leslie tailings storage facilities and then approximately 38,000oz per annum for the remaining six years from processing the Winkelhaak tailings storage facility.

To ensure the low-grade mining cycles at Evander Mines are mitigated, the mine will spend development capital to improve mining flexibility and reduce grade variability.

The continued focus on improving tonnages processed by the retreatment plant resulted in the ETRP reaching its full capacity of 200,000 tonnes per month from tailings and surface feedstock material.

Results

Group financial performance

The group delivered an excellent financial performance during the year under review. Group revenue increased 43.1% to ZAR3,632.8 million (2015: ZAR2,539.4 million), favourably impacted by an increase of 16.5% in gold sold as well as an increase of 21.6% received in the average ZAR gold price of ZAR542,850/kg (2015: ZAR446,274 /kg). The group's total cost of production increased by 16.8% to ZAR2,321.4 million (2015: ZAR1,987.4 million), due to inflation and higher production numbers.

The group's cash generation increased greatly during the year under review and is a key benchmark of our success, enabling us to acquire the Uitkomst Colliery and fund a portion of the Shanduka Gold transaction with internally generated cash. As a result, we are well positioned to maintain our sector-leading dividend payout and take advantage of future growth opportunities.

Details of our financial performance are contained in the Financial Director's review on page 38.

Strategic report

Our strategic report including the investment case and from pages 1 to 81, was reviewed and approved by the board on 20 September 2016.

Looking ahead

The group is well positioned to increase profitable production through organic and acquisitive growth, while continuing to create shareholder value.

In the next year, the key focus areas for the group, from an operational perspective, include:

- Safety and compliance across operations
- Barberton Mines: Renewed focus on creating additional flexibility and efficiencies to improve tonnages mined and gold produced from underground operations. The management team is currently considering options to improve the future tonnage output at Fairview Mines' deeper levels and assessing future exploration targets
- Evander Mines: The operation will continue to invest in development capital expenditure to ensure improved flexibility is achieved to maintain current levels of production
- Phoenix Platinum aims to optimise resources from Elandskraal and Kroondal to maintain and improve production and cash flows
- Uitkomst will focus on ensuring that stable production is maintained and review the possibility of expanding run-of-mine production to 900,000t per annum.

From an internal growth perspective, the following opportunities will be prioritised:

- Finalising the feasibility study on the Elikhulu project and, if the feasibility is successful, progressing towards full-scale production within two years
- Drilling the Evander 2010 pay channel for grade continuity and assessing options to exploit this orebody
- Assessing further growth projects at Evander Mines.

The group will also continue to evaluate acquisitive gold opportunities. Any project considered will however be subject to the group's stringent capital allocation criteria, which requires any investment to be in a position to contribute profitable production ounces within a short- to medium-term timeframe and deliver the requisite returns to our shareholders.

Appreciation

A lot of hard work and perseverance has gone into delivering a successful operational and financial performance and I am extremely grateful to each and every member of Pan African Resources' team. Going forward, it is important that we remain focused on maintaining this excellent financial and operating performance and further increasing shareholder value. On behalf of the executive team, I extend thanks to our management, our general managers and all staff who allow Pan African Resources to operate successfully. I also thank my fellow directors for their support and guidance. We look forward to the year ahead.

Cobus Loots
Chief Executive Officer

20 September 2016

Our purpose, vision and strategy

Our **purpose** is to exploit mineral deposits in a way that creates value for our stakeholders and for the betterment of society.

Our **vision** is to continue to build and grow a mid-tier precious metals producer that delivers on this purpose.

Our **growth strategy** is executed by **identifying and exploiting mining opportunities** that **create stakeholder value** by driving growth in our mineral reserve and resource base; production; earnings; cash flows in a margin-accretive manner; and by capturing the full precious metals mining value chain by focusing on:

- Low-cost base
- High margins
- Growth in mineral reserve base and profitable production
- Maximising recovered grade and production tonnes
- Positive impact on earnings, in a sustainable manner.

We actively foster and encourage an entrepreneurial culture which, in a consistent manner, creates value for stakeholders by first identifying and then executing opportunities within our business and operations. This culture further contributes to seeking new investments, thereby bolstering our portfolio of mining assets.

The **group is profitable and cash generative** at the current gold price, with the ability to **fund all on-mine sustaining capital expenditure internally** and also **meet its other funding and growth commitments.**

The Chief Executive Officer's review discusses the group's strategic progress in greater detail on page 20.

The key enablers of our strategy are:

The four business pillars upon which our strategy is based include:

Strategy scorecard

Good progress | Moderate progress | Limited progress

Strategic pillar	Deliverable	2016 objectives	2016 progress	Self-assessment on progress during 2016	Link to principal risk
Profitable					
	Attributable profit	Improve profitability at operations	Profits increased by 160.2% and EPS by 163.1%		• Financial • Reserves and resources
	HEPS	Improve group HEPS	HEPS improved by 158.8% to 30.20 cents per share		
	EBITDA	Improve group cash generation	EBITDA increased by 89.3% to ZAR969.5 million		
	Cost containment	Cost containment measured on an all-in sustaining cost basis and total cash cost	All-in sustaining costs increased by 0.9% to ZAR405,847/kg. Total cash cost declined by 3.2% to ZAR338,242/kg		
	Gross profit margin from gold operations	Operational profit	Mining profits increased by 201.8% to ZAR1,066.6 million (2015: ZAR353.4 million)		
	Optimal grade/ tonnage production profiles for operations and business plans	Grade improvement/ maintenance	Barberton Mines maintained its grade of 11.0g/t and the grade at Evander Mines improved to 5.7g/t. The float feed head grade at Phoenix Platinum increased to 3.1g/t following the curtailment of its arising tailings from IFM and reverting to processing tailings		

Our purpose, vision and strategy continued

Good progress | Moderate progress | Limited progress

Strategic pillar	Deliverable	2016 objectives	2016 progress	Self-assessment on progress during 2016	Link to principal risk
Sustainable					
	Optimising mineral reserves for sustainable life of mine production profile	Implement earnings and cash flow accretive growth	Life of mine increased to 22 years (2015: 20 years) at Barberton Mines and Evander Mines remained at 16 years (2015: 16 years). Following IFM being placed in business rescue, the life of mine at Phoenix Platinum declined to 9 years (2015: 28 years)	Good progress	• Financial • Reserves and resources • Safety • Environmental degradation • Reputational
	Operating profit margins	Improved operating margins	Mining profits increased by 201.8% to ZAR1,066.6 million (2015: ZAR353.4 million)	Good progress	
	All-in cash cost of production per kilogram	Maintaining cost inflation per kilogram	All-in cash cost of production decreased by 3.5% to ZAR410,206/kg (2015: ZAR425,084/kg)	Good progress	
	Environmental compliance	Zero harm	No environmental transgressions and fines	Good progress	
	Safety record	No fatalities	Severity of accidents: one fatality at Evander Mines (2015: one fatality at Barberton Mines)	Limited progress	
	Sufficient working capital for maintenance and growth	Reduced debt and improved working capital	• Group capital expenditure reduced to ZAR302.4 million (2015: ZAR352 million) • Net cash flow generated by operations before investing and financing activities increased to ZAR581.4 million (2015: ZAR95.7 million)	Good progress	
	Enabling company culture	Benchmarking of group values and culture	Ongoing commitment to empowering employees by reinforcing group values and culture	Moderate progress	
	Decentralised and effective management	Decentralised management structures in place	Strengthening of operational management structures	Good progress	
	Engagement with local communities	Maintain engagement with communities	Ongoing engagement with communities	Good progress	
	Skills development and training	Maintain skills and development training	The group spent ZAR33.3 million (2015: ZAR29.1 million) on skills development and training	Good progress	

Good progress | Moderate progress | Limited progress

Strategic pillar	Deliverable	2016 objectives	2016 progress	Self-assessment on progress during 2016	Link to principal risk
Stakeholders					
	Ongoing engagement	Improve and maintain stakeholder communication and relationships	Ongoing engagement with all stakeholders		• Reputational • Legal • Safety • Financial
	Social labour plans and Mining Charter compliance	Finalise negotiations of operational employee share ownership plan	Operational employee share ownership plans in place at gold mining operations and at the implementation of a BEE transaction at Uitkomst Colliery equating to 9% of the issued share capital of the operation		
	Return on shareholder funds	Maintain dividend payments	The dividend payment was maintained and ZAR210 million was paid during December 2015		
	Dividend paying		Dividend policy amended to ensure sustainability of future payments		
	Safety record	Improved safety across all operations	Severity of accidents: one fatality at Evander Mines (2015: one fatality at Barberton Mines) and regression in accident rates (LTIFR and RIFR)		
	Union engagement and relationships	Ongoing improvement in labour relations	Concluded multi-year wage agreements across all operations. Ongoing union engagement and minimal labour unrest		
	Labour legislative compliance	Minimising section 54 stoppages and fines	Ongoing engagement and interaction with the DMR and other regulators		
	Wage increases – appropriate remuneration policies	Appropriate levels of compensation across the group	Remuneration benchmarking takes place and all senior personnel remuneration is approved by remuneration committee		
	Contributions to revenue authorities	Contributing to taxes and royalties	Income tax and royalty paid of ZAR269.6 million (2015: ZAR151.2 million)		
	CSI spend	Contributions to CSI projects	The group spent ZAR21.0 million (2015: ZAR20.8 million) on corporate social investment initiatives		
Growth					
	Organic growth (achieved within existing infrastructure)	Organic growth in production profile	3.0Moz or 9.4% gross annual increase in group gold resources to 34.9Moz (2015: 31.9Moz)		• Profitable • Single country risk • Reserves and resources • Integration of acquisitions and construction of new plants
	Acquisitive growth (achieved outside of existing infrastructure)	Acquisitive growth	Acquisition of the Uitkomst Colliery and commencement of a definitive feasibility study on Elikhulu		
	Replacement of mineral reserve projects for depleted projects	Maintenance of life of mine of existing operations	Barberton Mines 22 years (2015: 20 years), Evander Mines 16 years (2015: 16 years) and Phoenix Platinum 9 years (2015: 28 years) Refer to the 2016 MR&MR report for further details		

Business model

INPUTS

We use each of the six forms of capital in our business activities to create and preserve shareholder value

FINANCIAL CAPITAL

• Shareholder equity	ZAR2,874.4 million
• Internally generated operational cash flows after dividend	ZAR581.4 million
• Debt facilities	ZAR1,200 million

MANUFACTURED CAPITAL

• Property, plant and equipment and mineral rights	ZAR3,772.5 million

HUMAN CAPITAL

• Employees' skills and experience	4,441 employees

INTELLECTUAL CAPITAL

- Mining and prospecting licences
- Key personnel for managing the BIOX® process
- Management's combined expertise

SOCIAL AND RELATIONSHIP CAPITAL

- Investing in our communities
- Stakeholder relations – unions, regulators, communities

NATURAL CAPITAL

- Energy consumption
- Water consumption

BUSINESS ACTIVITIES

We are committed to low-cost production and optimising extraction efficiency through our mining activities, while ensuring we invest in the communities within which we operate and maintain a legacy of environmentally responsible mining

MINING ACTIVITIES

Barberton Mines and Barberton Tailings Retreatment Plant	Evander Mines and Evander Tailings Retreatment Plant
Phoenix Platinum Chrome Tailings Retreatment Plant (CTRP)	Uitkomst Colliery (effective 31 March 2016)

OTHER ACTIVITIES

Growing the business through organic and acquisitive opportunities such as:

- Uitkomst Colliery
- Elikhulu Tailing Retreatment Project

Stakeholder engagement with shareholders, investors, employees, unions, regulators, communities, suppliers, customers

Embracing **best practice corporate governance**

Uplifting communities through **corporate social investment** and **socio-economic enterprise development**

EXTERNAL ENVIRONMENT

GOLD /PGE/ COAL MARKET

REGULATORY ENVIRONMENT

OUTPUTS

Our outputs support our vision to continue to build a precious metals business in Africa by remaining focused on our four strategic pillars: *profitable, sustainable, stakeholders* and *growth*

FINANCIAL CAPITAL

• Revenues generated
  • Gold revenue
  • PGE revenue
  • Coal revenue
	ZAR3,632.8 million

• Internally generated operational cash flows after dividend	**ZAR581.4 million**
• Dividends paid to shareholders	**ZAR210 million**
• Interest payments to debt funders	**ZAR31.1 million**
• Reinvestment in infrastructure	**ZAR302.4 million**
• Government taxes and royalties paid	**ZAR269.6 million**

MANUFACTURED CAPITAL

• Reserves	**Gold 10.0Moz** **PGE 0.2Moz** **Coal 12.6Mt**
• Resources	**Gold 34.9Moz** **PGE 0.6Moz** **Coal 23.3Mt**
• Production	**204,928oz of gold per annum** **PGE 8,339oz per annum** **Coal approximately 400,000 tonnes per annum**

HUMAN CAPITAL

• One fatality	
• Skills development and training	**ZAR33.3 million**
• Employee remuneration	**ZAR1,040.1 million**

SOCIAL AND RELATIONSHIP CAPITAL

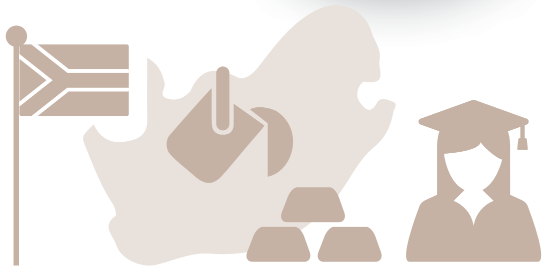
• Corporate social investment and socio-economic development spend	**ZAR21.0 million**

NATURAL CAPITAL

• Energy consumption	**1,451,761Gj**
• Water consumption	**16,422m^3**
• Carbon emissions	**0.1CO_2e/t milled**

OUTCOMES

Through our business activities and the use of capital inputs, we continue to have a positive impact on the economy and the communities within which we operate:



- Supporting South Africa's economy through the taxes paid and employment for a large number of people
- Supporting entrepreneurs, other sectors and industries through our supply chain
- Supporting 24 students with full-time bursaries in the fields of geology, mining engineering, mechanical engineering, BSc Actuarial Science, BCom Economics and mine surveying
- Investing in communities through the group's transformation trusts, which collected a total of ZAR1.2 million
- Producing precious metals in support of the increased investor demand as they seek protection against economic and currency volatility
- Supporting the automotive industry through the supply of platinum group metals to the catalytic converter industry
- Creating employment and skills development opportunities to communities through initiatives such as Umjindi Jewellery and Sinqobile Life Skills Centre
- Limiting environmental degradation
- Minimising the occurrence of illegal mining
- Creating shareholder value through dividend distributions
- Supporting South Africa's transformation goals

CAPITAL AND FOREIGN EXCHANGE MARKETS

ENERGY CONSTRAINTS

LABOUR AND COMMUNITIES

Stakeholder value creation and distribution

Through the use of our financial, human, manufactured and natural capital resources, Pan African Resources endeavours to create value and positively impact all stakeholders with whom it interacts, including communities, employees, government, shareholders and suppliers. During the year under review, the group created ZAR3,544.3 million in value (2015: ZAR2,541.0 million), which was distributed to our various stakeholders as depicted below.

Pan African Resources remains committed to creating value for all stakeholders and recognises that all its capital resources are interconnected – as one capital resource is increased or created, another is depleted. To ensure future sustainability, it is important to balance the use of these capital resources.

As depicted in the group's business model on page 26, capital inputs are used in its mining activities to create value, which is distributed to various stakeholders by way of payment for services and goods, salaries and wages, corporate social investment, taxes and dividends. The mining industry is heavily dependent on various factors to sustain value creation, some of which are beyond its control. The group is cognisant of the need to explore other opportunities, either through organic or acquisitive growth, to ensure it can sustain and enhance the value it creates. The recent opportunistic acquisition of the Uitkomst Colliery and the Shanduka Gold transaction are examples of non-operational value creation during the 2016 financial year. Further, the group is exploring the merits of a number of organic surface and brownfield developments at both its gold mining operations with the intent of growing the existing production profile. In addition to organic and acquisitive growth, the group reinvested ZAR771.3 million (2015: ZAR396.3 million), which is 21.8% of the total value created, to sustain its existing operations.

Creating value for employees is important to ensure the group attracts and retains its talent. The group has a total of 4,441 employees (2015: 4,439[1]) and distributed ZAR1,040.1 million (2015: ZAR910.8 million) in salaries during the year under review, which in turn impacts the communities within which these employees reside – as well as the broader economy as salaries are expended. In addition, the group has implemented employee share ownership schemes, which seek to align the aspirations of the group's employees at its operations with that of management and shareholders. These employee share ownership schemes enable employees to participate directly in the value created at their respective operations. Further detail on the employee share ownership programme is shown on page 177.

Distributions to suppliers for the provision of services and goods totalled ZAR1,284.8 million (2015: ZAR828.1 million), which has a direct and broad economic impact on the manufacturing, engineering and chemical sectors.

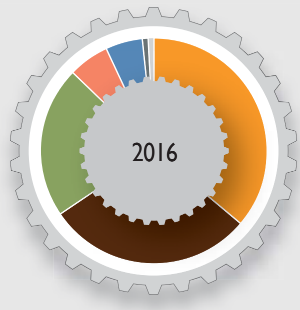
The group strives to uplift, both economically and socially, the communities within which it operates. The social value created is driven through the respective operations' social and labour plans (SLPs) that include relevant social upliftment projects based on the needs of these communities. The group distributed ZAR21.0 million (2015: ZAR20.8 million) through its **corporate social investment and socio-economic development** initiatives. Further detail on the group's upliftment projects is shown on page 79.

The group's **contribution to the fiscus,** comprising the skills development levy and corporate taxes, was ZAR186 million (2015: ZAR82.8 million). These taxes contribute to the infrastructure development, educational needs, health, social and various other services rendered by the government in pursuit of the economic and social upliftment of South Africa.

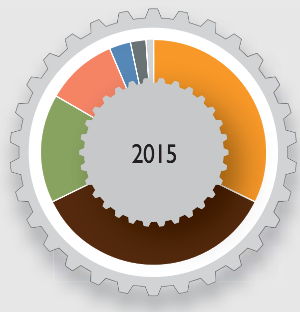
Shareholder value, measured as total shareholder's return, is determined by share price performance and dividend declarations. The group's sector-leading dividend and track record of sustained dividend payments is a key differentiating factor relative to its peer group. Over the past five years, the group's total dividends paid amounted to ZAR803.9 million (GBP46.7 million).

The recently announced Shanduka Gold transaction further enhanced shareholder returns by reducing, from an accounting perspective, the number of issued shares by 17.7%. Further detail on this transaction is shown on pages 18, 44 and 181.

Value creation and distribution



- 36.3% Suppliers
- 29.3% Employees
- 21.8% Reinvested
- 5.9% Shareholders
- 5.2% Taxation
- 0.9% Finance costs
- 0.6% Corporate social investment



- 32.6% Suppliers
- 35.8% Employees
- 15.6% Reinvested
- 10.2% Shareholders
- 3.3% Taxation
- 1.7% Finance costs
- 0.8% Corporate social investment

[1] *Comparatives restated to include 113 Uitkomst Colliery employees. Group employees total is 4,326 excluding Uitkomst Colliery employees.*

Chamber of Mines June 2016 fact sheet

- *The gold and diamond mining industry represents a significant portion of South Africa's mineral production*
- *Chamber of Mines members contribute about ZAR11.3 billion in taxes to the South African economy*
- *The industry employs about 462,000 people*

The South Africa mining market

Pan African Resources' sustainability and response to its operating environment are guided by its philosophy as shown below. We pursue our strategic goals through leadership that creates shared value and alignment between the company's vision and values, its strategy as well as the needs and expectations of its stakeholders. See page 22 for more information.

Enterprise risk management approach

The Pan African Resources board is ultimately responsible for setting the risk appetite of the group, identifying strategic risks and opportunities and managing these risks and opportunities.

The board is guided by the audit committee and by its own internal risk assessments and regularly reviews the risk reports from the operations. Further, the board ensures the appropriate risk management programmes are in place and monitors the implementation of mitigating factors against key risk indicators.

Factors impacting the group's ability to create value in the short, medium and long term are grouped into the main categories listed below. The group's material issues and challenges are informed by these factors as well as the nature of the individual operations' activities (internal environment) and the external environment. These issues, if not effectively managed, could impact the group's sustainability and its ability to continue to create value. The group's principal risks are clustered under these material issues and the management of these risks is imperative for the group to execute its strategy in a risk-conscious manner.

- Macro-economic: to an extent beyond the group's control, although the effects can be anticipated to a degree and managed or mitigated
- Financial: managed and monitored proactively through a centralised treasury, capital allocation discipline, balance sheet gearing levels and adherence to risk management and internal control policies
- Operational: managed proactively by implementing policies and process controls
- Strategic: impacting the group's ability to execute its strategy and therefore it can anticipate and proactively address these.

Factors impacting value creation	Material issue	Principal risk
Macro-economic	Managing our evolving regulatory environment and volatile commodity prices	• Evolving regulatory environment and volatile commodity markets
Financial	Financial sustainability in a challenging economy and macro-economic volatility	• Financial
Operational	Operating in a safe and healthy environment with continuous stakeholder engagement	• Safety • Health and wellness • Operational execution • Industrial action
	Respecting the natural environment	• Environmental degradation
Strategic	Extracting reserves and resources in a responsible manner	• Reserves and resources • Capital allocation – integration of acquisitions and construction of new plants
	Attracting and retaining key talent	• Succession planning and skills retention
	Operating in a dynamic regulatory environment and challenging local economy	• Legal • Reputational • Concentrated sovereign risk

Management has processes in place to define and align the macro-economic, financial, operational and strategic objectives with the group's risk appetite. Risks are identified and analysed in a risk matrix format, based on the impact of the risk and the likelihood of the risk occurring. Controls in the form of policies, procedures and standards are established to monitor and/or mitigate the risk on an ongoing basis. These controls and actions are implemented at the level of individual operations, across a group discipline or at executive management level. The residual risks are those risks that remain after the mitigating effect of controls.

Strategic workshops are conducted quarterly to evaluate risks and the appropriateness and effectiveness of risk mitigating measures.

The table on page 31 describes each principal risk the group is exposed to and how it is mitigated and aligned to the group's strategic pillars. Common risks across the mine level are predominantly related to safety and operational while head office risks are more strategic and financial in their nature. All risks are managed in conjunction with the audit committee and board.

Risk register

Substantially achieved *Moderate progress* *Not achieved*

Principal risk	Nature of risk	Controls in place to mitigate the risk	Link to strategic pillar	Self-assessment on progress during 2016
Macro-economic				
Evolving regulatory environment and volatile commodity markets	Uncertainty surrounding mining and environmental legislation	• Strengthening the group's empowerment credentials and monitoring changing legislation to ensure compliance • Broad-based employee share ownership programme in place at operational level • Annual independent assessment of status • Incentives linked to the achievement of objectives • Enterprise development funding • Community development spend • Training and development of own candidates through structured training plans • Cultivate good working relationships with regulators and with representatives of the national or local government	• Profitable • Sustainable • Stakeholders	
	Volatile commodity prices	• Adherence to treasury and financial risk management policies to ensure financial risk remains within board-approved limits • Strategic hedging of gold prices and exchange rates • Focus on production costs so as to maximise margins		
Financial				
Financial	Poor capital allocation decisions	• Capital allocation is based on stringent investment criteria and subject to board oversight	• Profitable • Sustainable • Growth	
	Weak cash flow generation and excessive debt levels	• Ongoing monitoring of working costs and capital expenditure, cash flow generation and group debt levels • Conservative debt levels • Standby facilities to bridge working capital deficits		
	Financial risk	• Selective hedging and monitoring of currency, liquidity, commodity and interest rate exposures within board-approved risk levels		
	Financial cybercrime	• Robust internal controls • Fidelity insurance cover • Internal audit reviews		
Operational				
Safety	Mine accidents	• Legal compliance, standards and procedures in place, plan task observation and regular audits conducted • In addition to the above, ongoing examination of workplace conditions • Monthly and quarterly inspections by safety department and quarterly risk engineering reviews	• Sustainable • Stakeholders	
	Ambient working conditions	• Installation of a refrigeration plant at Barberton in the next financial year to reduce ambient temperatures • Improvement of ventilation conditions using various methods • Ongoing monitoring of working conditions		
	Onerous logistic challenges in responding to emergency trauma situations	• Emergency service providers at operations and emergency training in place		
	Illegal miners pose a risk to employees and contractors underground and on surface	• Strict access control • Security actions, including proactive approach by on-mine security • Involvement of police and regulatory bodies		

Enterprise risk management approach continued

Substantially achieved *Moderate progress* *Not achieved*

Principal risk	Nature of risk	Controls in place to mitigate the risk	Link to strategic pillar	Self-assessment on progress during 2016
Operational continued				
Safety continued	Risk of a safety incident or section 54 stoppages due to regulatory issues	• Continued emphasis on safety compliance and implementation of risk management systems such as proximity detection systems • Governance of SHEQC which is decentralised and subject to group standardisation and oversight	• Sustainable • Stakeholders	
	Legislative breaches	• Ongoing training, audits, reviews and compliance		
Health and wellness	Employees working in unhealthy workplace conditions	• Medical surveillance and monitoring of occupational diseases • Annual medical examinations for all employees and contractors • Daily monitoring of workplace conditions for heat, noise and airborne pollutants • Provision of medical facilities or medical aid coverage • Appropriate occupational health practices • Medical health hubs • Managed health programmes • Behaviour-based training, disease management programmes and awareness programmes • Prevalence testing, wellness programmes and anti-retroviral treatment	• Sustainable • Stakeholders	
Industrial action	Strike actions	• Proactive, strong relationships with representative unions • Recognition agreements • Multi-year wage agreements in place • Appropriate remuneration practices • Compliance with all relevant South African labour legislation including the Mining Charter and implementation of SLPs	• Profitable • Stakeholders	
Operational execution	Challenges associated with ageing infrastructure and power interruptions	• People, systems and procedures in place to ensure successful continuing operations • Active managed engineering risk registers for all operations • Scheduling of operations to take account of constraints • Performance monitoring systems instituted • Planned routine maintenance contracts • Refurbishment, major overhaul and capex investment • Support generators for critical functions and back-up generators provide limited power to processing plants • Energy-efficient programmes to reduce consumption • Engagement with Eskom on planned and unplanned power interruptions • Power management and load monitoring • Production performance monitoring systems implemented	• Profitable • Sustainable • Growth	
Environmental degradation	Risk of environmental damage	• Environmental management plans in place • Land rehabilitation trust funds in place to minimise and mitigate the environmental effects of mining • Pollution control and water catchment dams • Continuous training and monitoring of environmental damage detection systems, such as scavenger borehole and pumping • Compliance with water use licence guidelines • Control of arsenic in contained storage areas • Specific action plans in place to deal with flooding incidents • Cyanide constraints dealt with by procuring additional solid cyanide briquette from alternative sources and continued engagement with principal supplier to ensure a sustainable supply	• Sustainable • Stakeholders	

Substantially achieved *Moderate progress* *Not achieved*

Principal risk	Nature of risk	Controls in place to mitigate the risk	Link to strategic pillar	Self-assessment on progress during 2016
Operational continued				
Environmental degradation continued	Ventilation requirements are constrained with limited capacity to supply required volumes	• Monitoring of ventilation systems and upgrading, where necessary	• Sustainable • Stakeholders	
Strategic				
Reserves and resources	Declining resource and reserve base	• Strategies in place to identify value-enhancing organic and acquisitive growth opportunities	• Profitable • Sustainable • Stakeholders • Growth	
	Geological reporting of quality and quantity of reserves	• Conducting an independent geological review and mine optimisation study		
Capital allocation – integration of acquisitions and construction of new plants	Inability to integrate acquisitions and manage new projects	• Extensive change management experience • Project management skills in place	• Sustainable • Growth	
Succession planning and skills retention	Inability to attract and retain staff	• Recruitment strategies and succession programmes in place • Structured retention incentives – current, annual and long-term • Regularly benchmarked market-related remuneration • Growth opportunities and career planning for employees	• Profitable • Sustainable • Stakeholders • Growth	
	Skills shortage	• Apprenticeships and learnerships in place • Bursary in place for tertiary students • Ongoing market research conducted on availability of scarce category skills • Comprehensive training including job-based skills training		
Legal	Regulatory compliance	• Policies, standards and procedures in place to ensure compliance • Regular compliance review by advisers and sponsors • Register of all titles • Compliance with water use licence guidelines • Outsourced legal, tax and internal audit functions • Continuous engagement with regulators on compliance	• Stakeholders	
Reputational	Underperforming market expectations	• Ongoing market communication and monitoring to ensure alliance with shareholder expectations	• Sustainable • Stakeholders • Growth	
	Stakeholder/ community expectations	• Stakeholders/community engagement with appropriate initiatives in place to support local communities		
	Not adhering to anti-bribery and corruption legislation	• Anti-bribery and corruption policies in place • A culture of zero tolerance towards corruption • Ongoing training and awareness • Specific internal controls to mitigate bribery risk • Independent internal and external audit functions		
Concentrated sovereign risk	Operations limited to a single jurisdiction	• Future growth plans to focus on diversification of operational base • People, systems and procedures in place to ensure successful continuing operations in South Africa	• Sustainable • Growth	

Stakeholder engagement

Stakeholders are integral to the group's growth, value creation and sustainability. They have also been identified as one of our four key strategic pillars which include: *profitable, sustainable, stakeholders* and *growth*. Stakeholder feedback and concerns are therefore carefully considered when reviewing and refining strategy, which fosters realistic perceptions by our stakeholders of our business, decisions and performance.

At an operational level, stakeholder engagement is the responsibility of the general and human resources managers and at a corporate office level the Chief Executive Officer assumes this responsibility. Key concerns raised operationally are governed by the management committee and at a board level the SHEQC committee oversees stakeholder concerns.

A detailed account of Pan African Resources' stakeholders and their key concerns, as identified, is set out in the table below.

Stakeholder	What matters to stakeholders	Nature of engagement	How feedback informs strategy	Responsibility
Investors	• Return on investment • Financial performance • Operational performance • Union relationships • Safe mining • Accreditations and regulatory compliance • Resources and reserves reporting • Sustainability of the business	• Results presentations and roadshows • Site visits • Regulatory communications • Ad hoc one-on-one meetings with investor community • Interim and full-year results announcements • Integrated annual report • Financier communications with respect to the group's capital structure and compliance with conditions of existing debt agreements • Media releases • Group website	• Poll results and feedback from presentations and one-on-one meetings discussed at executive management level	• Chief Executive Officer • Financial Director
Employees	• Safety • Transformation • Job security • Reward and incentives • Holistic and occupational health • Skills development and training • Environmental exposure	• Bargaining council forums • Shaft committees • Health and safety structures • Supervisory and disciplinary structures • Social media • Publicity and posters • Policy and procedure documents • One-on-one supervision • Contract negotiations • Performance assessments	• Discussed at operational, executive and board level	• Operational human resource managers • Group Executive Human Resources • Group SHEQC manager

Stakeholder	What matters to stakeholders	Nature of engagement	How feedback informs strategy	Responsibility
Suppliers	• Group financial performance • Payment track record • Growth project pipeline • Loyalty	• One-on-one meetings	• Discussed at operational and executive management level	• General managers and financial managers • Group procurement manager
Communities	• Job creation • Corporate social investment • Environmental conservation/ protection	• Community meetings • Media	• Discussed at the SHEQC committee, Exco and board level	• General managers • Community liaison managers at each operation • CSI officers at each operation
Unions	• Health and safety • Transformation • Job security • Fair remuneration and reward	• Employee committees • Branch committees • Shaft committees • Mine committees	• Discussions between union and management occur on the mines and the outcomes are conveyed to the corporate office • Discussed at operational, executive and board level	• Group Executive Human Resources • Shaft/mine/ branch committees
Government departments	• Transformation • Mining Charter compliance • Job creation • Safe mining • Profitable mining	• Regular and frequent communication with Departments: DMR, Labour, Water Affairs, Education and Public Works and local municipalities' independent development plans	• Discussed at executive management and board level	• General managers • Chief Executive Officer
Customers	• Quality • Timeous delivery • Price • Volumes	• One-on-one meetings	• Discussed at executive management and board level	• General managers • Metallurgical managers

Discovery of **GOLD in South Africa**

Gold was discovered on a Transvaal farm, Langlaagte, on the Witwatersrand in 1886 by two prospectors. This discovery caused a turning point in South African history. Far more than diamonds, it changed South Africa from an agricultural society to become the largest gold producer in the world. The gold discovered ran for miles and miles underground, 'an endless treasure of gold'.

As news of the gold find spread throughout Southern Africa, various mining towns developed along the curve of the underground gold reef. This curve was named the Witwatersrand, attracting hundreds and hundreds of people seeking their fortune.

http://www.randrefinery.com/brochures/Rand%20Refinery%20-%20The%20Story%20of%20Gold.pdf

George Harrison Park, Langlaagte

79 **Au** +1 +3
Gold
196.97
2-8-18-32-18-1

Financial Director's review

Deon Louw
Financial Director

> *"Pan African Resources' share price recovered materially in the 2016 financial year, with year-on-year capital growth of 108%, outperforming its peers."*

HIGHLIGHTS

- *Payment of a ZAR210 million dividend in December 2015*
- *Increase in net profit after tax of 160.2%*
- *Reduction in the USD all-in sustaining costs per ounce by 20.4% to USD870/oz and a 0.9% increase in the ZAR all-in sustaining cost per kilogram to ZAR405,847/kg*
- *Acquisition of the Uitkomst Colliery with effect from 31 March 2016 for ZAR148 million*
- *Completion of the Shanduka Gold transaction resulting in an effective 23.83% (22.46% post dilution) indirect shareholding in Pan African Resources with effect from 7 June 2016*
- *Increase in net cash generation from operating activities after dividends, by 507.5% to ZAR581.4 million (2015: ZAR95.7 million), illustrating the disproportional positive correlation between the increase in profits and cash generation*

CHALLENGES

- *Volatile gold price and exchange rate environment*
- *Cost pressures in excess of inflation*
- *Regulatory uncertainty pertaining to amended mining and environmental legislation*
- *Evolving labour landscape*

Key financial statistics

	For the year ended 30 June 2016		For the year ended 30 June 2015		Movement	
	ZAR millions	GBP millions	ZAR millions	GBP millions	ZAR %	GBP %
Revenue	**3,632.8**	**169.4**	2,539.4	141.1	43.1	20.1
Cost of production	**(2,321.4)**	**(108.2)**	(1,987.4)	(110.4)	16.8	(2.0)
Mining profit	**1,066.6**	**49.7**	353.4	19.6	201.8	153.6
EBITDA	**969.5**	**45.2**	512.1	28.4	89.3	59.2
Profit after taxation	**547.0**	**25.5**	210.2	11.7	160.2	117.9
Headline earnings	**547.1**	**25.5**	213.6	11.9	156.1	114.3
EPS (cents/pence)	**30.20**	**1.41**	11.48	0.64	163.1	120.3
HEPS (cents/pence)	**30.20**	**1.41**	11.67	0.65	158.8	116.9
Weighted average number of shares in issue (millions)	**1,811.4**	**1,811.4**	1,830.4	1,830.4	(1.0)	(1.0)

Value creation

Pan African Resources remains committed to creating value for all stakeholders. For shareholders, specifically, value is determined by capital appreciation in the company's share price and distributions in the form of dividends and share buy-backs. The distribution of stakeholder value created by the group is detailed on page 28, which illustrates the substantial contribution by the group to the South African economy. The table below benchmarks the group's progress against our financial objectives and their link to our strategic pillars.

Substantially achieved *Moderate progress* *Not achieved*

FY2016 objective	Progress in FY2016	Self-assessment on progress during 2016	Link to strategic pillars
Maintain attractive dividend payments	• ZAR210 million final dividend was paid in December 2015 and a ZAR300 million dividend is proposed for the 2016 financial year		• Stakeholders
Improve profitability from current operations	• The group's profits increased across all operations with the exception of Phoenix Platinum, due to the reasons explained in the Chief Executive Officer's review on page 18 • Barberton Mines recovered from the oil contamination at its BIOX® plant and Evander Mines recovered from its low-grade mining cycle • Uitkomst made its first contribution to group profits with a net profit after tax of ZAR11.4 million for the quarter ended 30 June 2016, which is consistent with our profit expectations from the mine • The group strategically entered into a two-year hedge in July 2015 to protect its cash flows and dividend from short-term declines in the gold price. The fair value mark-to-market adjustment on the collar resulted in a post-tax loss of ZAR82 million		• Profitable
Implement earnings and cash flow accretive growth	• The group's gold production increased to 204,928oz, a 16.5% increase relative to the prior year • Production ounces declined at Phoenix Platinum due to water shortage and the termination of tailings from IFM, which was placed in business rescue		• Profitable • Growth

Operating environment

The local gold mining environment enjoyed a recovery as the gold price improved and the rand depreciated during the year under review. The gold price of ZAR542,850/kg compared favourably with the ZAR446,274 received during the corresponding period. Margin expansion was further assisted by a marginal increase in all-in sustaining costs to ZAR405,847/kg relative to the ZAR402,221/kg incurred in the previous corresponding period, which demonstrates the group's culture of stringent cost control.

The group's profitability is affected by various external and economic drivers, the most significant of which are:

- USD precious metal spot prices – determines the price received for gold and PGE produced
- USD/ZAR exchange rate – determines the value received in ZAR for gold and other metals produced and ultimately the group's revenue.
  This also drives specific production costs and capital goods through inflation and the cost of imported goods and consumables
- South African general inflation, wages and other price increases determine the rate of increase in the group's operating costs – the most significant of which is employee costs, followed by electricity costs
- GBP/ZAR exchange rate – influences the group's reporting performance in GBP, its reporting currency for accounting purposes
- Interest rates – determines the cost of debt finance and the return on surplus cash resources.

USD precious metal spot price

During the course of the year the average USD gold price declined 4% to USD1,164 per ounce relative to the USD1,212 per ounce received during the previous corresponding financial period. The average PGE basket price achieved (applying the Phoenix Platinum prill split) was substantially lower than that of the previous year at USD617/oz (2015: USD839/oz), after taking into account the terms of the off-take agreement with Western Platinum Limited, a subsidiary of Lonmin PLC.

USD/ZAR exchange rate

The group records its revenue from precious metals sales in ZAR and the depreciation in the value of the ZAR relative to the USD during the year had a compensating effect on the weaker USD metals price revenue received. The average ZAR/USD exchange rate was 26.7% weaker at ZAR14.51:1 (2015: ZAR11.45:1). Despite the lower USD gold price, the average ZAR gold price received increased by 21.6% to ZAR542,850/kg (2015: ZAR446,274/kg), as a result of the aggressive depreciation in the ZAR/USD exchange rate.

The average ZAR PGE basket price received decreased by 6.8% to ZAR8,952/oz (2015: ZAR9,603/oz) as a consequence of the declining PGM prices, offset by the depreciating ZAR/USD exchange rate.

South African inflation, wage rate and other cost increases

During the year CPI was reported at 6.3% (2015: 4.7%) while PPI was recorded at 7.4% (2015: 3.3%). Annual wage negotiations were completed successfully during the period under review, with Barberton entering into a two-year agreement at an average annual increase of 9% and Evander a three-year agreement with an average annual increase of 8%.

Electricity price inflation

Although the problems in national electricity generation appear to have been overcome, increased breakdowns in the distribution network have been experienced in the past year. Electricity is the group's second largest cost contributor at ZAR323.2 million (2015: ZAR275.4 million), representing 13.9%, of the group's total cost of production. Electricity increases in the current year amounted to 17.4% (2015: 8.6%) compared to the NERSA-approved Eskom increases of 12.7% for the past financial year.

The higher-than-average cost increase in our financial statements relates to the electricity costs from ETRP, which was in production for the full year, and the newly acquired Uitkomst Colliery. Eskom's most recent announcement, in March 2016, points to average increases of 9.4% which will further increase the group's electricity costs going forward.

GBP/ZAR exchange rate

Given that the ZAR's performance against the GBP is a key determinant of the GBP results, it is important for shareholders to be aware of the effect this exchange rate has on reported results. The value of the ZAR against the GBP deteriorated for the most part of the year under review. The average ZAR/GBP exchange rate was 19.2% weaker at ZAR21.45:1 when compared to the previous year (2015: ZAR18.00:1).

Interest rates

The group incurs a margin of 250 basis points above the Johannesburg Interbank Agreed Rate (JIBAR) on any balance outstanding on its revolving credit facility (RCF) and receives interest on surplus funds at quoted bank call account rates. Changes in interest rates affect the group's interest expense and income. JIBAR at 30 June 2016 was quoted at 7.1% (2015: 6.0%).

Overview of the group's financial performance

Revenue, costs, profitability and dividend analysis

Performance	2016 financial year commentary
Revenue	The group's revenue, year-on-year, increased by 43.1% to ZAR3,632.8 million (2015: ZAR2,539.4 million). The increase was predominantly due to, *inter alia*: • Gold sold increased 16.5% to 204,928oz (2015: 175,857oz) • The average ZAR gold price received by the group increased 21.6% to ZAR542,850/kg (2015: ZAR446,274/kg), as a result of the weakening of the ZAR/USD exchange rate • Consolidation of the Uitkomst Colliery revenue of ZAR98 million effective from 31 March 2016 The increase in the average ZAR gold price by 21.6% was a result of the following movements: • The group realised an average gold price of USD1,164/oz, a decrease of 4% from the USD1,212/oz achieved in the prior reporting period • The average ZAR/USD exchange rate was 26.7% weaker at ZAR14.51:1 (2015: ZAR11.45:1)
Cost of production	The group's total cost of production increased by 16.8% to ZAR2,321.4 million (2015: ZAR1,987.4 million). The group's cost of production incorporated a full year's production costs for the ETRP of ZAR154.8 million (2015: ZAR54.1 million) and the Uitkomst Colliery coal production costs of ZAR91.8 million (2015: nil). Pan African Resources' gold cost of production per the statement of comprehensive income increased by 12.3% to ZAR2,155.5 million (2015: ZAR1,919.6 million) affected by the following: • The group's gold operations salaries and wages increased by 12.5% to ZAR967.7 million (2015: ZAR860.1 million), which was predominately due to: – The incremental increase in salaries and wages following the wage agreements at Barberton and Evander Mines – Higher production incentives following increased productivity at the gold operations. Barberton Mines' production incentives increased by ZAR13.7 million equating to 1.6% of the total year-on-year increase. Evander Mines' production incentives increased by ZAR4.3 million contributing an additional 0.5% to the year-on-year increase in labour costs – The ETRP salary and wages increased by ZAR4.7 million resulting in an additional 0.5% increase year-on-year following a full production year • The group's gold operations electricity costs increased by 16.8% to ZAR317.3 million (2015: ZAR271.6 million). The NERSA-approved increase applied to electricity consumption was 12.7% for the period under review. The additional increase was predominantly as a result of the electricity costs associated with the ETRP being in production for the full year, amounting to ZAR9.9 million (2015: ZAR2.1 million) • The ETRP and associated surface feedstock material cost of production was ZAR154.8 million (2015: ZAR54.1 million) following a full year's production (prior year ETRP cost production related to a four-month period) The gold cost of production excluding ETRP and surface feedstock has increased by 7.2% to ZAR2,000.7 million (2015: ZAR1,865.5 million). The PGE cost of production increased by 9.3% to ZAR74.1 million (2015: ZAR67.8 million), predominately due to: • Salaries and wages increasing by 3.1% to ZAR20.2 million (2015: ZAR19.6 million). The Phoenix Platinum employee incentives decreased following lower production levels • Refining and processing costs increased by 10.8% to ZAR48.3 million (2015: ZAR43.6 million), following additional transporting costs to move tailings material from the Kroondal tailings site, and incurring higher chrome refining costs as a result of a higher chrome prevalence in tailings processed • Electricity costs increased by 13.5% to ZAR4.2 million (2015: ZAR3.7 million) The group's realisation costs increased 65.3% to ZAR20.5 million (2015: ZAR12.4 million) due to additional refining costs associated with the extraction and recovery of gold contained at Evander Mines' processing plant's infrastructure. Depreciation increased 20.5% to ZAR224.3 million (2015: ZAR186.1 million) following increased charges associated with the commissioning of the ETRP and Evander Mines' 8 Shaft 25 level development.
Cash costs	The group's cost of production per kilogram of gold declined 3.2% to ZAR338,242/kg (2015: ZAR349,410/kg). The decline is attributed to: • Gold sold increasing by 16.5% to 204,928/oz (2015: 175,857/oz), resulting in a lower unit cost of production • Improved head grades mined compared to the previous year
All-in sustaining cash costs	The group's all-in sustaining cash cost of production per kilogram of gold (including direct cost of production, royalties, associated corporate costs and overheads and sustaining capital expenditure) increased 0.9% to ZAR405,847/kg (2015: ZAR402,221/kg). The group's all-in sustaining cash costs were primarily impacted by: • Increased gold production and the improved head grades compared to the prior year

Performance	2016 financial year commentary
All-in cost	The all-in cost per kilogram (sustaining cost of production and once-off expansion capital) declined 3.5% to ZAR410,206/kg (2015: ZAR425,084/kg), due to the increase in gold production and the completion of the ETRP, which contributed ZAR95.1 million in capital costs to the 2015 cost base.
Other income and expenditure	Barberton Mines entered into a short-term strategic hedge (the cost collar) in July 2015, when the prevailing spot gold price was ZAR440,000/kg, to protect its cash flows and the group's annual dividend against severe adverse movements in the ZAR gold price. During the current reporting period, the group recorded a pre-tax net unrealised mark-to-market fair value loss of R117.6 million on the cost collar, offset by a realised cost collar derivative income of ZAR3.8 million, resulting in a net pre-tax fair value cost collar loss for the year of ZAR113.8 million (2015: pre-tax realised cost collar derivative income of ZAR44.8 million). The economic consequence of the mark-to-market fair value adjustment is to lock in revenue on 25,000oz of gold production from Barberton Mines at ZAR625,000/kg (the closing ZAR gold price at 30 June 2016) for the twelve-month period commencing 1 October 2016. The group currently only has this gold collar derivative in place. Pan African Resources' share price increased significantly by 108% to ZAR3.75 from ZAR1.80 during the current reporting period, which resulted in an increase in the group's cash-settled share option costs. The pre-tax effect of cash-settled share option costs for the current reporting period amounted to ZAR100.6 million (2015: pre-tax ZAR6.1 million gain). The fair value adjustment of the group's rehabilitation liability resulted in the liability reducing by ZAR38.2 million (2015: increased by ZAR19.7 million). The rehabilitation investment increased by ZAR9.2 million (2015: ZAR33.9 million).
Finance income and costs	Finance income increased to ZAR9.5 million (2015: ZAR6.3 million), while finance cost decreased to ZAR31.1 million (2015: ZAR44.2 million), following improved cash flows generated.
Profit after tax and headline earnings	Profit after tax increased 160.2% to ZAR547.0 million (2015: ZAR210.2 million) and the corresponding headline earnings increased 156.1% to ZAR547.1 million (2015: ZAR213.6 million), primarily impacted by: • Revenue increased by ZAR1,093.4 million, supported by higher gold production and an increase in the effective ZAR gold price received • Cost of production increased by ZAR334.0 million • Depreciation increased by ZAR38.2 million following increased charges associated with the commissioning of the ETRP and Evander Mines' 8 Shaft 25 level development • Other income and expenditure increased by ZAR265.8 million, due to the pre-tax net cost collar mark-to-market fair value adjustment of ZAR113.8 million (2015: realised cost collar derivative income of ZAR44.8 million), and higher cash-settled share option costs linked to the increase in the share price amounting to ZAR100.6 million (2015: ZAR6.1 million gain) • Royalty costs increased by ZAR30.4 million linked to the increased gold revenues • Taxation increased by ZAR102.2 million due to the improved operational performance
EPS and HEPS	The group's EPS in ZAR increased 163.1% to 30.20 cents (2015: 11.48 cents). The group's HEPS in ZAR increased by 158.8% to 30.20 cents (2015: 11.67 cents). The difference between the EPS and HEPS resulted from adjusting the attributable earnings for the loss on the disposal of fixed assets and the associated impairment upon the sale of Auroch Minerals NL in the prior reporting period. Refer to the statement of comprehensive income for the reconciliation between EPS and HEPS. The EPS and HEPS is calculated by applying the group's weighted average number of shares to the attributable and headline earnings, which decreased by 1% to 1,811.4 million shares (2015: 1,830.0 million shares). The decrease in the shares was attributed to eliminating the Shanduka Gold Proprietary Limited shares held in Pan African Resources with effect from 7 June 2016.
Taxation	The group's total taxation charge increased 137.4% to ZAR176.6 million (2015: ZAR74.4 million) due to the group's improved financial performance.
Dividend	The group paid a final dividend of ZAR210 million or GBP9.7 million (2014: ZAR258 million or GBP14.9 million) on 24 December 2015 relating to the 2015 financial year, equating to ZAR0.11466 per share or 0.53 pence per share (2014: ZAR0.14100 per share or 0.82 pence per share). In light of the materially improved operational and financial performance the board has proposed an increased dividend of ZAR300 million or approximately GBP16 million equating to ZAR0.15438 per share or approximately 0.82338 pence per share. This dividend is subject to approval at the AGM, which will take place on 25 November 2016. The GBP proposed final dividend was calculated based on 1,943,206,554 total shares in issue and an illustrative exchange rate of ZAR18.75:1. Shareholders on the London register should note that a revised exchange rate will be communicated prior to approval at the AGM.

Financial position and resource allocation

Non-current assets increased 7.3% to ZAR4,450.9 million (2015: ZAR4,147.1 million). The increase was partly attributable to further capital expenditure during the year amounting to ZAR302.4 million (2015: ZAR352.0 million), less depreciation of ZAR224.3 million (2015: ZAR186.1 million).

Included in non-current assets is the rehabilitation trust fund balance of ZAR321.5 million (2015: ZAR312.3 million), which increased by ZAR9.2 million as a result of capital growth in the underlying investment portfolio. The rehabilitation trust fund's investment portfolio comprises investments in guaranteed equity-linked notes, government bonds, equities and cash holdings.

Current assets increased 30.7% to ZAR434.2 million (2015: ZAR332.3 million) due to:

- Cash on hand decreased to ZAR52.6 million (2015: ZAR64.2 million)
- Accounts receivable increased to ZAR277.8 million (2015: ZAR184.5 million) predominately due to:
  - Uitkomst Colliery contributed an additional ZAR55.3 million to the group's accounts receivable at 30 June 2016
  - The increase in the average ZAR gold prices resulted in an increase in the average gold receivable held year-on-year
- Inventory increased to ZAR87.0 million (2015: ZAR67.6 million) mainly due to consolidating additional Uitkomst Colliery coal inventory of ZAR11.8 million
- Current tax asset increased to ZAR16.8 million (2015: ZAR16.0 million).

Despite the cash funding of the Uitkomst Colliery of ZAR148 million, the cash consideration of ZAR182 million used to fund a portion of the Shanduka Gold transaction and the payment of a ZAR210 million dividend, the group's net debt increased only marginally from ZAR321.1 million at 30 June 2015 to ZAR339.6 million at 30 June 2016.

Operational cash generation, after providing for the dividend payments and before capital expenditure, improved to ZAR581.4 million for the year under review relative to ZAR95.7 million for the previous corresponding period, which illustrates the robust cash-generative capacity of the group in light of the improved operational performance and favourable movement in the ZAR price of gold.

Non-current liabilities increased by 4.8% to ZAR1,372.4 million (2015: ZAR1,309.5 million), the composition of which is as follows:

- Non-current portion of the revolving credit facility increased to ZAR279.3 million (2015: ZAR224.1 million)
- Non-current portion of the gold loan balance decreased to ZAR26.6 million (2015: ZAR82.0 million), due to the gold loan term ending on 31 October 2017
- Non-current portion of cash-settled share option liability ZAR55.4 million (2015: ZAR7.3 million)
- Non-current post-retirement benefits was ZAR1.3 million (2015: ZAR1.4 million)
- Long-term rehabilitation provisions reduced to ZAR206.4 million (2015: ZAR236.4 million)
- Deferred taxation liability increased to ZAR803.4 million (2015: ZAR758.3 million).

Current liabilities increased to ZAR639.6 million (2015: ZAR431.4 million), predominately due to:

- The increase in the cost collar mark-to-market liability by ZAR117.8 million (2015: nil)
- Uitkomst Colliery accounts payable contributed ZAR29.3 million (2015: nil)
- The current portion of the revolving credit facility increased to ZAR31.1 million (2015: ZAR21.6 million)
- The current portion of the gold loan decreased to ZAR55.2 million (2015: ZAR57.8 million)
- The current portion of the cash-settled share option liability increased to ZAR54.2 million (2015: ZAR18,0 million).

The increase in the group's retained earnings by ZAR337 million is due to the profit after taxation of ZAR547.0 million (2015: ZAR210.2 million) and the dividend of ZAR210 million (2015: ZAR258 million) for the 2016 financial year.

Share capital and premium increased by ZAR340 million following the issue of 111,711,791 shares to part fund the Shanduka Gold transaction, referred to below.

Financial risk management

The group manages its financial risk and liquidity by means of a centralised treasury function in Pan African Resources Funding Company Proprietary Limited (Funding Company), a wholly owned subsidiary of Pan African Resources, with the objective of centrally managing all aspects of the group's financial risk. The group's philosophy is to hedge only specific exposures arising from capital investments and transactional flows and limit hedging to a maximum of 25% of the group's annual production. Hedging will only be entered into to cover specific operational risks and capital expenditure.

Revolving credit facility

The group's existing revolving credit facility is provided by a consortium of local banks. The ZAR800 million facility has a tenure of five years, with a two-year accordion option, at the group's election (subject to approval from the credit committees of the respective banks), to increase the facility to ZAR1.1 billion. The revolving credit facility bears interest at JIBAR plus a margin of 2.5% and provides Pan African Resources with access to a long-term flexible debt facility to fund its organic and acquisitive growth ambitions.

Working capital and debt management

The group manages its debt levels within prudency limits approved by the board and based on the recommendations of the audit and risk committee after taking into account the variability in group cash flow generation, capital expenditure programmes and the board's ambitions to continue declaring a sector-leading dividend.

Capital allocation discipline

The board is conscious of the aspirations of our stakeholders for value creation and all capital allocation decisions are subject to rigorous scrutiny and pre-defined risk-adjusted return parameters to ensure this objective is fulfilled. Of paramount consideration in all such capital allocation decisions is the group's ability to successfully execute on investment opportunities and realise the required returns over the investment horizon. The attractive returns being earned on the capital invested in the BTRP, the ETRP and the recent Uitkomst Colliery and Shanduka transactions bear testimony to our success in this regard.

Our investment return criterion is to earn a minimum real return of 15% per annum, after adjusting for project-specific and sovereign risks. Further, to ensure our returns are robust, we endeavour to invest only in projects that fall into the lower half of the cost curve and of which the execution risk is within our capability.

The Elikhulu tailings retreatment project is a near-term growth prospect which is currently undergoing such an evaluation process. Should the board approve the investment decision on this project, the intent is to finance it with a dedicated debt facility that will limit the impact on the group's existing cash flows, borrowing capacity and ability to continue paying dividends. A number of finance options are being evaluated for the funding of the project and the group does not foresee any difficulty in raising the requisite funding on competitive terms.

Share price and return performance

Pan African Resources' share price recovered materially in the 2016 financial year with year-on-year capital growth of 108% from ZAR1.80 to ZAR3.75, outperforming its peers, as reflected in the UK FTSE and JSE J150 gold indices.

Dividend policy

Pan African Resources aspires to pay a regular dividend to shareholders. In balancing this cash return to shareholders with the group's strategy of generic and acquisitive growth, it believes that a target pay-out ratio of 40% of net cash generated from operating activities, after allowing for the cash flow impact of sustaining capital, contractual debt repayments and also the cash flow impact of once-off items, is appropriate. This measure aligns dividend distributions with the cash-generation potential of the business. In proposing a dividend, the board will also take into account the company's financial condition, future prospects, satisfactory solvency and liquidity assessments and other factors deemed by the board to be relevant at the time.

Shanduka Gold transaction

Conclusion of the Shanduka Gold transaction, which is explained in detail in the Chief Executive Officer's review on page 18, resulted in PAR acquiring control of Shanduka Gold, representing 436,358,058 Pan African Resources shares, an effective 17.7% of Pan African Resources' issued share capital. The acquisition was funded by a cash tranche of ZAR187.3 million and an equity placement of 111,711,791 shares for ZAR359.6 million. The accounting treatment of the transaction is akin to that of a share buy-back with the acquired shares being designated as treasury shares, in terms of which the full shareholding of 436,358,058 shares is eliminated on consolidation.

Looking ahead

Our focus for the 2017 financial year continues to be on cost containment and the cash flow generation of our existing operations, while developing the latent potential of these operations. Further, we continue to look into the merits of acquisitive growth opportunities that meet our investment criteria and will contribute to the group's profitability in the short to medium term.

Deon Louw
Financial Director

20 September 2016

The number of shares taken into account for calculating undiluted earnings per share is reconciled below:

Pan African shares	Shares	% change
Opening balance shares	1,831,494,763	–
Issue of shares – vendor placement	111,711,791	6.1
Elimination of shares held by Shanduka Gold	(436,358,058)	(23.8)
Closing balance	1,506,848,496	–
Reduction in number of shares	**324,646,268**	**17.7**

Five-year review

Salient features – five-year information

		2016	2015	2014	2013	2012
Operating performance						
Gold mining tonnes milled	(t)	**676,664**	908,958	948,149	512,869	308,095
Gold tailings processed	(t)	**2,801,021**	1,618,794	815,736	–	–
Gold head grade – mining operations	(g/t)	**7.7**	5.4	5.8	8.6	10.6
Gold head grade – tailings operations	(g/t)	**0.9**	1.0	1.6	–	–
Gold sold	(oz)	**204,928**	175,857	188,179	130,493	94,449
Gold spot price received	(USD/oz)	**1,164**	1,212	1,303	1,553	1,694
Total gold mining cash costs	(USD/oz)	**725**	949	897	815	776
Coal sold	(t)	**136,102**	–	–	–	–
PGE 6E sold	(oz)	**8,339**	10,245	7,204	6,480	–

	2016		2015		2014		2013		2012	
	ZAR millions	GBP millions	ZAR millions	GBP millions	ZAR millions	GBP millions	ZAR millions	GBP millions	ZAR millions	GBP millions
Statement of comprehensive income										
Revenue	**3,632.8**	**169.4**	2,539.4	141.1	2,608.8	154.6	1,848.1	133.5	1,240.3	101.1
Cost of production	**(2,321.4)**	**(108.2)**	(1,987.4)	(110.4)	(1,795.9)	(106.4)	(985.1)	(71.2)	(566.0)	(46.1)
Mining profit	**1,066.6**	**49.7**	353.4	19.6	637.8	37.8	776.8	56.1	632.3	51.5
EBITDA	**969.5**	**45.2**	512.1	28.4	745.5	44.2	735.2	53.1	552.5	45.0
Impairment costs	**–**	**–**	(1.0)	(0.1)	–	–	(242.3)	(16.1)	(0.6)	–
Profit after taxation	**547.0**	**25.5**	210.2	11.7	452.1	26.8	558.9	42.6	358.9	29.2
Headline earnings	**547.1**	**25.5**	213.6	11.9	452.0	26.8	487.0	35.2	359.7	29.3
Dividends	**(210.0)**	**(9.7)**	(258.0)	(14.9)	(240.3)	(14.7)	–	–	(95.6)	(7.4)
Statement of financial position										
Non-current assets	**4,450.9**	**230.6**	4,147.1	220.1	3,941.5	223.4	3,726.2	249.3	1,143.8	86.1
Current assets	**434.2**	**21.9**	332.3	17.2	423.4	23.5	401.5	26.7	367.8	28.5
Total equity	**2,874.4**	**151.0**	2,738.5	147.2	2,788.4	159.4	2,568.8	172.2	1,357.5	102.6
Non-current liabilities	**1,372.4**	**69.5**	1,309.5	67.9	1,144.1	63.5	1,200.9	80.0	180.8	14.0
Current liabilities	**639.6**	**32.2**	431.4	22.4	432.4	24.0	361.2	24.1	142.9	11.1
Cash flows										
Net cash generated from operating activities	**581.4**	**28.5**	95.7	5.4	360.3	22.2	668.0	48.3	375.2	30.6
Capital expenditure	**302.4**	**14.1**	352.0	19.6	363.0	21.5	381.6	27.6	(213.9)	(17.4)
Net movements in cash and cash equivalents (%)	**(11.7)**	**(1.5)**	(36.9)	(1.7)	29.6	1.7	(216.0)	(15.6)	140.8	11.5

Note 1: At 30 June 2012, Phoenix Platinum had not reached steady state production, therefore all income and expenditure was capitalised.

Note 2: Current assets at 30 June 2016 excluded non-current assets held for sale of ZAR1.3 million (GBP0,1 million), 30 June 2013, ZAR3.2 million (GBP0.2 million) and at 30 June 2012, ZAR169.6 million (GBP13.1 million).

Five-year review continued

		2016		2015		2014		2013		2012	
		ZAR	GBP	ZAR	GBP	ZAR	GBP	ZAR	GBP	ZAR	GBP
Key ratios											
Return on shareholders' funds	(%)	**19.0**	**16.9**	7.7	7.9	16.2	16.8	21.8	24.7	26.4	28.5
Net debt: equity ratio	(Ratio)	**0.12**	**0.10**	0.12	0.11	0.04	0.04	0.04	0.04	(0.19)	(0.19)
Net debt: EBITDA	(Ratio)	**0.35**	**0.34**	0.63	0.58	0.14	0.13	0.13	0.12	(0.46)	(0.44)
Interest cover	(Ratio)	**24.0**	**24.8**	7.3	7.2	38.9	37.9	41.6	41.9	301.1	417.0
Current ratio	(Ratio)	**0.7**	**0.7**	0.8	0.8	1.0	1.0	1.1	1.1	2.6	2.6
Statistics											
Shares in issue (millions)	(Number)	**1,943.2**		**1,831.5**		1,830.0		1,822.8		1,448.3	
Weighted average number of shares in issue	(Number)	**1,811.4**		**1,830.4**		1,827.2		1,619.8		1,445.2	
Earnings per share (EPS)	(Cents/pence)	**30.20**	**1.41**	11.48	0.64	24.74	1.47	34.51	2.63	24.83	2.02
Headline earnings per share (HEPS)	(Cents/pence)	**30.20**	**1.41**	11.67	0.65	24.74	1.47	30.07	2.17	24.89	2.03
Net asset value (NAV)	(Cents/pence)	**190.75**	**10.02**	149.52	8.04	152.37	8.71	140.93	9.45	93.74	7.09
Dividends per share (DPS)	(Cents/pence)	**11.47**	**0.53**	14.10	0.82	13.15	0.81	–	–	6.60	0.51
Dividend yield	(%)	**5.1**	**4.3**	6.3	6.7	5.6	5.7	–	–	3.0	3.6
Price earnings	(Ratio)	**12.4**	**13.5**	15.7	14.9	10.79	9.69	5.5	4.8	9.7	7.3
Volume of shares traded (millions)	(Number)	**650.7**	**461.6**	573.2	527.9	435.5	199.8	760.3	459.2	606.9	424.2
Volume traded as percentage of number in issue	(%)	**33.5**	**25.5**	31.3	28.8	23.8	10.9	41.7	25.2	41.9	29.3
Number of transactions	(Number)	**35,926**	**20,784**	29,855	21,221	28,498	11,496	30,814	16,121	21,827	13,593
Value of shares traded (millions)	(Number)	**1,540.6**	**58.2**	1,266.7	64.3	1,029.6	28.3	1,762.4	74.4	1,342.6	60.2
Traded prices											
– last sale in year	(Cents/pence)	**375.0**	**19.0**	180.0	9.5	267.0	14.3	191.0	12.8	242.0	14.8
– high	(Cents/pence)	**400.0**	**19.0**	278.0	15.5	294.0	16.8	299.0	21.0	299.0	17.4
– low	(Cents/pence)	**122.0**	**6.3**	180.0	9.5	186.0	11.8	185.0	11.8	180.0	9.5
– average price per share traded	(Cents/pence)	**225.0**	**12.4**	222.3	12.2	236.0	14.2	233.0	16.2	218.0	14.2

Operational review and performance

Barberton Mines

Casper Strydom
General Manager

HIGHLIGHTS

- *Gold sold increased by 7.1% to 113,281oz (2015: 105,776oz)*
- *Remained one of the lowest-cost producers in the South African gold industry with an all-in cost of R354,417/kg*

CHALLENGES

- *Increased depth of mining at Fairview resulting in increased underground temperatures*
- *Low grade at New Consort operations*

Historical overview

Barberton Mines consists of three mines: Fairview, Sheba and New Consort and the BTRP. Fairview produces 50% of Barberton Mines' gold production with Sheba and New Consort producing 30% and 20% respectively. Operating three mines continues to provide flexibility and versatility in terms of resource allocation.

The mix of high grade ore from the mines is planned monthly to maintain the targeted grade/tonnage profile and gold production, giving Barberton Mines the advantage of managing cash flows from an early stage in the mining process. The operation has a proven track record of consistently delivering a solid performance, driven to a large extent by an embedded culture of cost control.

The mining methods used are underground semi-mechanised cut and fill by either up-dip or breast mining. An estimated 16% to18% of gold is recovered by sweeping and vamping contractors focusing on worked-out areas and mining high grade pillars.

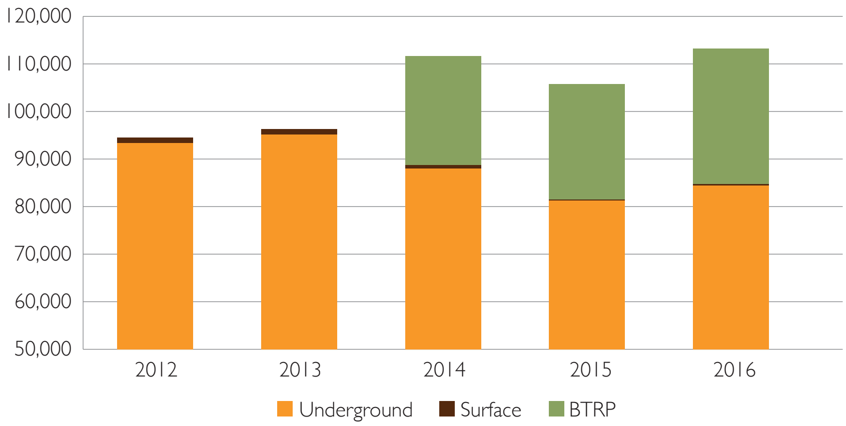
Gold is extracted using the BIOX® gold extraction process, an environmentally friendly process, which uses bacteria to release gold from the sulphide ore.

Gold was originally discovered in the Barberton area in 1886 and comprises the sediments and metavolcanics within the Barberton Greenstone Belt. Barberton Mines has therefore been mined for over a century with current production practices now embedded. Given the aged mine infrastructure, the operations undergo ongoing maintenance and refurbishment.

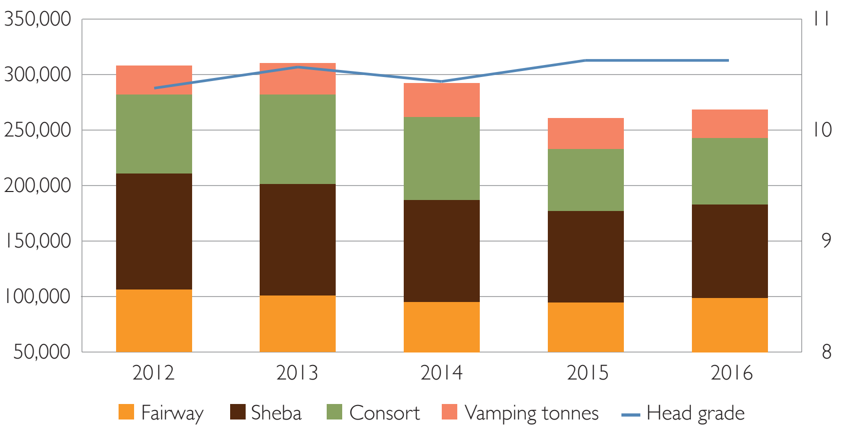
Historically Barberton Mines' relative isolation has spurred creative engineering solutions, which contribute to its cost control. Facilities established over the years, such as an in-house workshop for maintenance of the mines' fleet not only help control costs but also allow for in-house manufacture or customisation of equipment. Barberton Mines has been ISO 9001:2008 certified for 10 years.

Barberton Mines continued

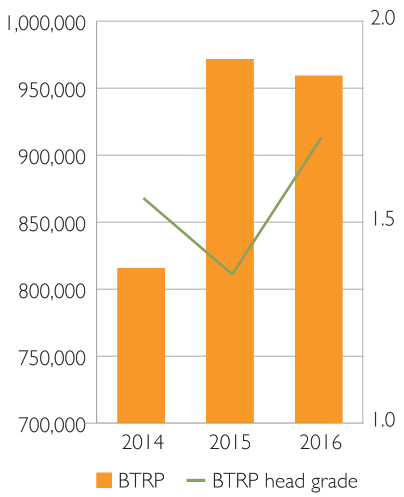
Gold sold
Ounces



Production statistics – Mining and surface
Tonnes



Production statistics – BTRP
Tonnes



Sales and production

Overall Barberton Mines operation (including BTRP)

Barberton Mines' (including BTRP) gold sold increased by 7.1% to 113,281oz (2015: 105,776oz). The total combined ZAR cash cost per kilogram increased marginally to ZAR279,226/kg (2015: ZAR278,859/kg). The combined USD cash costs per ounce decreased by 21% to USD599/oz (2015: USD758/oz).

Some challenges facing Barberton Mines included a reduction in the grade at the New Consort mining operations and increased temperatures experienced at the deeper levels of the Fairview mining operation. The installation of a refrigeration system is underway at Fairview and will be in operation by the end of the 2017 financial year.

Underground mining

Tonnes mined from underground mining operations increased to 268,383t (2015: 260,749t), while the head grade improved to 11g/t (2015: 10.9g/t) which resulted in improved gold sold of 84,690oz (2015: 81,493oz).

Barberton Mines' (excluding BTRP) ZAR cash costs per kilogram terms increased by 4.7% to ZAR323,799/kg (2015: ZAR309,289/kg), whilst USD cash costs per ounce decreased by 17.4% to USD694/oz (2015: USD840/oz).

BTRP

Tonnes processed by the BTRP reduced marginally to 959,215t (2015: 971,627t). The head grade of the Bramber tailings processed increased to 1.7g/t (2015: 1.4g/t). The overall recoveries were 54% (2015: 57%). This resulted in the gold sold from the BTRP increasing to 28,591oz (2015: 24,283oz) for the year.

The BTRP's ZAR cash costs decreased by 16.7% to ZAR147,162/kg (2015: ZAR176,734/kg) and USD cash costs per ounce were USD315/oz (2015: USD480/oz).

The BTRP remains one of the lowest-cost producers in the gold industry.

Cost of production

Barberton Mines' cost of production increased by 7.2% to ZAR983.7 million (2015: ZAR917.4 million). The main cost increases included salaries and wages (up 16.5%), predominantly due to an incremental increase following multi-year wage agreements, as well as higher production incentives, following increased productivity by the operations. Electricity costs (up 10.8%) were well managed below the 12.7% NERSA-approved increases.

Capital expenditure

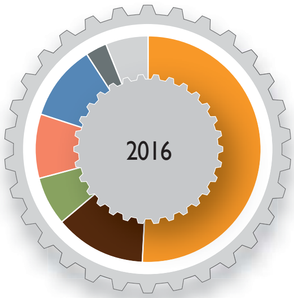
Total capital expenditure at Barberton Mines increased by 24.1% to ZAR139.7 million (2015: ZAR112.6 million). Maintenance capital expenditure of ZAR54.5 million (2015: ZAR44.2 million) and development capital expenditure of ZAR63.4 million (2015: ZAR53.7 million) was incurred.

Expansion capital of ZAR21.8 million (2015: ZAR14.7 million) comprised ZAR8.1 million for completion of the Eskom line extension to the BTRP and ZAR13.7 million for the Royal Sheba development at Sheba Mine. In the prior financial year Barberton Mines spent ZAR14.7 million on the development of the Fairview ventilation raise borehole project to improve operating environment conditions.

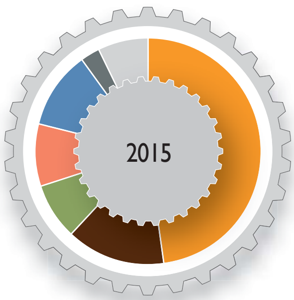
Looking ahead

Three-shaft deepening at Fairview operations remains a priority to increase flexibility and ultimately additional tonnages. The management team remains committed to improving the safety performance and working with the DMR to reduce safety stoppages.

Cash cost breakdown (excluding BTRP)

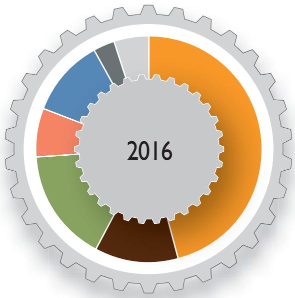


- 51% Salaries
- 13% Mining
- 7% Processing
- 9% Engineering
- 11% Electricity
- 3% Security
- 6% Other

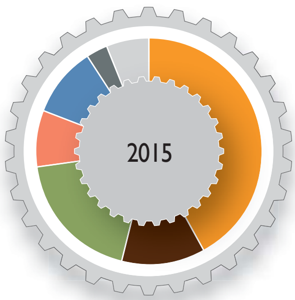


- 48% Salaries
- 14% Mining
- 8% Processing
- 9% Engineering
- 11% Electricity
- 3% Security
- 7% Other

Cash cost breakdown (including BTRP)



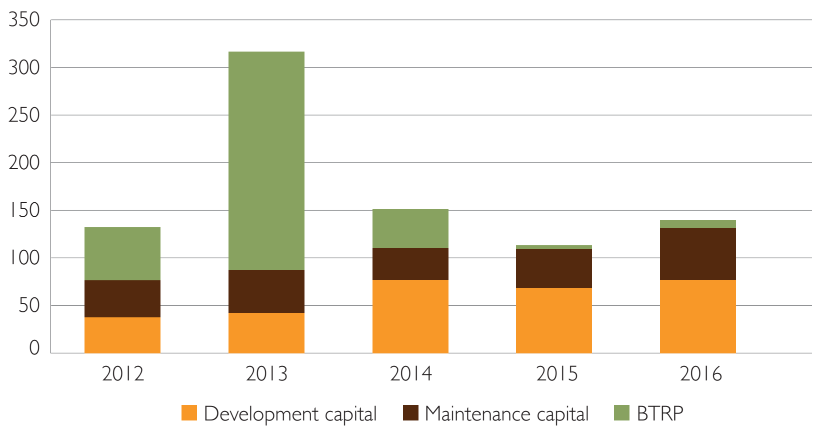
- 46% Salaries
- 12% Mining
- 16% Processing
- 7% Engineering
- 11% Electricity
- 3% Security
- 5% Other



- 42% Salaries
- 12% Mining
- 19% Processing
- 8% Engineering
- 10% Electricity
- 3% Security
- 6% Other

Capital expenditure (including BTRP)

ZAR millions



Evander Mines

Historical overview

Evander Mines exploits the Kimberley reef in the Evander basin, part of the greater Witwatersrand basin. Mining methods employed are underground conventional scraper mining and rail bound equipment with some trackless mechanised development.

With 8 Shaft at a depth of 2.5km, it takes the workforce approximately an hour to reach the mining area via a lift and locomotive and two chairlifts. The rock is then hauled along 11 conveyors from the rock face to the bottom of 7 Shaft, where it is hoisted to surface. The gold is extracted at a CIL hybrid plant.

HIGHLIGHTS

- *Gold sold increased by 30.8% to 91,647oz (2015: 70,081oz) primarily due to a turnaround in production and an increase in head grade*
- *Underground head grade improved to 5.7g/t (2015: 4.6g/t) largely due to increased mining on 25 level on 8 Shaft*
- *ETRP and associated surface sources production increased to 18,151oz (2015: 16,336oz)*

CHALLENGES

- *One fatality and safety stoppages halting production*
- *Legacy infrastructure requiring maintenance*

Sales and production

For the year under review Evander Mines' gold sold increased by 30.8% to 91,647oz (2015: 70,081oz).

Underground mining

Underground tonnes milled increased by 6.9% to 408,281 (2015: 381,986t). The increase in tonnes milled reflects benefits derived from investing and increased maintaining the 8 Shaft infrastructure.

The head grade increased by 23.9% to 5.7g/t (2015: 4.6g/t). Gold sold from underground operations increased by 36.7% to 73,496oz (2015: 53,746oz) due to the improved tonnages mined and higher head grades achieved.

Evander Mines' (excluding ETRP) ZAR cash costs per kilogram terms decreased by 6.4% to ZAR445,078/kg (2015: ZAR475,338/kg), whilst USD cash costs per ounce decreased by 26.1% to USD954/oz (2015: USD1,291/oz).

ETRP

The ETRP was in production for the full financial year compared to four months in the prior year.

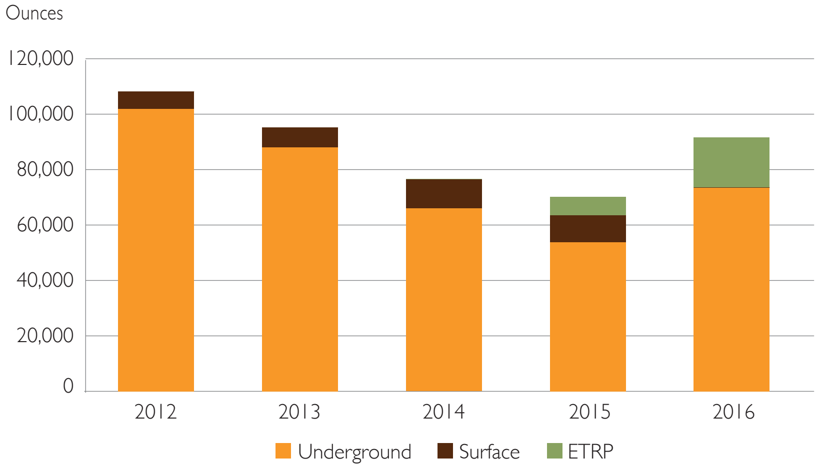
Evander Mines' ETRP and associated surface sources production increased by 11.1% to 18,151oz (2015: 16,336oz). In the prior year surface sources of 9,813oz was reported in mining and surface operations and for comparability purposes included in the prior year's gold sold amounts for the ETRP.

The ETRP's ZAR cash costs per kilogram amounted to ZAR273,965/kg (2015: ZAR266,453/kg), equating to USD cash costs per ounce of USD587/oz (2015: USD688/oz).

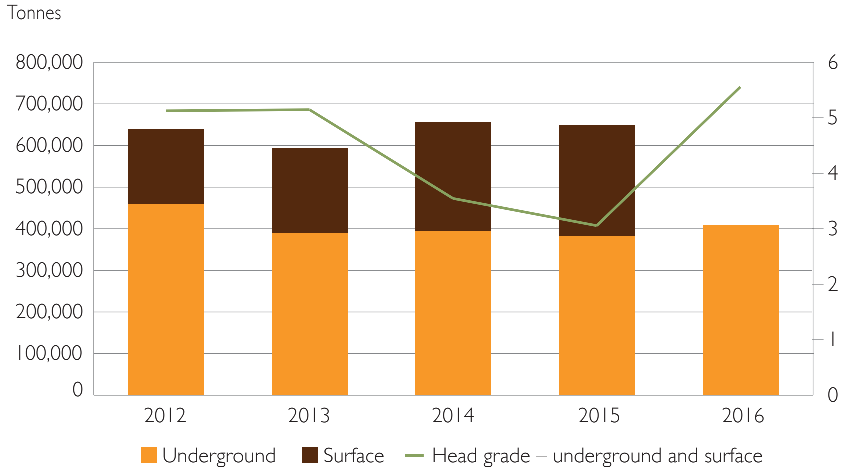
Cost of production

The total cost of production (including off-mine costs) increased by 17.9% to ZAR1,172.2 million (2015: ZAR993.8 million). The cost of production includes additional costs in relation to the new ETRP plant and related surface feedstock of ZAR154.8 million (2015: ZAR54.1 million). The cost of production (excluding the ETRP costs) therefore only increased by 8.3% to ZAR1,017.4 million (2015: ZAR939.7 million).

Gold sold – underground and surface sources

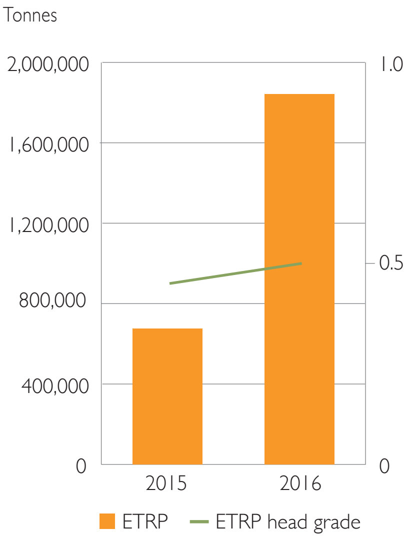


Production statistics – underground and surface sources



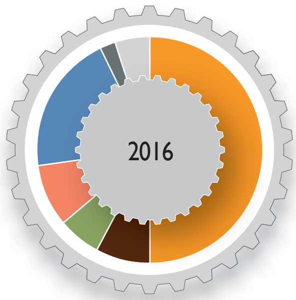
Note: All surface sources production is allocated to the ETRP from 1 March 2015.

Production statistics – ETRP

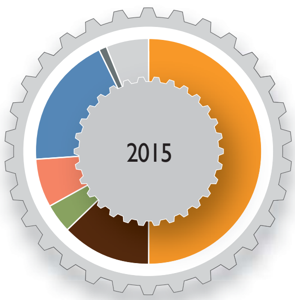


Evander Mines continued

Cash cost breakdown (excluding ETRP)

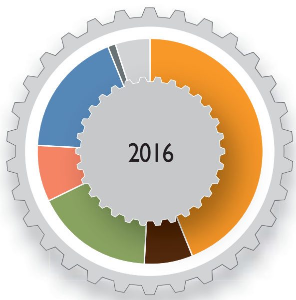


- 50% Salaries and wages
- 8% Mining
- 6% Processing
- 9% Engineering and technical services
- 20% Electricity
- 2% Security
- 5% Other

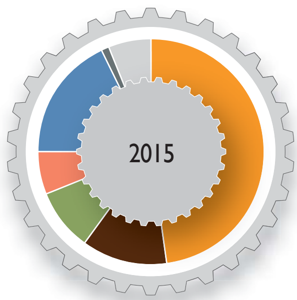


- 50% Salaries and wages
- 13% Mining
- 4% Processing
- 7% Engineering and technical services
- 19% Electricity
- 1% Security
- 6% Other

Cash cost breakdown (including ETRP)



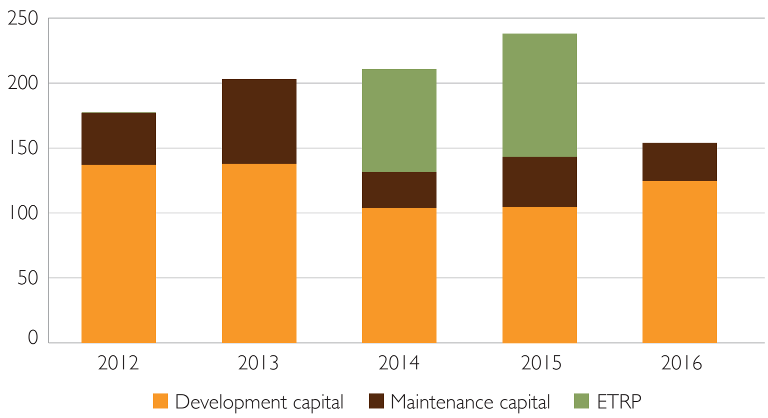
- 44% Salaries and wages
- 7% Mining
- 17% Processing
- 8% Engineering and technical services
- 18% Electricity
- 1% Security
- 5% Other



- 48% Salaries and wages
- 12% Mining
- 9% Processing
- 6% Engineering and technical services
- 18% Electricity
- 1% Security
- 6% Other

Capital expenditure (including ETRP)

ZAR millions



The main cost increases included salaries and wages (up 9.2%), predominantly due to an incremental increase following a multi-year wage agreement. Processing costs (up 125.6%) increased due to the ETRP being in production for the full financial year. Electricity costs (up 20.1%) increased due to the 12.7% NERSA-approved increase and the additional ETRP electricity costs incurred.

Capital expenditure

Total capital expenditure at Evander Mines was ZAR153.8 million (2015: ZAR238.2 million). Maintenance capital expenditure was ZAR29.4 million (2015: ZAR38.7 million) and development capital expenditure was ZAR118.4 million (2015: ZAR104.4 million). Expansion capital of ZAR6.0 million (2015: ZAR95.1 million) was spent on development of the 26 level and for the prior year the expansionary capital related to the completion of the ETRP construction.

Looking ahead

There will be a review of the 18 to 24 level vent shaft hoisting project to ascertain the feasibility of using the current vent shaft for hoisting ore. This will eliminate the use of the current 4.2km conveyor belt system.

Phoenix Platinum

Bertin McLeod
Plant Manager: Metallurgy

Historical overview

Phoenix Platinum recovers PGEs from CTRP located on IFL's Lesedi Mine. The Buffelsfontein, Elandskraal and Kroondal mineral resources originate from the mining of chromitite seams from the Bushveld Igneous Complex. The Bushveld Igneous Complex is host to the world's largest deposits of PGEs. The operation is expected to produce PGEs over a life of mine of 9 years. It has a total process capacity of 360kt per annum. The PGEs are extracted in the flotation plant and the concentrate is delivered to Lonmin's Mooi Nooi Smelter for toll extraction. The CTRP was designed to treat sulphide material from the Lesedi Mine, which is supplied to Phoenix Platinum with sulphide-rich material, as a current arising.

HIGHLIGHTS

- *Finalised an agreement with TC Smelters Proprietary Limited to restore plant conditions prior to the business rescue proceedings*
- *Proactively secured feedstock from alternative suppliers*

CHALLENGES

- *IFMSA business rescue resulted in loss of feedstock from Lesedi Mine*
- *Feedstock sourced from alternative supplier was of a lower grade*
- *No tailings deposition facility available while IFMSA was in business rescue*

Phoenix Platinum continued

Sales and production

Phoenix Platinum's operational performance was negatively impacted by the curtailment in current arisings from IFMSA's Lesedi Mine, due to IFMSA's business rescue proceedings. As a result, ounces sold decreased to 8,339oz (2015: 10,245oz). However, with the new agreement in place between Pan African Resources and TC Smelters Proprietary Limited, tailings deposition onto the IFMSA TSF resumed from June 2016. Phoenix Platinum is now positioned to continue operations under similar conditions to those prior to the business rescue proceedings. Phoenix Platinum secured feedstock from alternative suppliers (Elandskraal and Kroondal), however the grade of feedstock was lower than that received from Lesedi Mine.

Overall plant recoveries remained stable at 43% (2015: 44%).

The effective average ZAR PGE basket price received decreased by 6.8% to ZAR8,952/oz (2015: ZAR9,603/oz). Cost per ounce of production increased to ZAR8,890/oz (2015: ZAR6,621/oz) following the lower ounce production. In USD terms the PGE basket price received decreased by 26.5% to USD617/oz (2015: USD839/oz). The USD cash costs per ounce decreased by 6.1% to USD613/oz (2015: USD578/oz).

Cost of production

The cost of production increased by 9.3% to ZAR74.1 million (2015: ZAR67.8 million). The main cost increases were salaries and wages (up 2.9%), lower-than-average inflationary increases due to lower incentives earned in line with the lower production achieved, refining and processing increases (up 10.8%) following additional transport costs to move tailings material from the Kroondal tailings site, and higher chrome refining costs as a result of higher chrome content in the concentrate dispatched to Lonmin. Electricity costs (up 12.1%) increased in line with the NERSA-approved increase of 12.7%.

Capital expenditure

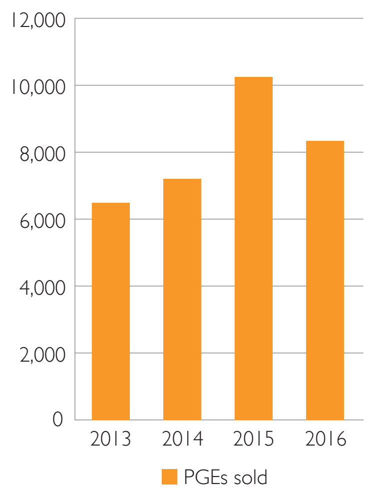
Total capital expenditure at Phoenix Platinum increased to ZAR6.8 million (2015: ZAR0.6 million) due to the installation of a scrubber and high-energy agitation cells.

Looking ahead

Phoenix Platinum has invested in high-energy agitation cells and a scrubber, which is expected to significantly improve throughput and recoveries and ultimately lead to improved ounces.

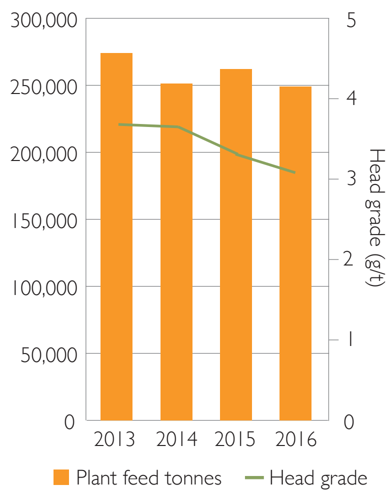
PGE ounces sold

Ounces



Production statistics

Tonnes and g/t



Uitkomst Colliery

HIGHLIGHTS

Acquired the Uitkomst Colliery operations on 31 March 2016

The operation produces yields of high grade coal suitable for export or metallurgical markets

Surplus demand for coal production

CHALLENGES

Volatile coal market

Managing coal seam heights above 1.2 metres

Johan Gloy
General Manager

Historical overview

The group assumed effective control over the Uitkomst Colliery on 31 March 2016, which was followed by a smooth operational integration process. This operation produces yields of high grade coal suitable for export or metallurgical markets. In addition, it produces approximately 30,000 to 35,000 tonnes of saleable coal per month from its underground mining operation, with approximately 23.3Mt of resources and a life of mine of 22 years.

Sales and production

The Uitkomst Colliery earnings for the period 1 April 2016 to 30 June 2016 were ZAR11.4 million. The coal plant was fed with 128,022t of coal and a total of 136,102t was sold. The coal sales were higher than the coal feed due to coal acquired and sold that was not processed through the plant.

Uitkomst Colliery contributed ZAR98 million to the group's revenue during the last quarter. The average revenue per tonne received was ZAR720/t or USD48/t.

Cost of production

Cost of production amounted to ZAR91.8 million which equated to ZAR674/t or USD45/t for the period under review.

Capital expenditure

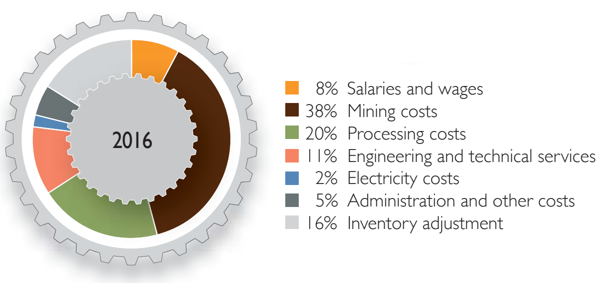
Capital expenditure incurred amounted to ZAR0.9 million.

Looking ahead

Identify and incorporate additional coal sources to fill the coal wash plant's surplus capacity, which will also meet the surplus demand requirements for our coal in the area. The Uitkomst Colliery will be reviewing options to possibly increase the coal production from 50,000t to 75,000t per month in the future.

In addition, the BEE transaction as noted on page 80 will be concluded during the 2017 financial year.

Operating costs



Operational production

Gold operations

	Year ended 30 June	Units	Underground and surface operations			Tailings operations		Total continuing operations		
			Barberton Mines	Evander Mines	Total	BTRP	ETRP	Barberton Mines Total	Evander Mines Total	Group Total
Tonnes milled – underground	**2016**	**(t)**	**258,405**	**408,281**	**666,686**	**–**	**–**	**258,405**	**408,281**	**666,686**
	2015	(t)	254,673	381,986	636,659	–	–	254,673	381,986	636,659
Tonnes milled – surface (note 1)	**2016**	**(t)**	**9,978**	**–**	**9,978**	**–**	**–**	**9,978**	**–**	**9,978**
	2015	(t)	6,076	266,223	272,299	–	–	6,076	266,223	272,299
Tonnes milled – total underground and surface	**2016**	**(t)**	**268,383**	**408,281**	**676,664**	**–**	**–**	**268,383**	**408,281**	**676,664**
	2015	(t)	260,749	648,209	908,958	–	–	260,749	648,209	908,958
Tonnes processed – tailings (note 2)	**2016**	**(t)**	**–**	**–**	**–**	**959,215**	**1,445,044**	**959,215**	**1,445,044**	**2,404,259**
	2015	(t)	–	–	–	971,627	507,444	971,627	507,444	1,479,071
Tonnes processed – surface feedstock	**2016**	**(t)**	**–**	**–**	**–**	**–**	**396,942**	**–**	**396,942**	**396,942**
	2015	(t)	–	–	–	–	139,723	–	139,723	139,723
Tonnes processed – total tailings and surface feedstock	**2016**	**(t)**	**–**	**–**	**–**	**959,215**	**1,841,986**	**959,215**	**1,841,986**	**2,801,201**
	2015	(t)	–	–	–	971,627	647,167	971,627	647,167	1,618,794
Tonnes milled and processed – total	**2016**	**(t)**	**268,383**	**408,281**	**676,664**	**959,215**	**1,841,986**	**1,227,598**	**2,250,267**	**3,477,865**
	2015	(t)	260,749	648,209	908,958	971,627	647,167	1,232,376	1,295,376	2,527,752
Head grade – underground	**2016**	**(g/t)**	**11.0**	**5.7**	**7.8**	**–**	**–**	**11.0**	**5.7**	**7.8**
	2015	(g/t)	10.9	4.6	7.1	–	–	10.9	4.6	7.1
Head grade – surface	**2016**	**(g/t)**	**1.2**	**–**	**1.2**	**–**	**–**	**1.2**	**–**	**1.2**
	2015	(g/t)	1.4	1.1	1.1	–	–	1.4	1.1	1.1
Head grade – total underground and surface	**2016**	**(g/t)**	**10.7**	**5.7**	**7.7**	**–**	**–**	**10.7**	**5.7**	**7.7**
	2015	(g/t)	10.7	3.2	5.3	–	–	10.7	3.2	5.3
Head grade – tailings	**2016**	**(g/t)**	**–**	**–**	**–**	**1.7**	**0.3**	**1.7**	**0.3**	**0.9**
	2015	(g/t)	–	–	–	1.4	0.3	1.4	0.3	1.0
Head grade – surface feedstock	**2016**	**(g/t)**	**–**	**–**	**–**	**–**	**1.3**	**–**	**1.3**	**1.3**
	2015	(g/t)	–	–	–	–	1.1	–	1.1	1.1
Head grade – total tailings and surface feedstock	**2016**	**(g/t)**	**–**	**–**	**–**	**1.7**	**0.5**	**1.7**	**0.5**	**0.9**
	2015	(g/t)	–	–	–	1.4	0.5	1.4	0.5	1.0
Head grade – total	**2016**	**(g/t)**	**10.7**	**5.7**	**7.7**	**1.7**	**0.5**	**3.7**	**1.5**	**2.2**
	2015	(g/t)	10.7	3.2	5.3	1.4	0.5	3.3	1.8	2.6
Recovered grade	**2016**	**(g/t)**	**9.8**	**5.6**	**7.3**	**0.9**	**0.3**	**2.9**	**1.3**	**1.8**
	2015	(g/t)	9.7	3.0	5.0	0.8	0.3	2.7	1.7	2.2
Overall recovery – underground operations	**2016**	**(%)**	**92**	**98**	**95**	**–**	**–**	**92**	**98**	**95**
	2015	(%)	91	97	93	–	–	91	97	93
Overall recovery – tailings operations	**2016**	**(%)**	**–**	**–**	**–**	**54**	**46**	**54**	**46**	**52**
	2015	(%)	–	–	–	57	54	57	54	56
Gold production – underground operations	**2016**	**(oz)**	**84,428**	**73,496**	**157,924**	**–**	**–**	**84,428**	**73,496**	**157,924**
	2015	(oz)	81,315	53,746	135,061	–	–	81,315	53,746	135,061
Gold production – surface operations	**2016**	**(oz)**	**262**	**–**	**262**	**–**	**–**	**262**	**–**	**262**
	2015	(oz)	178	9,813	9,990	–	–	178	9,813	9,990

	Year ended 30 June	Units	Underground and surface operations			Tailings operations		Total continuing operations		
			Barberton Mines	Evander Mines	Total	BTRP	ETRP	Barberton Mines Total	Evander Mines Total	Group Total
Gold production – tailings operations	**2016**	**(oz)**	**–**	**–**	**–**	**28,591**	**6,724**	**28,591**	**6,724**	**35,315**
	2015	(oz)	–	–	–	24,283	2,494	24,283	2,494	26,776
Gold production – surface feedstock	**2016**	**(oz)**	**–**	**–**	**–**	**–**	**11,427**	**–**	**11,427**	**11,427**
	2015	(oz)	–	–	–	–	4,029	–	4,029	4,029
Gold sold (note 2)	**2016**	**(oz)**	**84,690**	**73,496**	**158,186**	**28,591**	**18,151**	**113,281**	**91,647**	**204,928**
	2015	(oz)	81,493	63,558	145,051	24,283	6,523	105,776	70,081	175,857
Average ZAR gold price received	**2016**	**(ZAR/kg)**	**544,618**	**539,202**	**542,102**	**547,862**	**541,483**	**545,437**	**539,654**	**542,850**
	2015	(ZAR/kg)	446,246	447,474	446,784	447,387	430,797	446,508	445,922	446,274
Average USD gold price received	**2016**	**(USD/oz)**	**1,167**	**1,156**	**1,162**	**1,174**	**1,161**	**1,169**	**1,156**	**1,164**
	2015	(USD/oz)	1,212	1,216	1,214	1,215	1,113	1,213	1,216	1,212
ZAR cash cost	**2016**	**(ZAR/kg)**	**323,799**	**445,078**	**380,150**	**147,162**	**273,965**	**279,226**	**411,168**	**338,242**
	2015	(ZAR/kg)	309,289	475,338	382,048	176,734	266,453	278,859	455,896	349,410
ZAR all-in sustaining cost	**2016**	**(ZAR/kg)**	**413,422**	**526,817**	**466,109**	**155,080**	**275,661**	**348,231**	**477,044**	**405,847**
	2015	(ZAR/kg)	375,914	532,767	444,644	185,280	266,453	332,151	507,980	402,221
ZAR all-in cost	**2016**	**(ZAR/kg)**	**418,628**	**529,438**	**470,114**	**164,168**	**275,661**	**354,417**	**479,145**	**410,206**
	2015	(ZAR/kg)	382,620	539,315	451,280	185,280	735,262	337,317	557,553	425,084
USD cash cost	**2016**	**(USD/oz)**	**694**	**954**	**815**	**315**	**587**	**599**	**881**	**725**
	2015	(USD/oz)	840	1,291	1,038	480	688	758	1,238	949
USD all-in sustaining cost	**2016**	**(USD/oz)**	**886**	**1,129**	**999**	**332**	**591**	**746**	**1,023**	**870**
	2015	(USD/oz)	1,021	1,447	1,208	503	688	902	1,380	1,093
USD all-in cost	**2016**	**(USD/oz)**	**897**	**1,135**	**1,008**	**352**	**591**	**760**	**1,027**	**879**
	2015	(USD/oz)	1,039	1,465	1,226	503	1,899	916	1,515	1,155
ZAR cash cost per tonne (note 3)	**2016**	**(ZAR/t)**	**3,178**	**2,492**	**2,764**	**136**	**84**	**801**	**521**	**620**
	2015	(ZAR/t)	3,006	1,450	1,896	137	84	744	767	756
Capital expenditure (note 4)	**2016**	**(ZAR million)**	**131.6**	**153.8**	**285.4**	**8.1**	**–**	**139.7**	**153.8**	**293.5**
	2015	(ZAR million)	109.3	143.1	252.5	3.3	95.1	112.6	238.2	350.8
Revenue	**2016**	**(ZAR million)**	**1,434.6**	**1,232.6**	**2,667.2**	**487.2**	**305.7**	**1,921.8**	**1,538.3**	**3,460.1**
	2015	(ZAR million)	1,131.1	884.6	2,015.7	337.9	87.4	1,469.0	972.0	2,441.0
Cost of production	**2016**	**(ZAR million)**	**852.9**	**1,017.4**	**1,870.3**	**130.8**	**154.8**	**983.7**	**1,172.2**	**2,155.9**
	2015	(ZAR million)	783.9	939.7	1,723.6	133.5	54.1	917.4	993.8	1,911.2
All-in sustainable cost of production	**2016**	**(ZAR million)**	**1,089.0**	**1,204.3**	**2,293.3**	**137.9**	**155.7**	**1,226.9**	**1,360.0**	**2,586.9**
	2015	(ZAR million)	952.8	1,053.2	2,006.0	139.9	54.1	1,092.7	1,107.3	2,200.0
All-in cost of production	**2016**	**(ZAR million)**	**1,102.7**	**1,210.3**	**2,313.0**	**145.9**	**155.7**	**1,248.6**	**1,366.0**	**2,614.6**
	2015	(ZAR million)	969.8	1,066.2	2,036.0	139.9	149.2	1,109.7	1,215.4	2,325.1
Adjusted EBITDA (note 5)	**2016**	**(ZAR million)**	**422.4**	**204.3**	**626.7**	**307.4**	**153.3**	**729.8**	**357.6**	**1,087.4**
	2015	(ZAR million)	301.8	32.4	334.2	203.7	15.0	505.5	47.4	552.9
Average exchange rate	**2016**	**(ZAR/USD)**	**14.51**	**14.51**	**14.51**	**14.51**	**14.51**	**14.51**	**14.51**	**14.51**
	2015	(ZAR/USD)	11.45	11.45	11.45	11.45	12.04	11.45	11.45	11.45

Note 1: Surface source tonnes allocated to ETRP from 1 March 2015.
Note 2: ETRP production for January and February 2015 was capitalised according to IAS 16 (204,024t producing 17kg gold).
Note 3: Split between ETRP and surface feedstock cost per tonne is R44.92/t and R220.25/t respectively, averaging at R84/t.
Note 4: Included in Evander Mines capital for the prior year is an amount of ZAR95.1 million relating to the construction of the ETRP.
Note 5: Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments and loss on disposal of associate.

Operational production continued

PGE operations

	Year ended 30 June	Units	Tailings operations Phoenix Platinum	Total
Tonnes processed – tailings	**2016**	**(t)**	**248,981**	**248,981**
	2015	(t)	262,119	262,119
Head grade – tailings	**2016**	**(g/t)**	**3.08**	**3.08**
	2015	(g/t)	3.31	3.31
Overall recovery	**2016**	**(%)**	**43**	**43**
	2015	(%)	44	44
PGE sold	**2016**	**(oz)**	**8,339**	**8,339**
	2015	(oz)	10,245	10,245
Average ZAR PGE price received	**2016**	**(oz)**	**8,952**	**8,952**
	2015	(oz)	9,603	9,603
Average USD PGE price received	**2016**	**(USD/oz)**	**617**	**617**
	2015	(USD/oz)	839	839
ZAR cash cost	**2016**	**(ZAR/oz)**	**8,890**	**8,890**
	2015	(ZAR/oz)	6,621	6,621
ZAR all-in sustaining cost	**2016**	**(ZAR/oz)**	**10,113**	**10,113**
	2015	(ZAR/oz)	7,016	7,016
ZAR all-in cost	**2016**	**(ZAR/oz)**	**10,600**	**10,600**
	2015	**(ZAR/oz)**	7,016	**7,016**
USD cash cost	**2016**	**(USD/oz)**	**613**	**613**
	2015	(USD/oz)	578	578
USD all-in sustaining cost	**2016**	**(USD/oz)**	**697**	**697**
	2015	(USD/oz)	613	613
USD all-in cost	**2016**	**(USD/oz)**	**731**	**731**
	2015	(USD/oz)	613	613
ZAR cash cost per tonne	**2016**	**(ZAR/t)**	**298**	**298**
	2015	(ZAR/t)	259	259
Capital expenditure	**2016**	**(ZAR million)**	**6.8**	**6.8**
	2015	(ZAR million)	0.6	0.6
Revenue	**2016**	**(ZAR million)**	**74.7**	**74.7**
	2015	(ZAR million)	98.4	98.4
Cost of production	**2016**	**(ZAR million)**	**74.1**	**74.1**
	2015	(ZAR million)	67.8	67.8
All-in sustainable cost of production	**2016**	**(ZAR million)**	**84.3**	**84.3**
	2015	(ZAR million)	71.9	71.9
All-in cost of production	**2016**	**(ZAR million)**	**88.4**	**88.4**
	2015	(ZAR million)	71.9	71.9
Adjusted EBITDA (note 1)	**2016**	**(ZAR million)**	**(4.8)**	**(4.8)**
	2015	(ZAR million)	27.7	27.7
Average exchange rate	**2016**	**(ZAR/USD)**	**14.51**	**14.51**
	2015	(ZAR/USD)	11.45	11.45

Note 1: Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments and loss on disposal of associate.

Coal operations

	Three months ended 30 June	Units	Total
Tonnes processed – underground	**2016**	**(t)**	**128,022**
	2015	(t)	–
Tonnes processed – coal acquired	**2016**	**(t)**	**38,354**
	2015	(t)	–
Tonnes processed – total underground and acquired	**2016**	**(t)**	**166,376**
	2015	(t)	–
Tonnes – total	**2016**	**(t)**	**166,376**
	2015	(t)	–
Yield	**2016**	**(%)**	**68.3**
	2015	(%)	–
Coal washed – underground and acquired	**2016**	**(t)**	**113,634**
	2015	(t)	–
Coal traded – no processing required	**2016**	**(t)**	**22,468**
	2015	(t)	–
Coal sold	**2016**	**(t)**	**136,102**
	2015	(t)	–
Average ZAR coal price received	**2016**	**(ZAR/t)**	**720**
	2015	(ZAR/t)	–
Average USD coal price received	**2016**	**(USD/t)**	**48**
	2015	(USD/t)	–
ZAR cash cost	**2016**	**(ZAR/t)**	**674**
	2015	(ZAR/t)	–
ZAR all-in sustaining cost	**2016**	**(ZAR/t)**	**657**
	2015	(ZAR/t)	–
ZAR all-in cost	**2016**	**(ZAR/t)**	**657**
	2015	(ZAR/t)	–
USD cash cost	**2016**	**(USD/t)**	**45**
	2015	(USD/t)	–
USD all-in sustaining cost	**2016**	**(USD/t)**	**44**
	2015	(USD/t)	–
USD all-in cost	**2016**	**(USD/t)**	**44**
	2015	(USD/t)	–
Capital expenditure	**2016**	**(ZAR million)**	**0.9**
	2015	(ZAR million)	–
Revenue	**2016**	**(ZAR million)**	**98.0**
	2015	(ZAR million)	–
Cost of production	**2016**	**(ZAR million)**	**91.8**
	2015	(ZAR million)	–
All-in sustainable cost of production	**2016**	**(ZAR million)**	**89.4**
	2015	(ZAR million)	–
All-in cost of production	**2016**	**(ZAR million)**	**89.4**
	2015	(ZAR million)	–
Adjusted EBITDA (note 1)	**2016**	**(ZAR million)**	**10.8**
	2015	(ZAR million)	–
Average exchange rate	**2016**	**(ZAR/USD)**	**15.01**
	2015	(ZAR/USD)	–

Note 1 – Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments and loss on disposal of associate.

Abridged Mineral Resources and Mineral Reserves report

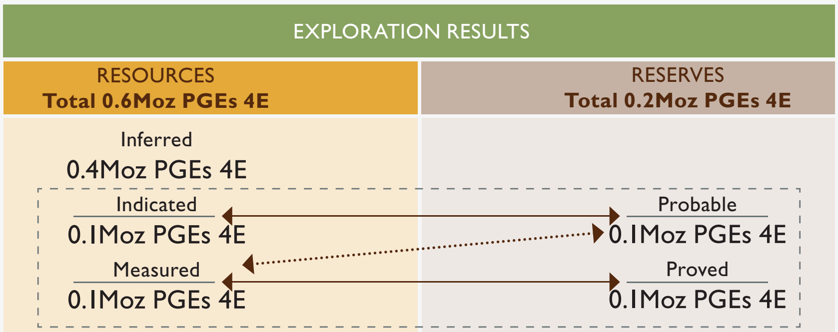
The 2016 Abridged Mineral Resources and Mineral Reserves Report (MR&MR) is available on the company's website at www.panafricanresources.com. A summary of the report including the group mineral resource and reserve statement as at 30 June 2016 has been provided in this report.

Gold

Relationship between exploration results, mineral resources and mineral reserves showing Pan African Resources' attributable resources and reserves as at 30 June 2016.

PGEs 4E*

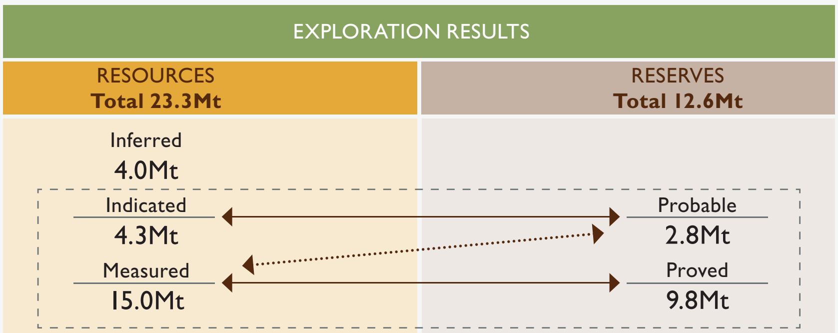
Relationship between exploration results, mineral resources and mineral reserves showing Pan African Resources' attributable resources and reserves as at 30 June 2016.



** PGEs 4E are stated as PGE 4E (Pt, Pd, Au, Rh).*

Coal

Relationship between exploration results and mineral resources showing Pan African Resources' attributable resources as at 30 June 2016.



Scope of report

This version of the Pan African Resources Mineral Resources and Mineral Reserves Report 2016 (MR&MR) conforms to the standards determined by the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code, 2007 edition) and forms part of Pan African Resources' integrated annual report including the annual financial statements for the year ended 30 June 2016. The entire suite of documents is available in full on www.panafricanresources.com.

The mineral resource is inclusive of the mineral reserve component, unless otherwise stated. Information is presented either by operation, mine or project, as indicated. The tables and graphs used to illustrate developments across the operations of Pan African Resources in FY16 include:

- Mineral resources tables by commodity
- Mineral reserves modifying factors
- Mineral reserves tables by commodity
- A comparison of the mineral reserves and mineral resources estimates with the previous year together with explanations of material differences
- Appointed competent persons.

Matters on which detail is provided in this version include regional geology, location, exploration drilling organic ore reserve projects, type of mining, production figures and mineral tenure.

Reporting Code

The guiding principle in the MR&MR is to ensure integrity, transparency and materiality in informing all stakeholders on the status of the group's mineral asset base. Pan African Resources uses the SAMREC Code, which sets out the internationally recognised procedures and standards for reporting Mineral Resources and Mineral Reserves in South Africa, developed by the South African Institute of Mining and Metallurgy as the recommended guideline for reserve and resource reporting for JSE-listed companies. Distinct effort has also been made to comply with AIM Rules for Mining and Oil and Gas Companies of the London Stock Exchange.

The guiding principle in the MR&MR is to ensure integrity, transparency and materiality in informing all stakeholders on the status of the group's mineral asset base; also informing our life of mine planning and the sustainable future of Pan African Resources.

Barry Naicker
Group Mineral Resource Manager

Reporting in compliance with SAMREC Code

To meet the requirement of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) that the material reported as a Mineral Resource should have "reasonable and realistic prospects for eventual economic extraction", Pan African Resources has determined an appropriate cut-off grade which has been applied to the quantified mineralised body. In determining the cut-off grade, Pan African Resources uses a gold price of ZAR550,000/kg. At our underground mines, the optimal cut-off is defined as the lowest grade at which an orebody can be mined to maximise total profits, under a specified set of mining parameters. The mineral resource optimiser tool developed in-house was applied to the mineral resource inventory.

The optimiser programme requires the following inputs to convert the mineral resource to the mineral reserve:

- The on-mine database inventory of all mineral resource blocks
- An assumed gold price – ZAR450,000/kg
- Planned production rates for each mine
- Mine call factor (MCF)
- Plant recovery factors
- Historical cash operating costs and other efficiency factors.

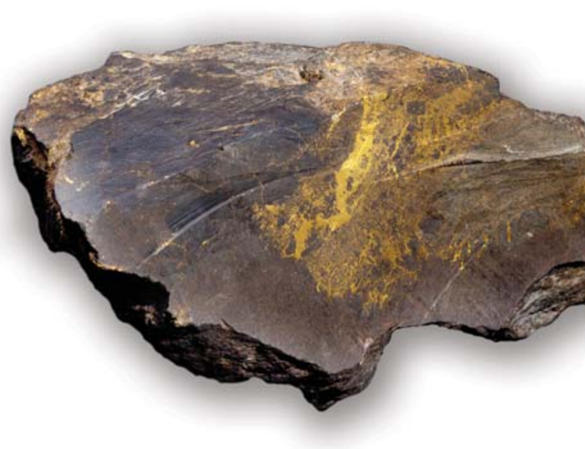
The mineral reserves represent that portion of the Measured and Indicated Mineral Resources above cut-off in the LOM plan, and have been estimated after considering the modifying factors affecting extraction. A range of disciplines has been involved at each mine in the life of mine planning process including geology, surveying, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management.

Note: mineral resources are inclusive of the mineral reserve, unless otherwise stated. Rounding of numbers contained in this report may result in minor computational discrepancies.

Competent person

The competent person for Pan African Resources, Mr Barry Naicker, the group Mineral Resource Manager, signs off the MR&MR for the group and has reviewed and approved the information contained in this announcement in writing. He is a member of the South African Council for Scientific Professions (400234/10). Mr Naicker has 15 years of experience in economic geology and mineral resource management.

He is based at 1st Floor, The Firs, corner Cradock and Biermann Avenues, Rosebank 2196, Gauteng.



Strategy

Pan African Resources has an exceptional asset base and attractive growth opportunities, in both established projects and brownfield exploration prospects. Strategy in this regard is based on global best practice in mineral resource management (MRM) to aggressively explore and develop projects that will become next generation long-term business units.

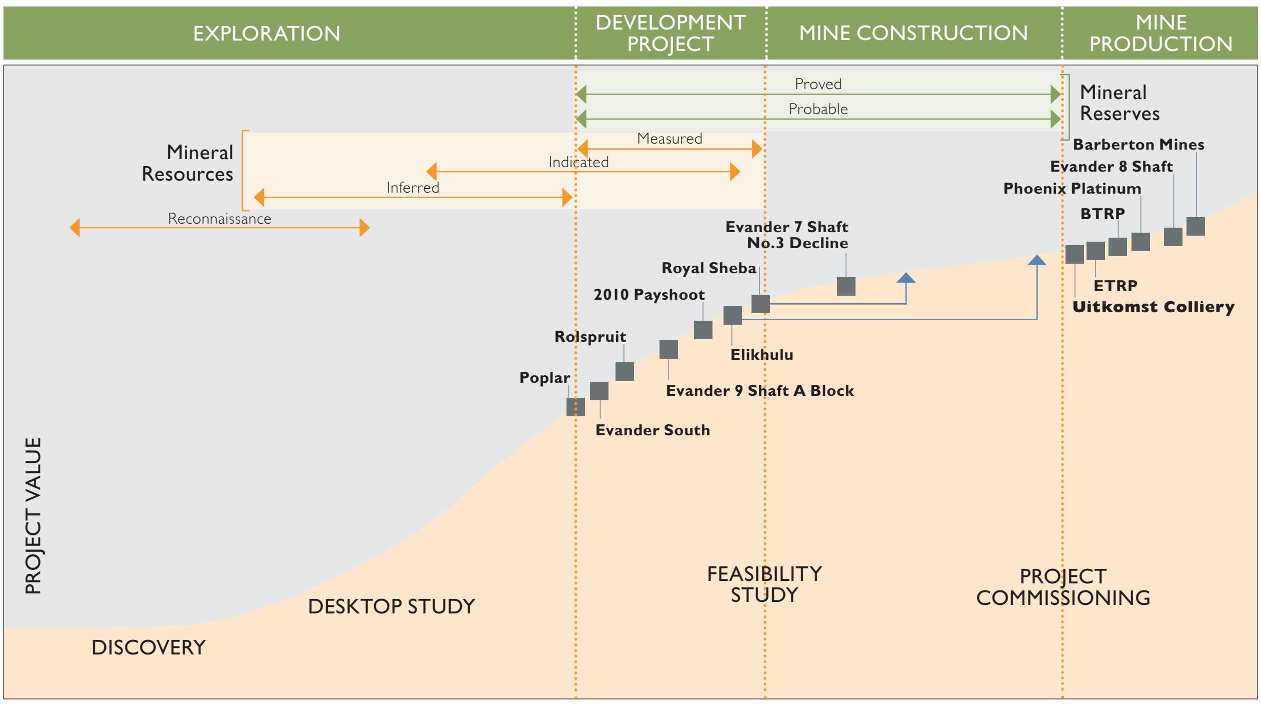
The MRM framework aims at optimally exploiting the group's mineral inventory ethically and responsibly. Best practices are aligned to mitigate risks, ensuring longevity and sustainable operations. A range of disciplines has been involved at each mine in the life of mine planning process including geology, surveying, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management. PAR has the legal entitlement to the minerals being reported and PAR is unaware of any material risks and legal proceedings that could impact the MR&MR declared in this report.

Highlights

- **Positive** pre-feasibility study (PFS) of the **Elikhulu** tailings retreatment project, the company mandated DRA Projects Proprietary Limited to conduct a definitive feasibility (DFS) study on the project. The study will be completed by November 2016
- **3.0Moz** or **9.4%** gross annual increase in **group gold resources** to **34.9Moz** (2015: 31.9Moz)
- Down dip extension of the high grade 11 Block of the **MRC** orebody by a further **70 metres**
- This extension to the MRC orebody resulted in additional mineral reserves at Fairview Mine, thereby **extending** the life of mine of **Barberton Mines** to **22 years**
- **Positive** grade/tonnage profile for the 25 – 26 levels at Evander 8 Shaft, thereby maintaining the life of mine of **Evander Mines** to **16 years**
- Surface exploration drilling commenced at Evander Mines targeting the 2010 Payshoot orebody
- **23.3Mt** of mineable tonnage in situ coal from **Uitkomst Colliery**

The evolution of a project from initial testing to commissioning can take 12 to 18 months or longer, and involves a series of study stages to reach investment approval and implementation.

We distinguish the group from our peers by having a clear focus on growth and only mining resources that must be profitable in all parts of the price cycle, in order to deliver long-term economic value to Pan African Resources. The graph below demonstrates the group's mineral assets within the value chain and how value is released through acquisitions and projects such as BTRP, Elikhulu, ETRP, Royal Sheba and Uitkomst Colliery.



Substantially achieved *Moderate progress* *Not achieved*

Profitable	Progress
High grade/low cost producer Barberton Mines: 11.0g/t* Evander Mines: 5.7g/t* Phoenix Platinum: 3.7g/t* * *Head grade* Uitkomst Colliery – high grade thermal coal	
Attributable profit	
Earnings per share	

Sustainable	Progress
Mineral Resource Gold 34.9Moz, PGEs 0.6Moz, Coal 23,3Mt	
Organic growth projects: Evander Shaft 8 – 26 level, Fairview Mine – MRC orebody and Royal Sheba	
Brownfield projects: Elikhulu PFS completed now progressing with DFS, 2010 Payshoot – surface exploration drilling in progress, Evander 9 Shaft A Block and Rolspruit	
Accretive acquisitions	

A working strategy

This strategy includes:

- Improving the conversion of mineral resources to mineral reserves by accessing, developing and exploiting underground orebodies and surface assets
- Unlocking the value of major organic projects
- Identifying new expansion opportunities to sustain growth.

Stakeholders	Progress
Mineral tenure secured	
Compliance with all relevant South African labour legislation	
Compliance with MPRDA, Mining Charter and implementation of social and labour plans	
Proactive, strong relationships with regulators, organised labour and communities	

Growth	Progress
Mineral Reserve Gold 10.0Moz, PGEs 4E 0.2Moz, Coal 12.6Mt	
Cash-generative	
Attractive dividend	
Continual low cash cost gold production	
Barberton Mines – 22* Evander Mines – 16* Phoenix Platinum – 9* BTRP – 14* ETRP – 16* Uitkomst Colliery – 22*	

* *Life of mine – years*

Highlights

In the context of achieving our vision, the MR&MR report encompasses our four strategic pillars as below:

- High grade/low cost producer
- ETRP
- Evander Mines

Barberton Mines	**11.0g/t***
Evander Mines	**5.7g/t***
Phoenix Platinum	**3.7g/t***

** Head grade*

Mineral Resources

- Gold **34.9Moz up 9.4%**
- PGEs **0.6Moz**
- Coal **23.3Mt**
- DFS on **Elikhulu** to be completed by November 2016

- **Organic growth projects**
  Barberton Mines – MRC orebody extension, Royal Sheba and Evander Shaft 8 – 26 level
- **Brownfield projects**
  Rolspruit, 2010 Payshoot, Evander 9 Shaft A Block
- **2010 Payshoot** – surface exploration drilling in progress

- Mineral tenure
- **Longevity** in operations
- Organised **labour**
- Stakeholder **engagement**
- Local **economic development**

Mineral Reserves

- Gold **10.0Moz** down 3.8%
- PGEs **0.2Moz**
- Coal **12.6Mt**
- Life of mine **increased**

Life of mine

Barberton Mines	**22 years**
Evander Mines	**16 years**
Phoenix Platinum	**9 years**
BTRP	**14 years**
ETRP	**16 years**
Uitkomst Colliery	**22 years**

Gold

Group gold Mineral Resources

The group's attributable gold mineral resources increased from 31.9 million ounces (Moz) in June 2015 to 34.9Moz in June 2016, equating to an annual increase of 3.0Moz, or 9.4%. This increase can be attributed to additional resources estimated for the Elikhulu project at Evander Mines and a higher gold price used for the declaration of the group's gold mineral resource.

				Contained gold	
As at 30 June 2016	Category	Tonnes million	Grade g/t	Tonnes	Moz
Mineral Resource	Measured	6.6	10.27	67.8	2.2
	Indicated	261.3	2.42	633.5	20.4
	Inferred	69.4	5.56	386.0	12.3
Pan African Resources	Total	337.3	3.22	1 087.3	34.9

Group gold Mineral Reserves

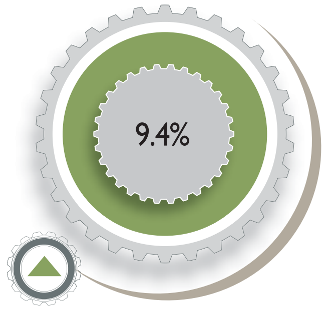
The group's attributable mineral reserves decreased from 10.4Moz in June 2015 to 10.0Moz in June 2016 – an annual decrease of 0.4Moz, or 3.8%.

				Contained gold	
As at 30 June 2016	Category	Tonnes million	Grade g/t	Tonnes	Moz
Mineral Reserve	Proved	5.0	7.78	38.8	1.3
	Probable	77.3	3.51	271.8	8.7
Pan African Reserves	Total	82.3	3.71	310.6	10.0

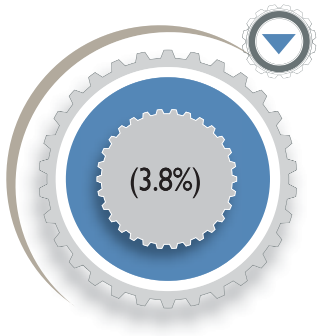
The decrease in the group's gold mineral reserve can be attributed to mining depletion during the year under review.

Group gold % changes during 2016

Mineral Resources



Mineral Reserves



Platinum Group Elements (PGEs 4E)

Group PGEs 4E Mineral Resources

The group's attributable PGEs 4E mineral resources did not change materially for the year under review.

				Contained PGEs 4E	
As at 30 June 2016	Category	Tonnes million	Grade g/t	Tonnes	Moz
Mineral Resource	Measured	1.4	2.43	3.4	0.1
	Indicated	1.3	2.65	3.4	0.1
	Inferred	3.5	3.65	12.6	0.4
Pan African Resources	Total	6.2	3.16	19.0	0.6

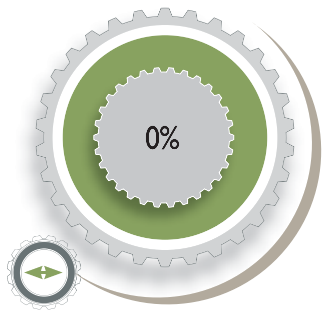
Group PGEs 4E Mineral Reserves

The group's attributable PGEs 4E mineral reserves decreased from 0.5Moz in June 2015 to 0.2Moz in June 2016 – an annual decrease of 0.3Moz or 60%. This decrease is attributed to the exclusion of the mineral reserves from the Lesedi Mine, current arisings. Following IFM being placed in business rescue, the PGEs 4E mineral reserves at Phoenix Platinum declined year-on-year by 0.3Moz.

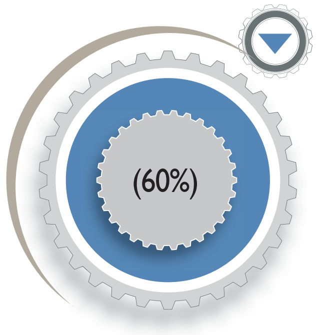
				Contained PGEs 4E	
As at 30 June 2016	Category	Tonnes million	Grade g/t	Tonnes	Moz
Mineral Reserve	Proved	1.4	2.43	3.4	0.1
	Probable	1.3	2.65	3.4	0.1
Pan African Reserves	Total	2.7	2.54	6.8	0.2

Group – PGEs 2016 (%)

Mineral Resources



Mineral Reserves



Coal

Group coal Mineral Resources

The group's attributable coal mineral resource was declared as 23.3Mt as at June 2016.

	Resources		Raw coal qualities (ad)					
Class	MTIS (Mt)	RD	IM %	Ash %	VM %	FC %	CV MJ/kg	TS %
Measured	15.0	1.50	2.5	23.5	24.3	49.8	24.75	1.23
Indicated	4.3	1.51	2.5	23.8	23.9	49.8	24.62	1.14
Inferred	4.0	1.50	2.4	23.4	23.4	50.9	25.02	1.03
Total	23.3							

	Reserves		Run of mine qualities (12% ash product)					
Class	MTIS (Mt)	Yield %	IM %	Ash %	VM %	FC %	CV MJ/kg	TS %
Proved	9.8	73.9	2.7	12.0	28.0	57.3	28.96	0.96
Probable	2.8	76.2	2.8	12.0	27.5	57.8	29.00	0.97
Total	12.6							

MTIS – mineable tonnes in situ | RD – relative density | IM – inherent moisture | FC – fixed carbon | CV – calorific value | TS – total sulphur

Group organic growth

Current exploration drilling as well as accessing and developing of our orebodies were maintained during the year. The strategy of converting mineral resource to mineral reserve was progressed by moving organic projects further up the mining value chain towards commissioning.

The tables below reflect the progress of near-mine growth projects that have contributed ounces to the mineral resource for the year.

Group: Exploring the orebody – exploration drilling

Operation	Total metres	Number of boreholes	Average channel width cm	Number of intersections above cut-off	Average grade g/t	Total expenditure Rm
Barberton Mines	9,916	118	146	50	17.46	7.0
Evander Mines	567	9	27	1	16.20	0.6

Exploration drilling projects at Barberton Mines yielded positive results on all three operations (see table on page 67).

- At Fairview Mine, exploration drilling confirmed a further 70m down-dip extension of the MRC orebody with a high-grade intersection of 125.8b0g/t over 680cm. The depth extent of this orebody is open-ended.

Recent borehole results are detailed below:

Borehole number	Channel width cm	Grade g/t
Fairview Mine Bh 5951	680	125.80
Sheba Mine Bh SWR 15	100	28.90
New Consort Bh 14L19	100	22.80
New Consort Bh 33C2	100	17.00

Group: Accessing the orebody – on-reef development

Operation	Total on-reef development m	Average grade g/t
Barberton Mines	926	4.41
Evander Mines	330	41.59

Barberton Mines: Developing the orebody – capital ore reserve projects

Project	Year end 30 June 2016 m	Year end 30 June 2015 m	Year end 30 June 2014 m	Potential resource oz
Sheba Mine – pillar development	540	824	351	23,599
Sheba Mine – Edwin Bray to Thomas and Joe's Luck area	27	5	171	13,246
Fairview Mine – 11 Level Royal Reef	–	–	–	17,000
Fairview Mine– 1# ore reserve opening	131	84	154	14,821
Fairview Mine – 3 Shaft deepening	64	26	–	1,600
Fairview Mine – 64-68 Level	581	447	295	860,766
Sheba Mine – Western Cross	133	295	71	32,022
Royal Sheba	189	165	–	206,750
Consort – 33-45PC	387	258	193	10,000
Consort – MMR pillar development	–	–	173	(new target area)
8 – 3 #	17	327	253	900

Evander Mines: Developing the orebody – capital ore reserve projects

Project	Year end 30 June 2016 m	Year end 30 June 2015 m	Year end 30 June 2014 m	Potential resource oz
2 Decline 24–25 Level	356	904	686	1,200,000
25 A block ventilation	87	10	925	

Group growth projects

Elikhulu

Following receipt of a positive PFS of the Elikhulu tailings retreatment project, the company has mandated DRA Projects Proprietary Limited to conduct a DFS on the project. The results of the study will be completed by November 2016, after which shareholders will be apprised.

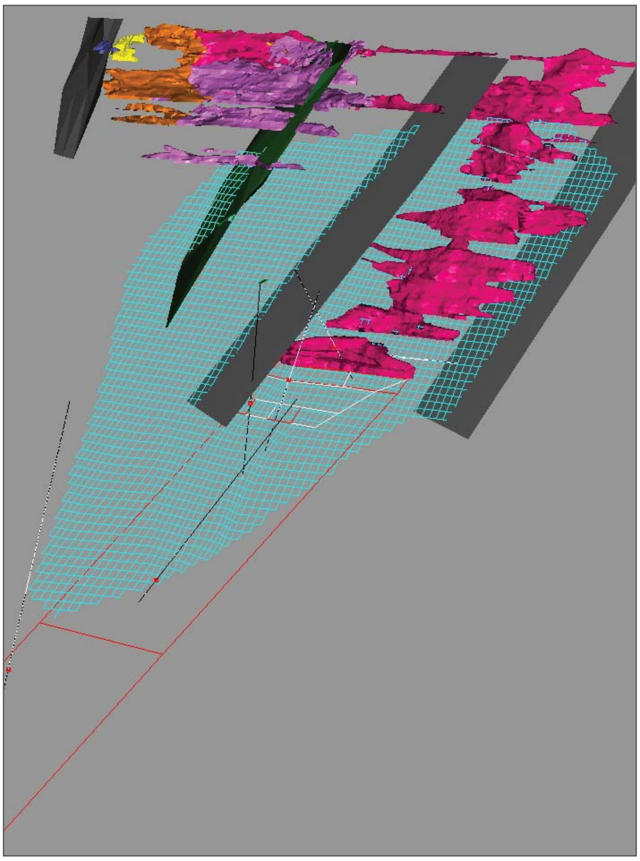
In March 2016, SRK independently estimated the mineral resource of the Elikhulu project at 178.7Mt @ 0.29g/t (1.7Moz).

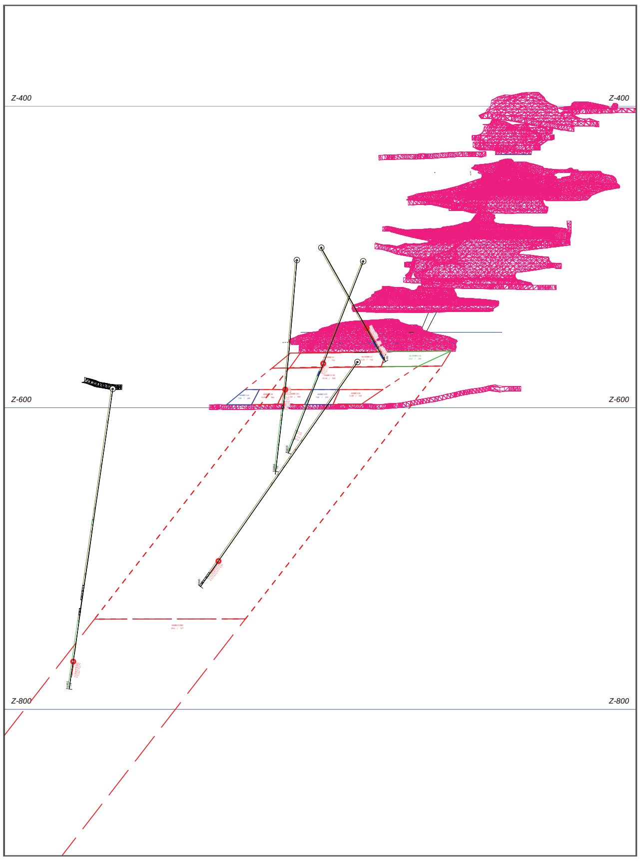
2010 Payshoot

A surface exploration drilling programme was initiated during the year to define additional mineral resources for the 2010 Payshoot orebody. The 2010 Payshoot is a secondary payshoot originating from the main Kinross Payshoot and can be accessed from the No.3 decline at Evander Mines 7 Shaft. Previous surface holes in this area delivered results up to 36.04g/t over a Kimberley reef width of 49cm. The potential mineral resource of the 2010 Payshoot is estimated at 6.3Mt @ 10.82g/t (2.2Moz).

The company's current generic growth projects are summarised below:

Evander Mine projects	Category	Tonnes million	Grade g/t	Ounces Moz	Depth below surface m
Elikhulu	Resource	178.7	0.29	1.7	On surface
2010 Payshoot	Resource	6.3	10.82	2.2	1,800 – 2,500





Employee review

Our people are one of the three enablers that assist the group in executing its strategy. As such, we recognise our employees as fundamental to the sustainability of the business and appreciate that we also have a responsibility beyond our own employees, in the wider employment context.

HIGHLIGHTS

Successful conclusion of multi-year wage agreements

Integration of employees at the Uitkomst Colliery operation into the Pan African group

Finalisation of a memorandum of understanding (MoU) with the University of Johannesburg (UJ) formalising the provision of bursaries over a three-year period

Finalisation of the employee share ownership programmes for Evander Mines

Low staff turnover at the majority of operations

CHALLENGES

Strengthening relations with communities surrounding our operations and with the unions

Ageing workforce, especially the rock drill operators

Increased rate of unemployment in the communities surrounding our operations

LOOKING AHEAD

Continuous stakeholder and employee engagement to ensure alignment with the company's vision and strategic objectives

Reinforcing succession planning and training of staff in specialised positions

Successful implementation of all elements of the SLPs

Aligning human resource policies and practices at the Uitkomst Colliery with those of the group

Key performance indicators

Employee statistics

	Unit	2016	2015[1]
Employees	(Number)	**6,062**	5,863
– Permanent	(Number)	**4,441**	4,439
– Contractors	(Number)	**1,621**	1,424
Employee turnover	(%)	**6.4**	7.0
Human resources development spend	(ZAR million)	**33.3**	29.1
Total number of operational employees by age group			
20 – 30 years	(Number)	**582**	793
30 – 40 years	(Number)	**1,156**	1,057
40 – 50 years	(Number)	**1,129**	1,239
50+ years	(Number)	**1,574**	1,350
Total operations	(Number)	**4,441**	4,439

[1] *Comparatives restated to include 113 Uitkomst Colliery employees. Group employees total is 4,326 excluding Uitkomst employees.*

The SLP covers

- *Employment equity*
- *Human resources development*
- *Local economic development*
- *Preferential procurement*
- *Downscaling/retrenchments*
- *Housing and living conditions*
- *Nutrition and health*
- *Adult education*

Employee statistics per operation

	Barberton Mines		Evander Mines		Phoenix Platinum		Uitkomst Colliery		Corporate office		Group	
Employment type	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015[1]
Employees	**1,891**	1,882	**2,418**	2,427	**3**	3	**115**	113	**14**	14	**4,441**	4,439
Contractors	**460**	460	**772**	577	**62**	58	**326**	329	**1**	0	**1,621**	1,424
Total	**2,351**	2,342	**3,190**	3,004	**65**	61	**441**	442	**15**	14	**6,062**	5,863
% of workforce South African	**98.0**	97.1	**76.18**	73.0	**100.0**	100.0	**99.3**	99.6	**100.0**	100.0	**86**	86

[1] *Comparatives restated to include 113 Uitkomst Colliery employees. Group employees total is 4,326 excluding Uitkomst employees.*

Overview of progress

Substantially achieved *Moderate progress* *Not achieved*

Our focus for 2016	What we achieved	Self-assessment
Maintaining a stable workforce and low turnover rate	This was achieved at most operations except Evander Mines where a high turnover was experienced in the engineering department	
Integrating the group's new employees following the Uitkomst Colliery acquisition	Smooth transition upon completion of the acquisition – focus will now be on aligning all policies and practices with that of the group	
Aligning employees, through greater engagement, with the objectives of the respective operational business plans by creating a sense of belonging through the revised incentive and employee share ownership programmes	Revised incentive schemes at Barberton Mines and Evander Mines	
Implementing an effective and efficient communication strategy.	Ongoing communication strategy in place at all operations	

Pan African Resources in partnership with University of Johannesburg – supporting education in the fields of various mining disciplines

"We are grateful for the opportunity to partner with a reputable learning institution such as UJ and we are certain that this partnership will be a success." Andre van den Bergh, Executive Human Resources

Education enables students to improve on their skills and reach their career and personal ambitions as well as ensuring that they make a meaningful contribution to the South African economy, where the unemployment rate is about 26.6%[1]. Education has always been a focus for Pan African Resources, mainly through our gold mining operations, which have learnerships and bursary programmes in place and have promoted mathematics and science in the local community through the Mining Expo in Barberton.

As we entered into the 2017 financial year, we expanded on the support we currently offer to students in the fields of the mining disciplines such as mining engineering, mineral surveying, metallurgy and geology, through a partnership with UJ. This partnership formalised the provision of bursaries to students over a three-year period. The group currently offers bursary support to 11 UJ students, with the aim of increasing those numbers to 16 over the coming year(s). With the expertise of UJ, we will identify the most deserving students to be recipients of these bursaries as and when they become available. Recipients will be sourced from the local communities within the areas in which we operate and in accordance with our SLP development plan. Further, we also intend to offer development and mentorship support and where possible, training on site at our operations to enable students to benefit from the programme.

[1] *http://www.tradingeconomics.com/south-africa/unemployment-rate.*

Official signing ceremony

At year-end the group had a total staff complement of 6,062 (2015: 5,863). We identify our people as the first and primary driver of our four-pronged business strategy. Phoenix Platinum employs three individuals and operations at the processing plant are outsourced to a specialist metallurgical company, Metanza, which is responsible for employment at the operation. The Uitkomst Colliery employs 115 (2015: 113) permanent staff and 326 contractors are outsourced from a specialist mining company (Khethekile Mining), which is responsible for contractor employment at the operation. Our employees provide the bedrock of our group, often working in challenging conditions to enable Pan African Resources to successfully conduct its core business.

We also recognise that we have a responsibility beyond our own employees in the wider employment context. Accordingly, wherever possible we employ from and upskill the communities surrounding our operations.

Our operations are controlled by mining rights and each operation has developed a social and labour plan (SLP), which has been submitted to the DMR. The elements covered in the SLP are shown on page 70.

During the year under review, Pan African Resources entered into a partnership with UJ for the provision of bursaries over a three-year period – please see details on page 71. Furthermore, UJ is collaborating with Pan African Resources on an additional project – uncovering mineral content in calcine samples collected from Pan African Resources.

Employee relations

Pan African Resources has a unionised workforce and it complies with all applicable legislation and bargaining arrangements. In addition, each operation has a strategic, proactive and consultative engagement process with unions and employees to further strengthen relations. In concluding Barberton Mines' wage negotiations, the NUM embarked upon a protected strike which was amicably resolved.

Skills development and training

Pan African Resources is committed to human resources development and spent ZAR33.3 million on training for the year under review (2015: ZAR29.1 million). Barberton Mines and Evander Mines have on-site accredited training centres offering a range of occupational skills training programmes, while Phoenix Platinum and the Uitkomst Colliery provide on-site training or outsource training where applicable. Learnership programmes are also in place at the operations.

Performance management

Pan African Resources recognises that managing and reviewing employee performance and fostering employee development are critical to achieving strategic priorities and overall success. All group employees from the head of department and above to chief executive level have defined key performance indicators (KPIs), which are aligned with the group's strategic objectives. These KPIs include production and personal-related KPIs, the weighting of which depends on the employee's role and position. Assessments take place annually with the employee's line manager and remuneration is linked to the score achieved by the employee.

Talent management

Talent management is important in attracting, developing, motivating and retaining productive, engaged employees.

Through its talent management approach, Pan African Resources aims to create a high-performance, sustainable organisation that meets its strategic and operational objectives. To ensure adequate succession planning, key individuals who perform critical roles within the group have been earmarked as part of the group's retention and performance plan over a three-year lock-in period from 2016 to 2018. Regular engagements are conducted with these individuals to ensure development requirements needed for them to fulfil their position are proactively addressed.

Disabled employees

The group is committed to providing equal opportunity for individuals in all aspects of employment. The group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the group's policy, wherever practicable, to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Our employees provide the bedrock of our group, often working in challenging conditions to enable Pan African Resources to successfully conduct its core business.

Remuneration

Pan African Resources ensures its employees are fairly remunerated for their roles. Remuneration is dependent on the individual job grading and the group undertakes relevant research to ensure its remuneration is market related. Remuneration for employees consists of a basic salary and benefits including medical aid and pension. In addition, short-term incentive rewards are paid monthly, quarterly and annually, depending on the level of the employee. All remuneration and incentives are measured objectively against the individual's KPIs.

In addition, the group's equity share option and share appreciation bonus plans are in place to appropriately incentivise selected employees at managerial level within the group. This ensures retention of key skills required for the group's sustainable performance and to align management interests with those of its shareholders. The group implemented its employee share ownership programme at its gold and coal mining operations. This programme seeks to align the objectives of Pan African Resources with that of management and shareholders. The remuneration review on page 93 provides further detail on the group's remuneration philosophy as well as detail on executive and non-executive directors' remuneration.

OUR PEOPLE

People and safety remains at the heart of our culture and is evident in the way we operate and manage the group.

Safety, health and environment review

Our formal integrated SHEQC policy, which is board approved, filters down through the group. Our SHEQC performance, as with all performances within the group, is driven by the group philosophy of continuous improvement. It is also used as a basis for incentivising management and employees.

HIGHLIGHTS

Implemented a group SHEQC dashboard programme to further improve focus on safety

Successful implementation of safety "stop notes" – an internal safety stoppage instruction system

Increased voluntary counselling and testing of HIV/Aids

Increased awareness of health-related lifestyle diseases

No environmental fines at operations

CHALLENGES

One fatality at Evander Mines

Behaviour and culture of employees towards safety

DMR safety stoppages

Illegal miners on the increase, posing a safety threat to the workforce

Managing lifestyle diseases despite awareness improvements

Ensuring all operations focus on reducing greenhouse gas emissions

LOOKING AHEAD

Establishing and implementing a behavioural safety-based programme

Establishing a group health strategy within the next two years

Preventing new cases of noise-induced hearing loss

Maintaining zero environmental fines

Key performance indicators

Safety, health and environmental statistics

	Units	2016	2015
Safety			
Total recordable injury frequency rate (TRIFR)	(Rate/million man hours)	**14.57**	11.14
Lost time injury frequency rate (LTIFR)	(Rate/million man hours)	**3.50**	2.29
Reportable injury frequency rate (RIFR)	(Rate/million man hours)	**2.04**	1.11
Fatal injuries	(Number)	**1**	1
Health			
HIV/Aids – voluntary counselling and testing	(Number)	**2,516**	2,399
Noise-induced hearing loss cases reportable	(Number)	**56**	26
Sporotrichosis		**0**	5
Environment[1]			
Total water consumption	(000m^3)	**16,422**	12,249
Total electricity consumption	(Gj)	**1,451,761**	1,376,815
Total GHG emissions	(tCO_2e/t milled)	**1.0**	1.1
Environmental fines and penalties	(Number)	**0**	0

[1] *Environment figures exclude the Uitkomst Colliery.*

Overview

A safe and healthy mining culture, with minimal impact on the environment, is a business imperative that underpins the group's four key strategic pillars – profitable, sustainable, stakeholders and growth. Pan African Resources expends considerable effort in promoting a safe and healthy work environment. The group's SHEQC objectives aim to achieve a sustained SHEQC management culture by promoting safety performance through zero harm to our employees and minimal impact on the environment. The group has an enabling culture where employees at all levels are encouraged to engage freely around SHEQC matters, as well as adhering to policies and procedures conducive to achieving this objective.

SHEQC governance and compliance

The board assumes ultimate responsibility for the group's SHEQC performance. The SHEQC sub-committee is responsible for the oversight and management of SHEQC and keeping the board apprised of SHEQC matters relating to compliance, discipline and action plans around incidents and accidents. The general managers at the mines remain ultimately accountable for SHEQC on their operations.

Meetings are held as deemed appropriate but no fewer than four are held annually. Membership, responsibilities and attendance of the SHEQC committee meetings are shown on page 90. The group's SHEQC policy extends to safety, health, environment, quality and communities and contains specific guidelines.

Pan African Resources is committed to conducting its mining operations in strict compliance with the mining licence conditions set by the DMR, the Mine Health and Safety Act 29 of 1993, as amended from time to time, and other relevant legal requirements. Guidance and advice is provided by the group SHEQC manager, together with the safety, health and environmental officials at the group's operations, within the group philosophy of continuous improvement. Legal requirements are treated as minimum requirements. Regular internal audits are performed by the operations' safety, health and environmental officials. Further, monthly SHEQC performance reviews are carried out to ensure compliance with SHEQC standards and procedures.

Mining operations are subject to various environmental legislative requirements and the group ensures adherence to these by ongoing monitoring through a robust SHEQC governance framework. Environmental aspects and impact assessments have been conducted at all our operations. The aspects and impact registers are available for each operation. The operations review their risk registers quarterly.

Safety

Overview of progress

Substantially achieved *Moderate progress* *Not achieved*

Our focus for 2016	What we achieved	Self-assessment
Achieving and maintaining a fatality-free year	One fatality at Evander Mines	Not achieved
Continuing to improve safety indicators towards achieving zero harm	Improvements noted in operations	Moderate progress
Establishing cross-operations safety, health and environmental audit teams and conducting internal audits bi-annually	Internal audits are ongoing	Moderate progress
Establishing a central electronic safety, health and environmental system for improved management control	Implemented a central electronic database system at all operations with the exception of Phoenix Platinum and Uitkomst Colliery	Substantially achieved
Establishing formal Fatal Risk Standards that will incorporate elements such as: fall of ground, gassing, trackless mobile machinery, rail-bound equipment and underground fires	Code of practices in place that serve as best practice	Substantially achieved

The group safety trend for TRIFR, LTIFR and RIFR has regressed compared to the 2015 rates. The group fatal injury frequency rate (FIFR) remained at 0.07 (2015: 0.07). We are committed to continually improving safety and we endeavour to work towards zero harm.

Regrettably one fatality occurred at Evander Mines on 26 June 2016, where Mr Joaquim Armando Muxhanga, a locomotive driver, was fatally injured while on duty. The cause of this fatality was miscommunication between the locomotive driver and the locomotive guard. Subsequently, changes were made to the following:

- The signal communication processes between the locomotive drivers and the locomotive guards
- All locomotives drivers and guards were retrained on the tramming standard
- All locomotive drivers and guards were retrained on signalling, safe coupling and uncoupling of hoppers.

The board and management extend their deepest condolences to the family, friends and colleagues of Mr Joaquim Armando Muxhanga.

Each mining operation has its unique in-house training programmes, aligned to the group's strategic objective of zero harm. Safety, health and environmental training is included in induction for new employees as well as in refresher courses when employees return from leave. Training also includes job-specific training. To address the ongoing safety risk that illegal miners pose at our gold mine operations, a biometric clocking system has been installed to prevent, as far as possible, illegal miners accessing the underground operations.

To further improve on document control, the group implemented a safety dashboard system that will assist in the close-out of all actions, management of safe operating procedures and code of practices.

During the year under review, the group implemented an internal safety stoppage instruction system where any employee is able to stop operations posing a risk to employees' safety. This was implemented to improve our safety performance and to address the group's challenges of DMR safety stoppage instructions. The group continues to actively engage and strengthen relations with the DMR Inspectorate.

As a result of a review of the way in which safety data is collated and reported across operations, management identified that reporting of safety incidents at Evander Mines had been understated and that the information from the 2015 financial year was not an appropriate base to benchmark the 2016 safety statistics. Following internal management investigations, the system for reporting of safety statistics was rectified and a new safety tracking database was implemented across all operations, to ensure the accurate and complete reporting of safety data going forward for future benchmarking. In addition, the management structure at Evander Mines was revised to bolster the safety reporting. A turnaround strategy was implemented to reduce accidents and instil a culture of safe behaviour, which included:

- The introduction of a safe production intervention strategy aimed at curbing the accident rates
- The implementation of a stop note initiative that empowered all employees to immediately stop unsafe working environments
- The introduction of a new safe declaration procedure, which incorporates an intense incident investigation process to identify root causes of safety
- The restructuring of the safety department
- The implementation of regular internal safety audits.

Following the implementation of the abovementioned measures, there was a noticeable improvement in Evander Mines' safety rates in the third and fourth quarters of FY2016.

Health

Overview of progress

Substantially achieved *Moderate progress* *Not achieved*

Our focus for 2016	What we achieved	Self-assessment
Continuing education and awareness initiatives	Ongoing at all operations	
Targeting a 10% increase in the uptake of voluntary counselling and testing	The group achieved a 4.9% increase in the uptake of voluntary counselling and testing	

We recognise that mining carries inherent health risks. Effectively managing associated conditions and diseases is a direct investment by the group in our people, and managing their health is in the interests of our long-term sustainability. The group provides a work environment that minimises health risks by ensuring adequate surveillance of workplaces and employees. This promotes work practices conducive to the long-term wellbeing of employees. The group provides appropriate and adequate healthcare facilities and resources.

Management of the major diseases at our mining operations remains a top priority. At all operations, occupational health and employee wellness includes the management of the Big 6 diseases: HIV/Aids, TB, diabetes, hypertension, silicosis and noise-induced hearing loss (NIHL). Barberton Mines also focuses on a seventh disease – sporotrichosis[1] – and noted a decrease in the suspected cases of sporotrichosis. There was an increase in the participation in HIV/Aids voluntary counselling and testing, which is a testament to the focus on health and wellness at our operations. Campaigns are conducted regularly on HIV/Aids and TB prevention initiatives. NIHL increased at our gold operations due to an enhanced diagnosis system implemented in FY2015, which proactively identified old NIHL cases. Subsequent to 2008, no new NIHL cases were identified. The management of NIHL cases remains a focus and all employees are issued with hearing protection devices and receive regular training.

Employees diagnosed with lifestyle-related diseases such as hypertension and diabetes are regularly monitored and educational programmes are provided. Testing for these diseases also forms part of the medical surveillance programme, in an attempt to combat these diseases at an early stage.

Occupational hygiene stressors are monitored by a qualified occupational hygienist and quarterly reports are submitted to the DMR. Each employee has an individual health risk profile. All operations' crystalline silica occupational exposure limits were below the legislative requirement of $0.05 mg/m^3$ for the year under review. All employees are trained in the correct use of personal protective equipment (PPE).

Environment

Overview of progress

Our focus for 2016	What we achieved	Self-assessment
Continuing to embed and establish internal environmental targets and objectives within all operations	The targets and objectives have been embedded within operations and these are measured on an ongoing basis	
Continuing to create awareness and change behaviour in respect of environmental impacts	Over and above the policies and procedures in place, we implemented a SHEQC dashboard to reinforce awareness and change behaviours	

Pan African Resources is committed to responsible stewardship of natural resources and the environment to eliminate or minimise the negative impacts of our operations.

Environmental management is integrated into management practices throughout our operations. The group is steadfast in its commitment to enhancing its approach to reducing its impact on the environment and its environmental objectives include:

- Achieving zero penalties for environmental breaches
- Achieving the internal environmental targets established for reducing the group's carbon footprint
- Ensuring compliance with water use licence conditions.

[1] *Sporotrichosis is an infection caused by a fungus called Sporothrix schenckii.*

Environmental impact assessments have been conducted and impact and aspect registers are available for each operation, which are reviewed annually to ensure compliance with environmental legislation. All operations have assessed the environmental risk associated with the transport of goods and materials and established that there are no significant environmental impacts from these activities. Any cyanide transported to Barberton Mines and Evander Mines is taken by a supplier-approved transporter. Emergency response trailers are stationed onsite at Barberton Mines, BTRP and Evander Mines to deal with spillages.

Water

Water quality in the areas surrounding operations is vigilantly monitored and managed. Surrounding surface and ground water is monitored to prevent polluted water being discharged. The discharge of water by our operations through controlled releases into the environment is pre-determined through regulatory requirements and is in line with our water use licences.

Expenditure on environmental protection

	Barberton Mines		Evander Mines		Phoenix Platinum		Group total	
	ZAR 2016	ZAR 2015	ZAR 2016	ZAR 2015	ZAR 2016	ZAR 2015	ZAR 2016	ZAR 2015
Pollution control and prevention	**919,258**	1,041,862	**549,328**	687,640	**250,443**	245,722	**1,468,586**	1,975,224
Rehabilitation	**637,583**	542,670	**319,966**	322,585	**–**	–	**957,549**	865,255
Environmental – operational	**267,359**	254,039	**1,080,899**	1,068,821	**497,205**	187,336	**1,845,463**	1,510,196
Total	**1,824,200**	1,838,572	**1,950,193**	2,079,046	**747,648**	433,058	**4,271,598**	4,350,675

The group's expenditure on environmental protection of ZAR4.3 million remained on par with that of the prior year. Evander Mines' operational expenditure reduced marginally and Phoenix Platinum's expenditure increased due to the use of the water bowser for dust suppression and sewage removal.

Land rehabilitation trust funds

	Barberton Mines		Evander Mines		Total	
	ZAR 2016	ZAR 2015	ZAR 2016	ZAR 2015	ZAR 2016	ZAR 2015
Total	**44,514,220**	43,242,175	**276,984,119**	269,068,978	**321,498,340**	312,311,153

Land rehabilitation minimises and mitigates the environmental effects of mining. Rehabilitation management at the group's operations is an ongoing process. The rehabilitation trust fund had a balance of ZAR321.5 million (2015: ZAR312.3 million) at year-end, which increased by ZAR9.2 million as a result of growth in investments. The rehabilitation trust funds comprise investments in guaranteed equity-linked notes, government bonds and equities.

Community review

Pan African Resources strives to minimise potential negative social impacts caused by our mining operations while promoting opportunities for the local communities. We are committed to monitoring, measuring and managing the social and economic impacts created by our operations, in line with our approved SLPs.

Our operations engage in a range of development projects and community relations activities, which promote sustainable welfare within the communities. In addition, wherever possible, the group promotes responsible and ethical management of its supply chain by encouraging suppliers to support local economic development.

HIGHLIGHTS

Group spend on corporate social investment (CSI) and socio-economic development (SED) initiatives amounted to ZAR21.0 million

CHALLENGES

Finding suitable local suppliers to assist with community projects and with supplying our operations

LOOKING AHEAD

Continually uplifting the communities within which we operate

Overview of progress at all operations

Substantially achieved | *Moderate progress* | *Not achieved*

Our focus for 2016	What we achieved	Self-assessment
Continually uplifting the communities within which we operate	Initiatives are ongoing across our operations	Substantially achieved

Positively impacting our communities

At the mines, management is proactive in building and maintaining stakeholder relationships with the local communities and has forged close working relationships with ward councillors and local leaders. (See stakeholder engagement on pages 34 and 35 of the integrated annual report.)

In terms of the MPRDA, mines are required to develop and implement comprehensive SLPs, human resources development programmes, mine community development plans, a housing and living conditions plan, employment equity plan, and other processes to save jobs and manage downscaling and/or closure. Progress reports are submitted annually to the DMR.

The group is committed to upholding the human rights of all our employees, contractors, suppliers and the communities in which we operate. We recognise people's rights to culture, heritage and tradition through supporting indigenous cultural heritage.

Barberton Mines received a heartfelt letter of thanks from a Grade 10 learner at Emjindini Senior Secondary School, on behalf of all the learners, following the mine's involvement in upgrading the school. The letter can be found on the group's website on www.panafricanresources.com in the sustainability section.

Transformation

Employee share ownership programme: Qualifications criteria for annual dividend distributions

- *Permanent employee of operation*
- *Employed in a non-managerial position*
- *Employed by entity prior to the commencement of the financial year in respect of which the dividend distribution is made*
- *Remained employed by operation on last day of financial year in respect of which the dividend distribution is made*

Allocation of benefit

- *Each qualifying beneficiary receives an equal benefit*
- *Good leavers during a period receive a pro-rata dividend distribution for that period*

Transformation

Pan African Resources acknowledges that integrating genuine transformation, which permeates the group, is critical for the sustainability of its business in South Africa. We are committed to integrating real transformation throughout the group, under the auspices of the Mining Charter and social and labour plans. The group does not currently rank its B-BBEE contribution at group level but per operation current contributions are rated as per the Mining Charter requirements. Oversight of progress against transformation targets is monitored by the SHEQC committee.

Recent Mining Charter developments

To further align the mining industry with the B-BBEE Act and the Department of Trade and Industry (DTI) codes, the revised B-BBEE Mining Charter draft, published on 15 April 2016, includes changes to its predecessor, the 2010 Mining Charter. According to the draft, ownership, housing and living conditions, and human resources development elements are ring-fenced, which means 100% compliance will be required at all times and mines have three years to comply with revised targets.

Ownership

Pan African Resources strategic BEE partner

In August 2009 Shanduka Gold exchanged its shareholding of 26% in Barberton Mines for a 21% shareholding in Pan African Resources and acquired an additional 5% from Metorex, making the black-owned and managed Shanduka Gold a 26% shareholder in Pan African Resources. Shanduka is a black-owned investment holding company with interests in a diverse portfolio of listed and private companies, primarily in the resources and food and beverage industries. Following limited dilution due to a rights issue, at 30 June 2016, Shanduka Gold (subsequently renamed PAR Gold) held 22.46% of Pan African Resources' shares. By applying provisions of the MPRDA and Mining Charter to the Pan African Resources share register and discounting shareholders who qualify as organs of state and public entities, we calculate as at 30 June 2016 that this equates to an effective 23.1% BEE ownership at a holding company level for purposes of the MPRDA.

Operational ownership

Barberton Mines

On 1 June 2015, Barberton Mines implemented an employee share ownership programme. A newly established employee trust (the trust) will effectively own 5% of the issued share capital of Barberton Mines. The transaction was financed by Barberton Mines on a notional basis with preference share funding attracting a real return of 2% per annum and without any dilution to Pan African Resources. A portion of dividends issued is retained to repay the notional financing. The portion retained ranges from 50% to 80% over the period of the scheme. Barberton Mines' total BEE ownership equates to 28.1% by combining the Pan African Resources BEE ownership and the employee share ownership programme.

Evander Mines

In July 2015, a similar scheme was implemented at Evander Mines with the same terms and conditions as the Barberton Mines programme amounting to 5%` ownership. The employee share ownership programme seeks to align the aspirations of Pan African Resources' employees at its operations with that of management and shareholders. Value will be created for beneficiaries based on the profitability of each operation's performance. Assuming that regular dividends are declared by these operations, beneficiaries will receive dividends from the scheme from year one. In addition, beneficiaries will receive an annual distribution from the BEE trusts and any capital appreciation will be distributed to the beneficiaries upon winding up of the programme after a minimum of 10 years. Evander Mines' total BEE ownership equates to 28.1% by combining the Pan African Resources BEE ownership and the employee share ownership programme.

Uitkomst Colliery

The Uitkomst Colliery will be implementing a BEE transaction similar to those currently in place at Barberton and Evander. The BEE transaction will result in an additional 9% historically disadvantaged on-mine ownership in the Uitkomst Colliery. This 9% ownership will be held by broad-based trusts and by a strategic entrepreneur's trust. The BEE transaction will be financed by the Uitkomst

Colliery on a notional basis, with the notional funding accruing interest linked to the prime interest rate. This transaction results in limited dilution to Pan African Resources and 80% of dividends issued to the BEE shareholders will be retained to repay the notional funding over a period of 10 years.

Management and control

Our group board includes one male black board director as at 30 June 2016.

Employment equity

		Barberton Mines		Evander Mines		Phoenix Platinum		Corporate	
	Unit	2016	2015	2016	2015	2016	2015	2016	2015
Representation of HDSAs									
Senior management	(%)	**44.4**	37.5	**44.4**	50	**100.0**	100.0	**40.0**	40.0
Middle management	(%)	**57.1**	55.2	**44.8**	41	**50.0**	50.0	**100.0**	100.0
Junior management	(%)	**49.1**	41.0	**78.3**	76	**100**	100.0	**100.0**	100.0
Representation of women									
Women employed at mine	(Number)	**134**	126	**265**	263	**–**	–	**4**	3
Women in mining (core business)	(Number)	**81**	73	**81**	81	**–**	–	**–**	–
Percentage of women in mining/core positions	(%)	**4.3**	3.9	**6.6**	6.2	**–**	–	**26.7**	21.4

Skills development

Detail on this pillar is provided on page 72.

Preferential procurement

Supply chain management

Pan African Resources' primary procurement objective is to control costs, initiate savings and manage inventory across its operations through centralised strategic sourcing. In addition, the group is committed to increasing spend from black-owned and black women-owned businesses.

Pan African Resources is committed to continually uplifting the communities within which it operates, through its projects and initiatives and proactive strategic sourcing.

Procurement governance

Pan African Resources' procurement governance process ensures maximum efficiency and ethical conduct when procuring goods and services within its operations. A group procurement policy is in place and relevant employees at each operation are trained in these procurement procedures and practices. The tender process is governed by a tender committee at each operation, to ensure Pan African Resources complies fully with all relevant regulation, including the UK Bribery Act 2010. Monthly procurement and inventory reports are sent to the corporate office.

Centralised contracts

The group has implemented a procurement plan for its high-value commodities, with the intent of meeting the group's procurement objectives mentioned above.

Transformation trusts

Wherever possible, the group promotes responsible and ethical management of its supply chain by encouraging suppliers to support local economic development. Transformation trusts for Barberton and Evander generate additional funds to invest back into the community, through encouraging its suppliers to contribute 1% of their contract value to these trusts. The objective of these trusts is to improve the quality of life of the local community, to create jobs and to promote socio-economic development. A total of ZAR1.2 million was collected on behalf of Barberton Mines Transformation Trust (BMTT) during the 2016 financial year. The Evander Mines Transformation Trust (EMMT) was formed in the prior financial year and has collected ZAR0.5 million since it was incorporated.

Socio-economic development

Detail on this pillar is provided on the group's website on www.panafricanresources.com in the sustainability section.

Housing and living conditions

In line with the Mining Charter requirements, the gold mining operations have made a considerable investment in upgrading and converting old hostels into single and family accommodation units. At our Barberton and Evander mining operations a total of 4.3% and 38.0% employees respectively live in hostel accommodation and employees who do not live in company accommodation receive an appropriate housing allowance. Barberton's Fairview hostel upgrade and conversion was completed, as was the renovation of ablution blocks at New Consort Mine.

Historically disadvantaged South Africans (HDSAs)

The Mining Charter requires 40% of specialised functions be filled by HDSAs. Our operations made good progress in achieving this goals, most notably meeting employment equity targets at management level.


SUID-AFRIKA

The missing **KRUGER millions**

Lost in: 1890
Estimated value: USD250,000,000
Contents: gold coins, ingots, gold dust

During the Second Anglo-Boer War, the Boers realised that their capital, Pretoria, would soon be captured by British troops so they swiftly commandeered as much gold as they could from government reserves, banks and the mines. They also minted many thousands of new gold coins.

Much of this gold is believed to have travelled with the Boer President, Paul Kruger, as he journeyed eastwards through Middelburg, Machadodorp and Waterval Boven towards Mozambique to escape the advancing British. He departed for France by boat on 19 October 1900. The gold remained behind, hidden somewhere in the bushveld of the North Eastern Transvaal and it has never been officially found.

http://www.southcapecoins.co.za/news/the-mystery-of-the-missing-kruger-millions

79 **Au** +1 +3
Gold
196.97
2-8-18-32-18-1

Board of directors

Name	**Keith Spencer**	**Hester Hickey**	**Thabo Mosololi**
Age	66	62	46
Qualifications	BSc Eng (Mining)	CA(SA), BCompt (Hons)	BCom (Hons), CA(SA)
Designation	*Independent non-executive director – Chairman*	*Independent non-executive director*	*Independent non-executive director*
Appointed	8 October 2007	12 April 2012	9 December 2013
Committee member	Audit, SHEQC *(Chairman)*	Audit *(Chairperson),* SHEQC	Audit, remuneration
Skills and experience	Keith is a qualified mining engineer with 48 years' practical mining experience. He 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 moved to Kloof Gold Mine as general manager. In 1989 he was appointed consulting engineer for Gold Fields, South Africa including 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, South Africa. In 1999 Keith joined Metorex, first as a private consultant and later as a permanent member of the executive, managing the Wakefield Coal operations, O'kiep Copper Company, Barberton Mines and Metmin Manganese Mine. In 2001 Keith became operations director for Metorex.	Hester worked at AngloGold Ashanti, initially as group internal audit manager and later as executive officer: head of risk. Prior to this she worked at Ernst & Young and Liberty Life and was acting head of internal audit at Transnet. In her early career she lectured at the University of Witwatersrand, was a partner at Ironside Greenwood and was the national technical and training manager at BDO Spencer Steward. Hester has also previously served as the chairperson of SAICA. She currently performs board evaluations and director training for the IoDSA and serves on the following boards: Northam Platinum Limited, Omnia Limited, Cashbuild Limited and African Dawn Capital Limited. Hester is also a trustee on the Sentinel Pension Fund.	Thabo brings a wealth of experience in financial management, corporate governance and audit, having qualified as a chartered accountant with KPMG in 1994. Since then, he has served on various boards as a member and chairman of audit committees in the resources and other industries in South Africa. He is currently a director of MFT Investment Holdings, a family-owned investment company strategically placed to capitalise on B-BBEE investment opportunities.
Board meeting attendance	4/4	4/4	4/4

Rowan Smith	**Cobus Loots**	**Deon Louw**
52	38	54
BSc (Hons), BCom (Hons)	CA(SA), CFA® Charterholder	CA(SA), CFA® Charterholder, PGD (Tax Law), AMCT (UK)
Independent non-executive director	*Executive director – Chief Executive Officer*	*Executive director – Financial Director*
8 September 2014	26 August 2009	1 March 2015
Remuneration *(Chairman)*	SHEQC	
Rowan has nearly three decades of collective experience in the resources and investment banking industries. He was a founding shareholder and managing director of Shanduka Resources, which he helped develop from a start-up in 2002 until his departure in 2012. Key milestones achieved at Shanduka Resources included significant investments in Mondi Shanduka Newsprint, Mondi Packaging, Kangra Coal, Shanduka Coal (with Glencore), Pan African Resources, DRA Projects, Lonmin (through Incwala), Assore and Lace Diamonds. Rowan's post-investment involvement included his representation on the executive committees and boards of most of the investee companies, including an executive directorship of the Shanduka group. Before Shanduka, Rowan was a director of Investec Bank's Mining Finance team in Johannesburg and worked on a number of debt and equity-based transactions in the sub-Saharan region. He also worked for Swiss-based Société Générale de Surveillance in Geneva, which entailed the management of audits on mineral consignments throughout the world. He started his career as a valuation geologist at the Harmony mine. Rowan is currently chairman of Rail2Rail, an adviser to Athena Capital and a director of Hlanganani Capital.	Cobus served articles with Deloitte & Touche and became an audit manager with the firm before leaving to pursue a career in finance. His experience includes mining-specific acquisitions and finance as well as the management of both exploration and production of mineral assets, most recently before 2009 as managing director of Shanduka Resources. Cobus has been a director of Pan African Resources since 2009 (Financial Director during 2009–2011 and a non- executive director during 2011–2013). He served as joint Chief Executive Officer alongside Ron Holding until assuming the office of Financial Director on 1 October 2013. Cobus was appointed Chief Executive Officer on 1 March 2015.	Deon has extensive finance and business experience, which includes investment banking, advisory and business administration in the finance and mining sectors. He has fulfilled the roles of financial director of Sentula Mining Limited, chief financial officer of Shanduka Coal, Director of Resource Finance Advisers and Head of resource structured finance at Investec Bank. Deon was appointed as Financial Director on 1 March 2015.
3/4	4/4	4/4

Executive and operations management

Executive management (Exco)

Cobus Loots (38)

Chief Executive Officer

CA(SA), CFA® Charterholder

Committee: SHEQC

See directorate on page 84 for CV

Anaki Karigeni (48)

Chief Operating Officer

BSc Mining Engineering, MSc Project Management

Committee: SHEQC

24 years of mining-related experience

Deon Louw (54)

Financial Director

CA(SA), CFA® Charterholder, PGD (Tax Law), AMCT (UK)

See directorate on page 84 for CV

André van den Bergh (60)

Executive: Human Resources

Diploma in Human Resources Management, Diploma in Labour Relations Management

Committee: SHEQC

41 years of mining-related experience

Operations committee (Opsco)

Casper Strydom (58)

General Manager: Barberton Mines

National Higher Diploma, Metalliferous Mining Mine Managers Certificate

40 years of mining-related experience

Band Malunga (43)

General Manager: Evander Mines

BTech Mining Engineering

23 years of mining-related experience

Johan Gloy (48)

General Manager: Uitkomst Mine

National Higher Diploma Extractive Metallurgy, BTech Environmental Management, MDP Stellenbosch, Registered Competent Person – Metallurgy – South African Council for Natural Scientific Professions, Registered with Engineering Council of South Africa

25 years of gold and coal mining-related experience

Bertin McLeod (39)

Plant Manager: Metallurgy Phoenix Platinum

BTech: Chemical Engineering Management Development Certificate, Senior Management Development Certificate

14 years of platinum industry experience

Wayne Allen (47)

Group Consulting Engineer

National Diploma Engineering, Mechanical Engineer's Certificate of Competency, MAP (Wits), AMRE (SA)

24 years of mining-related experience

Barry Naicker (43)

Group Mineral Resource Manager

MEng Mineral Resource Management (Wits), Grad Dip Engineering (MRM), BSc (Hons) Geology and Economic Geology

15 years of mining-related experience

Mandla Ndlozi (45)

Group SHEQC Manager

NADSM (Unisa), EIA (PU for CHE), MDP (GIBS), SAMTRAC (NOSA), Integrated SHEQ Management (University of North-West)

Committee: SHEQC

17 years of mining-related experience

Neal Reynolds (33)

Group Financial Controller

BCom Accounting (Hons), CA(SA)

8 years of mining-related experience

Niel Symington (35)

Group Management Accounting and IT Manager

BCom Accounting, Professional Accountant (SA)

8 years of mining-related experience

Corporate governance review

Pan African Resources' board is committed to responsibility, accountability, fairness and transparency in accordance with King III, the UK Code and applicable laws and regulations, reflecting integrity in all business dealings. The board aims to integrate this responsible corporate citizenship into the group's business strategy, audits and assessments and to embed sound corporate governance practices into daily operations and processes throughout the group. The standards of disclosure relating to corporate governance at the group are regulated by the UK Companies Act, the SA Companies Act, AIM Rules, the JSE Listings Requirements and King III. In addition, the board has considered the principles of corporate governance contained in the UK Code and the guidance published by the Institute of Chartered Accountants in England and Wales concerning the internal control requirements of the UK Code.

Governance framework

Chairman: Keith Spencer

Members
Hester Hickey
Thabo Mosololi
Rowan Smith
Cobus Loots
Deon Louw

Invitees
Exco and Opsco for ad hoc presentations to the board

Chairperson: Hester Hickey

Members
Thabo Mosololi
Keith Spencer

Invitees
Cobus Loots, *Chief Executive Officer*
Deon Louw, *Financial Director*
External auditors
Internal auditors
Financial executives

Chairman: Rowan Smith

Members
Thabo Mosololi

Invitees
Cobus Loots, *Chief Executive Officer*
Deon Louw, *Financial Director*
André van den Bergh, *Group Human Resources Executive*

Chairman: Keith Spencer

Members
Hester Hickey
Cobus Loots
Anaki Karigeni
Mandla Ndlozi
André van den Bergh
Sozabile Nkuna[1]

Invitees
General managers – Barberton Mines, Evander Mines, Phoenix Platinum and the Uitkomst Colliery

[1] *Sozabile Nkuna is a representative from Phembani*

The board

The Pan African Resources board is responsible and accountable for the performance and affairs of the group and has full control over all subsidiaries and operations. It acts as the focal point for and custodian of our corporate governance. In doing so, it ensures the group remains a responsible corporate citizen, cognisant of the impact our operations may have on the environment and society in which we operate, while acting in accordance with our own code of conduct. At reporting date, our unitary board comprised six directors. The Chairman, Keith Spencer, is an independent non-executive director. Executive directors are the Chief Executive Officer and the Financial Director. A brief CV of all directors is provided on pages 84 and 85. The entire board performs the function and responsibility of the nominations committee.

There were no changes to the board during the year under review.

Our board reflects a balance of executive and non-executive directors, the majority of whom are independent. More importantly, the board reflects significant experience in mining and related activities and collectively has a wealth of industry knowledge, adding depth to board discussions. The responsibilities of the independent non-executive Chairman and the Chief Executive Officer and the other non-executive and executive directors are strictly separated to ensure proficient decision-making. No single director is positioned to exercise unfettered decision-making, which protects against the influence of possible personal interests and ensures that the interests of all stakeholders are represented and taken into account. The Chairman provides independent board leadership and guidance and facilitates suitable deliberation on all matters requiring the board's attention. He further ensures the board operates efficiently and collectively. The Chief Executive Officer and Financial Director, supported by the executive committee, are accountable for strategy implementation and the day-to-day operational decisions and business activities. Non-executive directors are not involved in the daily operations of the company.

A formal board charter is in place to regulate the parameters within which the board operates and to ensure the application of good corporate governance in compliance with the group's code of conduct. A copy of the board charter is available from the group Company Secretary on request.

Rotation and re-election of directors

In terms of King III and the group's constitutional documents, one-third of the directors, excluding any director appointed since the previous AGM, must retire from office at each annual general meeting on a rotation basis. The directors to retire are those who have been longest in office since their last election. Retiring directors may make themselves available for re-election provided that they remain eligible as required by the constitutional documents and in compliance with the AIM Rules and JSE Listings Requirements. Accordingly, Mrs HH Hickey and Mr T Mosololi retire by rotation and offer themselves for re-election.

A brief CV of each director standing for re-election at the AGM is contained on pages 84 and 85.

Board evaluation

An annual effectiveness self-evaluation is undertaken in respect of the board and the audit committee.

Share dealings

All group employees at Paterson Grading D and above (which includes operational management, executive and operational management) with access to financial and any other price-sensitive information are prohibited from dealing in Pan African Resources shares during 'closed periods', as defined by the AIM and JSE Listings Requirements, or while the company is trading under a cautionary announcement. An appropriate communication is sent to all such employees alerting them that the company is entering a closed period. Should any of the relevant employees wish to trade Pan African Resources shares, written permission must be obtained from either the Chief Executive Officer or Financial Director and confirmed with the South African and UK based corporate advisers prior to the trade taking place. There were no contraventions of this policy during the year.

Succession planning

The board, which fulfils the role of nominations committee, is responsible for succession planning for the board of directors and executive and senior management. The board regularly reviews the group's succession strategy. In general, succession plans are in place for the incumbent key executives, with an informal 'on-the-job' mentor programme for identified successors supporting this process.

New appointments

The board identifies, interviews and proposes potential candidates to the board. The board evaluates each individual in the context of the board as a whole. The objective remains having a board that can best perpetuate our success and represent shareholder interests through the exercise of sound judgement, using its diversity of experience. The group ensures all new directors are informed of the AIM and JSE rules with the assistance of the UK Nomad and JSE sponsor, given that all appointees are accomplished board directors and familiar with the fiduciary duties expected of them. New appointees are provided with the latest annual and interim results, integrated annual report and minutes of previous board meetings. It is intended that a formal induction programme will be introduced in the near future.

Ongoing development

All directors receive ongoing training on relevant matters and directors who are chartered accountants comply with SAICA continued professional development requirements. The UK-based Nomad ensures the directors remain up to date with AIM regulations, while the South African sponsor ensures the same regarding the JSE Listings Requirements. The Company Secretary and Chairman of the audit committee are responsible for keeping the board abreast of new legislation, recommendations and best practice.

Ethical leadership

The board strives to ensure that the group conducts its business with integrity, leading by example. This commitment is formalised in a code of conduct which applies beyond the board and includes all employees of the group. The code sets out the group's values and practices over and above requirements of formal governance codes and legal requirements mentioned above. It is designed to provide guidance on ethical conduct in all areas and across all activities. To supplement the effectiveness of the code of conduct, directors, executive management and operational management receive ongoing training in regulations and in ethical leadership. Pan African Resources has a zero-tolerance approach to bribery and corruption. A separate bribery and corruption policy is in place, which is communicated to all employees as well as to mine contractors, all of whom are expected to comply fully. In the event of a breach by an employee of the code of conduct, policies or practices above, the group human resources disciplinary procedures are followed. No breaches by senior group employees were reported during the year.

King III compliance

In line with King III's 'apply or explain' approach, the directors will continue to state the extent to which the company applies good corporate governance principles to create and sustain value for stakeholders over the short, medium and long term. To optimally manage its application of King III, the company has adopted the IoDSA Governance Assessment Instrument, allowing for the maintenance of a register recording its progress in applying the principles of King III as well as the JSE Listings Requirements. Principle 2.25 (paragraph 153) recommends that non-executive directors' fees should comprise a base fee, which may vary according to factors including the level of expertise of each director, as well as an attendance fee per meeting. The group remunerates its non-executive directors based on a fixed fee, as the board's input extends beyond the attendance at meetings. The group's King III checklist can be found on the group's website on www.panafricanresources.com.

Board committees

Pan African Resources has an audit committee, remuneration committee and an SHEQC committee to assist the board in discharging its collective responsibility of corporate governance. The SHEQC committee serves as a social and ethics committee in terms of the South African (SA) Companies Act requirements. All committees have satisfied their responsibilities during the year in compliance with their formal charters. A copy of these charters is available from the group Company Secretary on request.

The key issues discussed at these board committees are tabled below.

Committee	Key issues discussed in 2016
Audit committee	Integrated report sign-off for 30 June 2016 Interim report sign-off for 31 December 2015 Review of internal and external audit reports Control environment at Evander Mines Group internal control policy and standardisation process Uitkomst Colliery, Shanduka Gold transaction and gold loans
Remuneration committee	Detailed on page 94
SHEQC committee	Safety performance, challenges and improvements at all operations Quantification of specific measurements that are required from a sustainability perspective Environmental monitoring and management

Board and committee meetings attendance

The board meets quarterly with additional meetings as and when necessary. Attendance at board and committee meetings is set out below. In addition to these meetings, ad hoc meetings and calls are held regularly. Not all of these are recorded in the table below.

	Keith Spencer	Hester Hickey	Cobus Loots	Thabo Mosololi	Rowan Smith	Deon Louw
PAR board meeting						
14 September 2015	√	√	√	√	×	√
3 December 2015	√	√	√	√	√	√
18 February 2016	√	√	√	√	√	√
14 June 2016	√	√	√	√	√	√
Pre-audit committee meeting						
10 July 2015	√	√	√	√		√
Audit committee meeting						
14 September 2015	√	√	√	√		√
3 December 2015	√	√	√	√		√
18 February 2016	√	√	√	√		√
Remuneration committee meeting						
30 July 2015			√	√	√	√
3 December 2015			√	√	√	
SHEQC committee meeting						
10 September 2015	√	√	√			
2 December 2015	√	√	√			
30 March 2016	√	√	√			
13 June 2016	√	√	√			

Note: The above attendance schedule does not include special board meetings and discussions relating to the Shanduka Gold/PAR Gold transaction. These took place as follows: 18 April 2016, 13 May 2016, 26 May 2016, 1 June 2016.

Independent advice

All independent non-executive directors have unrestricted access to management and the group's external auditor. Further, all directors are entitled to seek independent professional advice on any matters pertaining to the group as they deem necessary and at the group's expense.

Company Secretary

Pan African Resources outsources the company secretarial function to St James's Corporate Services Limited. The Company Secretary advises the board of any relevant regulatory changes and/or updates. The Company Secretary keeps records of shareholder registers, meeting attendance registers, meeting minutes, resolutions, directors' declarations of personal interest(s), all notices and circulars issued by the company, guidance on directors' duties and good governance. The Company Secretary is well versed in all relevant updates to current legislation and regulation and is responsible for advising the board in this regard. Further, the Company Secretary reviews the rules and procedures applicable to the conduct of the board. Wherever necessary the sponsor, Nomad and other relevant experts are involved in ensuring that the directors have adequate information to sufficiently discharge their responsibilities in the best interests of the company. The appointment and removal of the Company Secretary is a matter for the board as a whole. The audit committee reviews the Company Secretary's qualifications and competence and provides recommendations to the board. The board is comfortable that the Company Secretary, St James's Corporate Services Limited, maintains an arm's length relationship with the board at all times and is sufficiently qualified and skilled to act in accordance with and update directors in terms of the UK and international regulations and legislation.

Advisers

One Capital is the company's appointed sponsor in accordance with the JSE Listings Requirements. One Capital is responsible for ensuring the company is at all times guided and advised as to the application of the JSE Listings Requirements. The group appointed BMO Capital Markets Limited as joint broker (effective 22 June 2016) alongside Numis Securities Limited and Peel Hunt LLP.

IT governance

The board is responsible for IT governance, which is governed by an IT charter. The framework consists of an IT steering committee which includes the Financial Director, the Chief Information Officer and Executive: Human Resources. This steering committee is responsible for directing, controlling and measuring the IT activities and processes of the group. It also keeps the board apprised of the group's IT performance on a regular basis. Each operation has formal business continuity and disaster management plans in place, which are the responsibility of the respective general managers.

Compliance

The group complies with all applicable legal acts and regulations.

Risk governance

The board is ultimately responsible for the management of risk and a formal risk governance process is in place to ensure the board adequately discharges its responsibility, as described below. The board regularly reviews the risk reports from the operations, ensuring the appropriate risk management programmes and monitoring of progress against key risk indicators are being effectively implemented. The roles of the audit committee and internal and external functions, as they relate to risk management, are described below and the group's key risks are set out on pages 30 to 33.

BOARD OF DIRECTORS

Audit committee

This committee reports directly to the board and has several responsibilities including internal control, internal audit, risk management and assurance.

The committee meets at least three times a year (attendance is outlined on page 90) and makes recommendations to the board, which retains ultimate responsibility with regard to risk tolerance levels. It also works closely with the internal audit function and approves and reviews the internal audit plan and its execution.

Internal audit function

The internal audit function is outsourced to BDO, which evaluates the effectiveness and general compliance of controls aimed at addressing risks within the group.

Executive management

Executive management implements operational controls to ensure the validity, accuracy and completeness of financial information. It ensures that employees assume responsibility for conducting themselves in accordance with established policies and procedures, to minimise the potential occurrence of any risk event and to seek opportunities to improve performance and efficiencies.

Operations

Initiatives to mitigate risks at operational level are designed to ensure continuous, safe and responsible production of gold, PGEs and coal.

Risks are identified at risk workshops and in an annual strategy session. Each of the group's operations maintains a risk register, which includes risk identification, risk mitigating factors and responsibilities.

External audit function

External audit reports on the fair presentation of financial information on a statutory reporting level in compliance with IFRS as adopted by the EU and Article 4 of the IAS Regulation, UK Companies Act and the SA Companies Act.

The board, assisted by the audit committee, evaluates the effectiveness and independence of the external auditors – the South African and UK firm of Deloitte & Touche.

Remuneration review

Message from the Chairman of the remuneration committee

Dear Pan African stakeholders

I am pleased to present the 2016 Pan African Resources remuneration report on behalf of our remuneration committee and board.

The 2016 financial year was a particularly rewarding period for Pan African Resources and also for many of our stakeholders, including our shareholders. Our group delivered record gold production and, as a result, also produced record profits. We recognise that, in part, this excellent performance was also a result of increased gold prices. However, this gold price increase was only after a number of years of depressed prices and investor sentiment, where the group, our management and employees continued to work tirelessly to ensure the sustainability of our operations and to increase gold production.

Following the finalisation of the Uitkomst Colliery acquisition, a review of its remuneration policies, processes and procedures formed part of our due diligence and we do not foresee major challenges with finalising this integration.

Even though stakeholders generally focus on the remuneration of senior executives and group directors contained in this report, it is important to highlight the progress of our remuneration committee and management in aligning the interests of all employees to those of shareholders. We are particularly pleased that we have successfully concluded multi-year wage agreements at our gold operations, and also that we have now implemented employee share ownership plans (ESOP) at Barberton and Evander Mines. The Uitkomst Colliery ESOP will be finalised by 31 December 2016. These ESOPs allow non-management employees to benefit from ownership of the businesses in which they make a positive contribution.

The remuneration committee (Remco) assists the board in ensuring that group remuneration is aligned with the overall business strategy, with the aim of enabling Pan African Resources to attract, incentivise and retain personnel who will create long-term value for all stakeholders. The committee reviews current compensation levels and incentive schemes on a regular basis to ensure that they remain market related and fulfil their purpose as an incentive to align the interest of the group's senior management and employees to that of the stakeholders. In this regard the committee draws on PricewaterhouseCoopers' (PwC) Remchannel and Aon Hewitt market analysis to ensure compliance to best practice in executive compensation. We also benchmark remuneration of other employees in the group on a regular basis.

Our previous financial year's remuneration report was endorsed by almost 90% of shareholders voting at the annual general meeting. However, following an assessment of current market practices and interactions with some of our shareholders in the current year, we again evaluated and adjusted remuneration structures (specifically the variable and long-term portions of packages) for executive directors, on a forward-looking basis. These changes continue to ensure that senior management directs our business in a manner that creates long-term value for shareholders. In our drive for continuous improvement, we have again improved the level of disclosure in this year's report, specifically on matters such as details of short-term incentive targets for senior executives.

Providing motivational and shareholder aligned remuneration structures in a demanding operating environment will always be a challenge, however we believe that we have found an equitable approach to this sensitive matter.

We do, however, remain receptive to feedback from our stakeholders on our remuneration philosophy or any matter related thereto.

Yours faithfully

Rowan Smith
Chairman, remuneration committee

20 September 2016

Remuneration philosophy

Pan African Resources' remuneration philosophy seeks to reward executive directors and other senior management for individual and group performance. It recognises that these individuals have the ability to significantly impact the performance of the group, over the short and long term. Executive directors and other senior management carry significant responsibility, statutory and otherwise, and appropriate skills are difficult to attract and retain in what is increasingly a challenging environment. It is therefore critical that remuneration is aligned to the contribution and performance of the company, teams and individuals. The group's key remuneration objectives include:

- Facilitating the delivery of superior long-term results for the business and shareholders and promoting sound risk management principles
- Reinforcing leadership, accountability, teamwork and innovation
- Supporting the corporate values and desired culture
- Supporting the attraction, retention, motivation and alignment of the talent we need to achieve our business goals.

The group's remuneration policy provides a framework for remuneration to attract, retain and motivate employees to achieve the strategic objectives of the organisation, within its risk appetite and risk management framework.

The remuneration framework recognises the following principles:

- Objectivity in short-term incentives – comprising an annual bonus which rewards management for matters under their control or influence, but not matters outside their control such as commodity prices and exchange rates
- Objectivity in long-term incentives – the purpose with this component of the remuneration framework is to align the long-term interest of the group's management and employees with that of the group's shareholders through incentives, which are directly linked to the increase in the Pan African Resources share price. These awards generally vest over a period of four years
- Alignment to shareholders – we believe that the combination of these incentives will achieve the objectives set out in the above philosophy, by aligning the interests of employees with the shareholder's aspirations
- Application of discretion – Remco has the authority to apply its discretion in the event where specific circumstances are outside the control of the operations and these circumstances would be prejudicial to employees/management.

In order to achieve its remuneration objectives, Remco, in consultation with and oversight from the board, retains flexibility in terms of how it incentivises and rewards performance. Remco may therefore, in the event of exceptional performance by specific members of senior management or others, approve additional incentives if this is deemed justified. In the event of any such payments, the motivation and details are disclosed in this remuneration report and in the group financial statements.

Remuneration governance

Remco comprises only independent non-executive directors, which monitors and strengthens the credibility of the group's executive remuneration system. It reviews the performance of the Chief Executive Officer, executives and senior management and sets the scale, structure and basis of their remuneration and the terms of their service agreements. The committee also considers and makes recommendations to the board on remuneration packages and policies in this regard.

The Remco Chairman is Mr Rowan Smith and the membership and attendance of Remco is shown on page 90.

Remco meetings are attended by the Chief Executive Officer, Financial Director and the Executive Human Resources. None of these individuals are present when their remuneration is discussed. Some of the key focus areas discussed during the financial year are tabled below.

Focus areas during 2016 financial year	Discussion
Bonus retention incentive agreement	Finalising the bonus retention agreements for the nominated employees. This retention scheme excludes the Chief Executive Officer
Revision of Evander Mine's short-term incentive plan	Revising Evander Mines' short-term incentive plan to better align with the group's plan and strengthen the philosophy of *pay for performance*
Salary adjustments and benchmarking	Ensuring that the salary adjustments were in line with the group's remuneration philosophy and within the benchmarks provided by PwC Remchannel and Aon Hewitt market analysis
Review of executive director remuneration structure and contract period	New structures finalised and disclosed in this report. New remuneration structure is expected to continue to reward performance and ensure long-term alignment with shareholders

Access to information and advisers

Remco has unrestricted access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities. Remuneration is reviewed annually against competitive market data and analysis from the PwC Remchannel market analysis. In the current year, directors' remuneration was also benchmarked against AIM100 and FTSE250 peers. The board approves remuneration proposals from Remco and submits them to shareholders for endorsement at the annual general meeting.

Remuneration framework

<table>
<tr><th>Basic salary and benefits</th><th>Short-term incentives</th><th>Long-term incentives</th></tr>
<tr><td colspan="3">Remuneration: key features</td></tr>
<tr><td>Reviewed annually against competitive market data and the PwC Remchannel</td><td>• Paid annually at corporate level
• Paid annually at operations
• Measured objectively against the group's performance or personal contribution</td><td>• The Equity Share Option Plan
• Pan African Resources' group Share Appreciation Bonus Plan
• Employee ownership programme (Barberton and Evander Mines)
• Specific other schemes for executive directors</td></tr>
<tr><td colspan="3">Remuneration: criteria for eligibility</td></tr>
<tr><td rowspan="4">Employment at the group</td><td>Executive management (Exco)
Production and Safety KPIs account for 60% of assessment based on:
• Group's gold and PGEs sold (ounces)
• Costs of production
• Safety targets (objective measurement based on group's actual achievements against set business plans for the financial year)

During the last year, executive management achieved the following percentages in terms of the above criteria:
• Group's gold and PGEs sold (ounces): 12.7% out of a possible 18%
• Costs of production: 5.1% out of a possible 10.8%
• Safety targets (objective measurement based on group's actual achievements against set business plans for the financial year): 6.6% out of a possible 7.2%

Personal KPIs account for 40% of assessment and are specific to the employee concerned. These personal KPIs are clearly defined and are intended to contribute specific positive outcomes to group results. Examples of personal KPIs during the last year included:
• Successful conclusion of multi-year wage agreements within mandate provided
• Improved production at Evander Gold Mining</td><td>The main objective of the group Equity Share Option Plan and Share Appreciation Bonus Plan is to:
• Appropriately incentivise select employees who are employed at a managerial level within the group
• Ensure retention of key skills required for the group's ongoing profitable performance and growth
• Align management interests with those of shareholders</td></tr>
<tr><td colspan="2">Operational management committees (Opsco)
Production and Safety KPIs account for 60% of assessment based on:
• Group's gold sold (ounces)
• Costs of production
• Safety targets (objective measurement based on group's actual achievements against set business plans for the financial year)

Personal KPIs account for 40% (from 1 July 2016: 40%) of assessment and are specific to the employee concerned. These personal KPIs are clearly defined and are intended to contribute specific positive outcomes to group results. Examples of personal KPIs during the last year included:
• Successful integration of Uitkomst Colliery into the Pan African Resources group
• Geology model sign-off for Klipspruit Mine (Uitkomst Colliery)
• Effective and cost efficient implementation of an efficient and user friendly safety and environmental data system</td></tr>
<tr><td colspan="2">Operational management on-mine (Manco)
Production and Safety KPIs account for 80% of assessment based on:
• Operation's gold/PGEs sold (ounces)
• Costs of production
• Safety targets (objective measurement based on group's actual achievements against set business plans for the financial year)

Personal KPIs account for 20% of assessment and are specific to the employee concerned.</td></tr>
<tr><td colspan="2">Operational heads of department (HODs)
This grouping is paid quarterly. A maximum of 12.5% (from 1 July 2016: 12.5%) per quarter of the individual's annual cost to company (CTC) at 100% achievement (therefore a total of 50%) of which only 50% of the 12.5 % will be due and payable per quarter. The other 50% is retained and is only due and payable at the end of the financial year. The quarterly production KPIs are based on the following:
• Operation's gold/PGEs sold (ounces)
• Costs of production
• Safety targets (objective measurement based on the operation's actual achievements against set business plans for the financial year)</td></tr>
</table>

Employee remuneration components

Remuneration is currently disclosed and presented in GBP in the annual financial statements on page 167, however all non-executive directors, executive directors and employees are remunerated and paid in ZAR. Director and employment contracts are therefore also ZAR denominated.

Element	Key features	Purpose	Eligibility	Factors considered
Guaranteed pay				
Executives, senior managers and heads of department	• Pensionable salary • Leave • Pension/provident fund contributions • Medical contributions • Travel allowance • All of the above adds to the total cost to company of an employee	Aligned to the value the individual provides to the group, including: • Skills and competencies required to generate results • Sustained contribution to the group • The value of the role and contribution of the individual to the group	Executives, senior managers and heads of department	• Group performance • Outlook for the next financial year • Individual performance
Collective bargaining employees	• Pensionable salary • Leave • Medical contributions • Overtime/housing or living out allowance • Other fixed allowances – underground allowances, rock drill operator allowances and meal allowances	Aligned to the value the individual provides to the group, including: • Skills and competencies required to generate results • Sustained contribution to the group • The value of the role and contribution of the individual to the group	Collective bargaining employees	All relevant factors in the industry such as annual wage agreements
Variable pay				
Short-term incentives	• Paid annually at corporate level • Paid monthly, quarterly or annually at operations depending on the level of employee • Measured objectively against the group's performance or personal contribution	Designed to drive and reward medium-term results, reflecting the level and time horizon of risk. This includes financial and non-financial results and metrics at an organisation, division and individual (and team) level	Executives, managers and heads of department – paid annually	• Group financial and strategic performance • Business unit (team) financial and strategic performance • Individual contribution to team performance • Individual performance, including alignment with corporate values and meeting performance objectives • Contribution to meeting risk and compliance requirements at group, team and individual level, risk and compliance requirements also comprise a gateway to whether a payment is made and the size of the payment • Notwithstanding financial performance and the individual contribution and performance, if the individual, team or group does not meet or only partially meets risk and compliance requirements, no award or a reduced award may be made

Element	Key features	Purpose	Eligibility	Factors considered
Variable pay continued				
Short-term incentives continued			Collective bargaining employees	• Eligibility to participate in the scheme • The maximum variable remuneration as a percentage of total cost to company of an individual • The parameters for production targets to be achieved • The personal KPIs for each participant
Retention bonus- short- to medium-term incentive (excluding Chief Executive Officer)	• Once-off payment in advance to key personnel to ensure their continued employment for the three-year retention period • Three-year lock-in period is from 1 July 2015 to 30 June 2018 • Claw-back clause included if three-year service period is interrupted	Designed to retain key personnel for a lock-in period of three years – 1 July 2015 to 30 June 2018	Select key personnel, excluding the Chief Executive Officer	• Key personnel identified to ensure sustainability
Long-term incentives	• Alignment to shareholders' investment horizon and aspirations • Equity linked • Measured objectively against the group's performance or personal contribution	Discretionary remuneration designed to drive and reward long-term growth and sustained company value and align the interests of shareholders and participants. These may or may not be share options, share appreciation retention schemes or the like. It should be the intention to structure any form of long-term incentive in such a way as to retain and attract the necessary skills for the group and to ensure that it is market related	Executives and others approved by the board	Seniority and level of responsibility
Long-term incentives – equity participation plans	• Alignment of the aspirations of Pan African Resources' employees at its operations with that of management and shareholders	To align the interests of employees with those of shareholders through providing direct participation in the benefits of future company performance	Collective bargaining employees	Seniority and level of responsibility
Special remuneration benefits – sign-on, retention and termination benefits	• Discretionary	Designed to retain and attract certain scarce skills, especially at the heads of department and senior management levels	Heads of department and senior managers	Experience and relevant qualifications

The detailed remuneration of the group's independent non-executive directors, executive directors and prescribed officers is disclosed in the financial statements on pages 167 to 170.

Risk management and remuneration

Pan African Resources recognises the need to fairly remunerate employees in order to attract and retain talent. However, it is cognisant of the need to ensure that effective risk management is part of its remuneration consideration, in order to drive the correct behaviour. As such, all employees' KPIs include specific elements that are aligned to the group's long-term goals, including zero harm. Safety is imperative to the mines' operations and the group's remuneration philosophy reinforces the need for the delivery of superior long-term results, while promoting sound risk management principles.

Non-executive director remuneration

Remco advises the board on fees for non-executive directors. In determining the annual fees, Remco considers the directors' responsibilities throughout the year, scarcity of skills, the group's performance, market-related conditions and local and international comparative remuneration. King III recommends that fees should comprise a base fee and an attendance fee per meeting. The board agreed that a fixed fee for directors' services on the board and sub-committees was more appropriate, as the board's input extends beyond the attendance at meetings. When, as a result of a specific transaction or circumstances, non-executive directors are required to spend significantly more time and effort than is normally expected in preparing for and attending board meetings and discussions, Remco considers additional fees to compensate non-executive directors for this additional time and effort.

Non-executive fees are paid on a quarterly basis. There are no contractual arrangements for compensation for loss of office.

Regulatory requirements taken into account when determining non-executive directors' remuneration include the SA Companies Act, the UK Companies Act, JSE Listings Requirements, King III and the UK Code.

Exco, Opsco and mine management (Manco) remuneration

Remco is responsible for making recommendations to the board on the remuneration of the Chief Executive Officer, those who report directly to him and selected other senior staff. Remuneration is reviewed on an annual basis and takes into account the group's and operations' financial and strategic performance, individual contribution to the group's and operations' performance, alignment with group values and the contribution in meeting risk and compliance requirements. Where the individual, team or group does not meet or partially meets requirements, no award or a reduced award may be made. An annual benchmarking exercise, through the PwC Remchannel market analysis, is utilised to determine a fair market-related remuneration. Individual KPIs are agreed upon annually and contain various elements, as shown on pages 100 to 101.

Remuneration comprises fixed and variable (short- and long-term incentives) remuneration. Short-term incentives have certain parameters, shown on pages 96 and 97, to ensure a performance-based culture. The board and executive committee retain discretion to determine which parameters apply and their weighting to reflect immediate priorities. There will be times when it is appropriate, and in shareholders' best interest, to attach more significant weight to (for example) one or more of production, financial or transformation imperatives as circumstances dictate.

The maximum variable remuneration percentages applied are tabled below.

Position	2016 maximum variable remuneration (as a % of total remuneration)
Chief Executive Officer	Up to 90%
Executive committee and Financial Director	Up to 60%
Senior managers and others approved by the board	Up to 50%

Regulatory requirements taken into account when determining non-executive directors' remuneration include the SA Companies Act, the UK Companies Act, JSE Listings Requirements, King III and the UK Code.

Variable remuneration conditions

Position	Maximum variable remuneration (as a % of total remuneration)	Qualification criteria at 100% achievement
Chief Executive Officer	Up to 90%	60% based on the following production parameters: • Total group gold and PGMs sold – weight 50% • Total group cost per kilogram – weight 30% • Group safety – weight 20% 40% based on personal KPIs determined by the Remco. KPIs relate to pre-determined, definitive outcomes which add tangible value to the group. KPIs for the 2016 financial year are detailed below
Executive committee	Up to 60%	60% based on the following production parameters: • Total group gold and PGMs sold – weight 50% • Total group cost per kilogram – weight 30% • Group safety – weight 20% 40% based on personal KPIs determined by the Chief Executive Officer in consultation with the Remco. KPIs relate to specific pre-determined outcomes
Senior managers at corporate level approved by Remco	Up to 50%	60% based on the following production parameters: • Total group gold and PGMs sold – weight 50% • Total group cost per kilogram – weight 30% • Group safety – weight 20% 40% based on personal KPIs which relate to specific pre-determined outcomes set by the Chief Executive Officer
Senior managers at operational level approved by Remco	Up to 50%	80% based on the following production parameters per individual operation: • Total gold or PGMs sold – weight 50% • Total cost per kilogram – weight 30% • Operational safety – weight 20% 20% based on personal KPIs which relate to specific pre-determined outcomes set by the Chief Operating Officer and General Manager

Executive director operational and personal KPI performance analysis

2016 financial year

Executive director	Cost to company ZAR	Production parameters %	Personal KPIs %	Total incentive %	Evidence of achievement (note 1)	Contractual 2016 ZAR incentive	Transaction bonus ZAR (note 2)	Total 2016 ZAR incentive
Cobus Loots *(Chief Executive Officer)*	3,500,000	36.7 (max 54)	36 (max 36)	72.7 (max 90)	**Production parameters per operation are weighted on budgeted profit contribution:** • Barberton Mines production and safety 31.53% (max 34.06%) • Evander Mines production and safety 4.73% (max 17.78%) • Phoenix Platinum production and safety 0.44% (max 2.16%) **Personal KPIs:** • Successful conclusion of the Uitkomst Colliery transaction before 30 June 2016: *Transaction was successfully concluded on 31 March 2016. Percentage achieved – 18% (max 18%)* • Conclusion of wage negotiations at all of the operations: *Multi-year agreements concluded with the NUM, AMCU and UASA within the approved board mandates. Percentage achieved – 18% (max 18%)*	2,544,500	4,000,000	6,544,500
Deon Louw *(Financial Director)*	2,750,000	24.5 (max 36)	24 (max 24)	48.5 (max 60)	**Production parameters per operation are weighted on budgeted profit contribution:** • Barberton Mines production and safety 21% (max 22.7%) • Evander Mines production and safety 3.2% (max 11.9%) • Phoenix Platinum production and safety 0.3% (max 1.4%) **Personal KPIs:** • Facilitation of an action plan to improve efficiencies and production at Evander Mines: *Gold production increased by 30.8%. Percentage achieved – 12% (max 12%)* • Facilitation of and ensuring that the due diligence process with regard to a potential gold acquisition is completed by 30 June 2016: *Due diligence and valuation timeously completed, however negotiations terminated. Percentage achieved – 12% (max 12%)*	1,333,750	2,000,000	3,333,750

Note 1: In addition to the initial KPIs agreed for the 2016 financial year, Remco also noted the following achievements when assessing executive director performance for the 2016 financial year:
- *Material production improvements at Evander Mines and Barberton Mines*
- *Successful completion of due diligence on a potential gold acquisition target*
- *ETRP operating in accordance with and better than initial project expectations*
- *Progress with addressing safety challenges in group companies*
- *Evander Mines successfully concluded profitable refining contract for secondary gold resources obtained from the Kinross CIL plant (example: gold recovered from mill floor etc.)*

Note 2: Following the conclusion of the high value and earnings-accretive Shanduka Gold transaction and related vendor consideration placement of Pan African Resources shares, the Remco noted the value created for shareholders exceeded ZAR800 million or approximately 17% of Pan African Resources' market capitalisation. In light of this, Remco deemed it appropriate to review the executive director's remuneration to include a transaction bonus following the successful conclusion of this transaction.

2015 financial year

Executive director	Cost to company ZAR	Production parameters %	Personal KPIs %	Total incentive %	Evidence of achievement	Total ZAR incentive
Cobus Loots *(Chief Executive Officer)*	3,500,000	6.4 (max 22)	33 (max 33)	39.4 (max 55)	**Production parameters per operation are weighted on budgeted ounces produced:** • Barberton Mines production and safety 3.7% (max 12.1%) • Evander Mines production and safety 1.8% (max 9%) • Phoenix Platinum production and safety 0.9% (max 0.9%) **Personal KPIs:** • All subsidiaries to achieve a minimum of 40% HDSA representation in the specific DOL categories: *All subsidiaries above the 40% requirement. Barberton Mines Manco at 44%, Evander Mines' Manco at 56%, Phoenix Platinum's Manco at 100% and all other groupings as defined by the DOL were above 40%. Percentage achieved – 16.5% (max 16.5%)* • Implement at least one value-accretive transaction/structure for the Pan African Resources group: *Operational gold trading and conclusion of two concentrate gold sales. Percentage achieved – 8.25% (max 8.25%)* • Present and have approved at least one investment opportunity to the Pan African Resources board: *Two opportunities presented and approved by the board. Percentage achieved 8.25% (max 8.25%)*	1,379,000
Deon Louw *(Financial Director)* (note 1)	2,750,000	7 (max 24)	36 (max 36)	43 (max 60)	**Production parameters per operation are weighted on budgeted profit contribution:** • Barberton Mines production and safety 4% (max 13.2%) • Evander Mines production and safety 2% (max 9.8%) • Phoenix Platinum production and safety 1% (max 1.0%) **Personal KPIs:** • Conclude a new revolving credit facility and general banking facilities for the group by 30 June 2015: *Successfully concluded a ZAR800 million revolving credit facility and a ZAR100 million general banking facility before 30 June 2015. Percentage achieved – 18% (max 18%)* • Obtain board approval and implement a group treasury function by 30 June 2015: *Successfully approved and implemented by 30 June 2015. Percentage achieved – 18% (max 18%)*	393,892

Note 1: Deon Louw was appointed on 1 March 2015 and his incentive was calculated on a pro-rata basis.

Executive director service contracts

The Pan African Resources Chief Executive Officer and Financial Director have entered into three-year employment contracts effective 1 March 2015 with the group, and are remunerated in ZAR for services performed. In terms of these contracts no amounts are payable at inception or termination at the end of the contract term. There is no limitation on the number of times an executive director may stand for board re-election.

Subsequent to financial year-end, the Pan African Resources' Remco and board noted that the executive directors had only 18 months remaining in terms of their current contracts of employment. The board then reviewed the option of extending their contracts for the following purposes:

- Ensuring retention of highly competent and motivated management team
- Ensuring continuity and stability of senior management
- Continuity in executive management remains important in achieving group strategic initiatives and for the conclusion of imminent projects such as the Elikhulu tailings.

Remco also reviewed the terms of the executive directors' contracts and agreed the following amendments to align contracts to market best practice performance-based remuneration, addressing the following elements:

- Basic remuneration
- Short-term incentives linked to operational performance and personal performance
- Long-term equity-settled performance incentives to ensure individual and group performance which aligns with the interests of shareholders. Such long-term incentives should be linked to shareholder returns relative to Pan African Resources' peers.

New contractual arrangements in respect of the Chief Executive Officer and Financial Director:

Term	Chief Executive Officer	Financial Director
Contract duration	Extended by three years to 28 February 2021 – currently to 28 February 2018	Extended by three years to 28 February 2021 – currently to 28 February 2018
Guaranteed remuneration	Benchmarked, adjusted to 17% below the market mean (PwC Remchannel)	Benchmarked, adjusted to 16% below the market mean (PwC Remchannel)
Short-term annual incentive	Currently a maximum of 90% of annual CTC. Going forward adjusted to a maximum of 110% of annual CTC, however 30% of this bonus is deferred, and only payable 24 months after initial payment (in shares or cash, at Remco election), subject to confirmation that original KPIs and operational performance was correctly recorded and benefited the group as originally anticipated	Currently a maximum of 60% of annual CTC. Going forward adjusted to a maximum of 80% of annual CTC, however 30% of this bonus is deferred, and only payable 24 months after initial payment (in shares or cash, at Remco election), subject to confirmation that original KPIs and operational performance was correctly recorded and benefited the group as originally anticipated
Participation in the group phantom share scheme	No further participation in the phantom share scheme (other than existing allocation) and new long-term incentive as described below	No further participation in the phantom share scheme (other than existing allocation) and new long-term incentive as described below
Minimum shareholding in PAR	Currently no requirement. New requirement is a minimum initial shareholding to the value of ZAR2 million, to be held for a minimum of two years. Requirements to be increased in next financial year	Currently no requirement. New requirement is a minimum initial shareholding to the value of ZAR0.5 million, to be held for a minimum of two years. Requirements to be increased in next financial year
Long-term share incentive	Currently a maximum of 8,000,000 PAR shares, allocated for no consideration over a three-year period and vesting on 28 February 2018. Total of 5,133,333 allocated to date. Currently, allocation is at the discretion of Remco on the basis of group/executive performance New allocation of 5,000,000 PAR shares, vesting over the further additional three-year contract term. Vesting will however be determined by measuring total shareholder return (defined as share price performance and dividends to shareholders) against gold sector peers on an annual basis. Shares vest only when PAR outperforms the sector, with a pro-rata vesting and all shares vesting in the event of an outperformance of 8% or more against peers New long-term incentives therefore vest in approximately five years from date of original issue Remco may elect, at its discretion, in circumstances deemed reasonable/equitable, to apply amended vesting criteria In the event of a significant outperformance of the market (in excess of 8%), Remco may also allocate additional shares	No current allocation New allocation of 3,100,000 PAR shares, vesting over the further three-year contract term. Vesting will however be determined by measuring total shareholder return (defined as share price performance and dividends to shareholders) against gold sector peers. Shares vest only when PAR outperforms the sector, with a pro-rata vesting and all shares vesting in the event of an outperformance of 8% or more against peers. Measurement occurs annually New long-term incentives therefore vest in approximately five years from date of original issue Remco may elect, at its discretion, in circumstances deemed reasonable/equitable, to apply amended vesting criteria In the event of a significant outperformance of the market (in excess of 8%), Remco may also allocate additional shares
Further alignment with shareholders	In the event of a significant acquisition or growth project, Remco will determine a portion of the annual short-term bonus "at risk". If the significant acquisition or growth project does not deliver into initial expectations, after-tax portion of bonus "at risk" is to be refunded by the executive director to the company. In the event that the significant acquisition or growth project performs according to or in excess of expectations, a top-up bonus is payable by the company	In the event of a significant acquisition or growth project, Remco will determine a portion of the annual short-term bonus "at risk". If the significant acquisition or growth project does not deliver into initial expectations, after-tax portion of bonus "at risk" is to be refunded by the executive director to company. In the event that the significant acquisition or growth project performs according to or in excess of expectations, a top-up bonus is payable by the company

Payment for loss of office for executive directors

Notice periods	Notice periods do not exceed six months		
	Upon appointment, Remco can agree on an extended notice period for the first year following appointment		
	Good leaver	**Voluntary resignation**	**Bad leaver**
Circumstances for departure	Retirement, redundancy, death, ill health, injury, disability or as defined by Remco Where departure is on mutually agreed terms, Remco may treat the departing executive as a good leaver. Remco uses its discretion judiciously and shareholders will be notified of any exercise as soon as reasonable		Termination by company for misconduct or poor performance
Salary and benefits for notice period	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or garden leave period	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or garden leave	Immediate termination with no notice period
Bonus accrued prior to termination	Remco applies its discretion as to whether a time prorated bonus award may be made and if the bonus will be paid wholly in cash	Remco applies its discretion as to whether or not to pay out any bonus	No accrued bonus is payable

Prescribed officers

The group's prescribed officers are those individuals who exercise general executive control over and manage a significant portion of the group's business activities or regularly participate, to a material degree, in the exercise of general executive control over a significant portion of the group's business activities. In accordance with these requirements, Pan African Resources' prescribed officers include:

- Anaki Karigeni, Chief Operating Officer
- André van den Bergh, Executive Human Resources
- Casper Strydom, General Manager, Barberton Mines
- Band Malunga, General Manager, Evander Mines
- Bertin McLeod, Plant Manager, Phoenix Platinum.

The prescribed officers' remuneration is disclosed on page 168.

Short- and long-term incentives

Pan African Resources provides both short- and long-term incentives to executives, senior management and other persons approved by the board. The short-term incentives are largely used to incentivise eligible employees, based on operational outcomes that are mainly under management control. The long-term incentive is used to drive performance over the longer term (three to five years) to ensure improved alignment with the group's strategic objectives and long-term sustainability.

Share Appreciation Bonus Plan

The main objective of the Share Appreciation Bonus Plan (Bonus Plan) is to provide appropriate incentives to select employees who are employed at a senior managerial level within the group. This ensures retention of key skills required for the ongoing profitable performance and growth of Pan African Resources and to align management interests with those of shareholders. In terms of the Bonus Plan, select executives and employees (participants) of the group will be allocated notional shares in Pan African Resources. These notional shares will confer the conditional right on the participant to be paid a cash bonus equal to the appreciation in the Pan African Resources share price, from the date of allocation to the date of surrender or deemed surrender of his/her notional shares (share appreciation bonus). The share appreciation bonus will lapse no later than the sixth anniversary of the date that any notional shares were allocated.

However, the participant can elect, subject to approval by Remco, to surrender his/her notional shares and receive the bonus at a date prior to the sixth anniversary date. The bonus will be regarded as remuneration for income tax purposes and will be subject to the deduction of PAYE and all other taxes and contributions.

Salary multiples and total

The total bonus scheme exposure and ceiling levels of eligible employees' participation in the Bonus Plan is proposed by Remco and approved by the board. The multiples agreed to are shown below and Remco is required to monitor Pan African Resources' exposure to the Bonus Plan in a consistent manner.

Position	Multiples applied in determining the number of options to be issued
Executive committee	3.5 times annual cost to company (excluding Chief Executive Officer and Financial Director)
Operations committee	3.0 times annual cost to company
Management committee	2.0 times annual cost to company


CERTIFIED
GOLD
STANDARD
50g.
FINE GOLD
999,9

GOLD and the concept of MONEY

Gold's beauty, scarcity, unique density (no other metal outside the platinum group is as heavy), and the ease at which it could be melted, formed, and measured made it a natural trading medium.

Gold gave rise to the concept of money itself: portable, private, and permanent. Gold and silver in standardised coins came to replace barter arrangements and made trade much easier. Gold increased trade between South Africa and the rest of the world. For the main trading nations, namely Europe and the United States, gold was of value because their currencies were backed by gold. This was known as the gold standard. Under the gold standard, these countries had to keep gold in a bank vault to the value of the currency they issued. For example, if the government of a country wanted to print more money, it had to buy gold to back that money. If that country did not produce gold itself, it had to import gold from another country.

http://www.randrefinery.com/brochures/Rand%20Refinery%20-%20The%20Story%20of%20Gold.pdf

79 **Au** +1 +3

Gold

196.97

2-8-18-32-18-1

Physical attributes of **GOLD**

Gold is a chemical element in the periodic table that has the symbol Au and atomic number 79. Gold is a soft, shiny, yellow, dense, malleable, ductile (trivalent and univalent) transition metal. Gold does not react with most chemicals but is attacked by chlorine, fluorine and aqua regia[1]. The metal occurs as nuggets of gold, or grains of gold in rocks and in alluvial deposits and is one of the coinage metals. Gold is the most malleable (able to be hammered into very thin sheets) and ductile (able to be drawn into a fine wire) of all metals.

It is so malleable that a goldsmith can hammer one ounce of gold into a thin translucent wafer covering more than 100 square feet only five millionths of an inch thick. It would be so thin that 1,000 sheets would be needed to make up the thickness of one newspaper page. Its ductility is equally amazing. One ounce of gold can be drawn into a wire 80,5 kilometres long. Furthermore, only one ounce of this metal is required to plate a thread of copper 1,000 miles long.

Gold is also one of the heaviest metals known. It has a specific gravity of 19.3, which means it weighs 19.3 times as much as an equal volume of water.

Gold is a good conductor of heat and electricity, and is not affected by air and most reagents. Heat, moisture, oxygen, and most corrosive agents have very little chemical effect on gold, making it well suited for use in coins and jewellery; conversely, halogens will chemically alter gold, and aqua regia dissolves gold.

[1] *Aqua regia (royal water in Latin) is a very strong acid. It is made by mixing one part nitric acid and three parts hydrochloric acid. The acid was named by alchemists because it can dissolve the noble metals gold and platinum.*

http://www.randrefinery.com/brochures/Rand%20Refinery%20-%20The%20Story%20of%20Gold.pdf

Gold pouring at Barberton Mines

79 **Au** +1 +3

Gold

196.97

2-8-18-32-18-1

Audit committee report

Introduction

The committee was appointed at the AGM held on 27 November 2015. All the directors are considered by the board to have an independent and objective mindset. In terms of the King Code there are three independent directors. The audit committee comprises two independent directors and an independent chairman of the board is the third member. In terms of the JSE guidelines the chairman is entitled to be a member of the committee as long as the committee is chaired by an independent board director. This situation has arisen as the company has a small number of directors. In terms of the UK Code the audit committee requires a majority of independent members for AIM listed companies.

The committee has reporting responsibilities to the shareholders and the board of directors of Pan African Resources and is accountable to them. It operates in line with a documented charter and complies with all relevant legislation, regulation and governance codes and executes its duties in terms of the requirements of the governance codes in the UK and South Africa. These codes include the UK Code and the King III Code.

The performance of the audit committee is evaluated against the charter annually and a self-evaluation of the committee's effectiveness is performed by the members and reviewed by the board.

The independent non-executive directors of the audit committee are:

- HH Hickey *(Chairperson)*
- T Mosololi
- KC Spencer *(Board Chairman)*

Audit committee responsibilities and duties

The audit and risk committee fulfils its responsibilities and duties as set out in its charter.

The functions of the audit and risk committee include:

- Review of the interim and year-end financial statements and integrated report culminating with a recommendation to the board
- Review of the external audit reports, after audit of the interim and year-end financial statements
- Assess the external auditors' independence and performance
- Authorise the audit fees in respect of the interim and year-end audits
- Specify guidelines and authorise the award of non-audit services to the external auditors
- Review of the internal audit and risk management reports with, when relevant, recommendations being made to the board
- Ensure that a co-ordinated approach to all assurance activities is in place
- Evaluate the appropriateness and effectiveness of risk management, internal controls and the governance processes
- Deal with concerns relating to accounting practices, internal audit, the audit or content of annual financial statements and internal financial controls.

Financial statements

The committee has evaluated the consolidated and separate financial statements for the year ended 30 June 2016 and, based on the information provided to the committee, considers that the consolidated and separate financial statements comply, in all material respects, with the requirements of the UK Companies Act and IFRS. The requirements from King III are being continuously assessed and improved with significant issues resolved.

Risk management

The committee is responsible for ensuring that a risk management process is in place. The board focuses on risk management during the strategy and business planning phase. The audit committee considers the risks when the interim results and final results are produced. The business units produce and evaluate their risks quarterly. Continued efforts to improve the risk management process are ongoing.

The key risks (amongst others) reviewed by the audit committee during this audit were:

- Revenue recognition and management override risks that are considered to be generic risks that need continuous focus
- Going concern is another key focus area and is extremely important when the economic climate is difficult and impairment of assets needs due consideration. In addition, the operating environment is one of the increasing costs that puts a strain on our businesses and there is a great deal of uncertainty in relation to the current labour environment. The audit committee reviewed management's assumptions and considered the group's disclosure on a going concern basis. The auditors' report on the matter was carefully considered and the committee concluded that the company is a going concern and made this recommendation to the board
- The committee reviewed the annual financial statements and the non-financial information in the integrated report and web-based information and concluded the key risks have been appropriately reported on.

Subsidiary companies

The functions of the audit committee are also performed for each subsidiary company of the group that has not appointed an audit committee.

External auditor

The committee nominated Deloitte LLP as the statutory auditor and Deloitte & Touche SA for JSE reporting requirement purposes, for reappointment as external auditors of Pan African Resources.

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

The audit committee, in consultation with executive management, agreed to the terms of engagement. The audit fee for the external audit has been considered and approved for the 2016 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

The directors have considered the functioning of Pan African Resources' financial department and believe that it functions effectively, with the required controls and systems in place.

The committee has assessed and is satisfied that Deon Louw has the appropriate skill, expertise and experience as required by paragraph 3.84(h) of the JSE Listings Requirement.

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. 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 auditors are invited to attend each audit committee meeting.

The focus for the year under review has been on obtaining assurance on the following:

- Alignment of the group's internal control and information technology policies and procedures
- Review of key risk areas within the control environment and investigations where this was necessary at the specific operations
- Follow-up reviews on previously identified control weaknesses and areas of concern.

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
Audit committee Chairperson

20 September 2016

Directors' statement of responsibility

The directors are responsible for preparing the integrated 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 (IFRSs) 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 EU. 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 and of the profit or loss of the group for that period.

In preparing these financial statements, the IAS 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 or conditions on the entity's financial position and financial performance
- Make an assessment of the group'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 group's transactions, disclose with reasonable accuracy at any time the financial position of the group, and ensure that the financial statements comply with the UK Companies Act. They are also responsible for safeguarding the assets of the company and therefore responsible 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.

Certificate of the Company Secretary

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

St James's Corporate Services Limited

St James's Corporate Services Limited
Company Secretary

20 September 2016

Directors' report

The directors present their integrated annual report and the audited financial statements for the year ended 30 June 2016.

Principal activities

The group's principal activity during the year was mining. A full review of the activities of the business and of future prospects is contained in the Chief Executive Officer's report that accompanies these financial statements, with financial and non-financial key performance indicators shown on page 100.

Results and dividends

The results for the year are disclosed in the consolidated statement of comprehensive income on page 115. The salient features of these results can be found on page 1.

The group paid a final dividend of ZAR210 million or GBP9.7 million (2014: ZAR258 million or GBP14.9 million) on 24 December 2015 relating to the 2015 financial year, equating to ZAR0.11466 or 0.53 pence (2014: ZAR0.14100 or 0.82 pence).

Proposed final dividend for approval at the AGM

The board has proposed an increased final dividend of ZAR300 million or approximately GBP16 million, equating to ZAR0.15438 per share or approximately 0.82338 pence per share. This dividend is subject to approval at the AGM, which will take place on 25 November 2016.

The GBP proposed final dividend was calculated based on 1,943,206,554 total shares in issue and an illustrative exchange rate of ZAR18.75:1. Shareholders on the London register should note that a revised exchange rate will be communicated prior to approval at the AGM.

The local dividend tax rate is fifteen percent per ordinary share for shareholders who are liable to pay the dividend tax, resulting in a net dividend of ZAR0.13123 per share, and foreign investors who qualify for a lower dividend tax rate, subject to completing a dividend tax declaration and submitting it to Computershare Limited and Capita Asset Services, who managed the SA and UK registers respectively.

The company's South African income tax reference number is 9154588173 and it has 1,943,206,554 shares currently in issue.

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 target credit days are 30 days from statement date.

Employment policy

Details of the group's employment policies are provided on pages 70 to 72.

Capital structure

The company's issued share capital as at 30 June 2016, together with details of share allotments and issue of treasury shares during the year, is set out in note 24 on page 148.

Purchase of own shares

During the year, the company acquired a controlling interest of 49.9% in Shanduka Gold Proprietary Limited. As Shanduka Gold held 23.83% of Pan African Resources at the acquisition date, the effect of the transaction was therefore a share buyback. Further details are provided in note 41 to the financial statements.

Risk management

The key business risks for the group have been considered on pages 30 to 33.

A separate risk committee is not considered necessary, as this role is fulfilled by the board, its sub-committees and 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 and other board members have the ability to call 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.

Residual risks include the current South African labour market and associated union rivalry, USD gold price, USD/ZAR exchange rate, government and environmental regulatory frameworks, as well as unforeseen natural disasters.

The board believes that the current processes of identifying and dealing with risks are effective.

Further details of the group's approach to risk management are disclosed on page 30 of the integrated report and in note 30 to the financial statements.

Internal control

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

Internal financial control procedures undertaken by the board include:

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

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

Going concern

The board confirms that the business is a going concern and that it has reviewed the working capital requirements of the business in conjunction with its future funding capabilities for at least the next 12 months, from the date of approval of the annual financial statements, and has found them to be adequate. The group has a ZAR800 million revolving credit facility from a consortium of South African banks (and a two-year accordion option, subject to the bank's credit committee approval, for an additional ZAR300 million facility) and access to general banking facilities of ZAR100 million. At 30 June 2016 the group had borrowing capacity on the revolving credit facility and general banking facilities of ZAR490 million (GBP24.8 million) and ZAR50 million (GBP2.5 million), respectively, to assist in funding working capital requirements. On 1 July 2016 the group secured an additional general banking facility of ZAR85 million (GBP4.3 million) for the Uitkomst Colliery. Management is not aware of any material uncertainties which may cast significant doubt on the group's ability to continue as a going concern. Should the need arise the group can cease discretionary exploration and certain capital expenditure activities to conserve cash in the short to medium term.

Events after the reporting period

No material events occurred after the reporting period review and up to the date of approval of this integrated annual report.

Directors

The following were directors during the year under review:

KC Spencer
(Independent non-executive Chairman)[1]

JAJ Loots *(Chief Executive Officer)*

GP Louw *(Financial Director)*

HH Hickey[1]

T Mosololi[1]

R Smith[1]

[1] *Independent non-executive director.*

Indemnities

To the extent permitted by law and the Articles, the company has made qualifying third-party indemnity provisions for the benefit of its directors during the year, which remain in force at the date of this report. Copies of these indemnities are open for inspection at the company's registered office.

Auditors

Deloitte LLP has been appointed as the statutory auditor and Deloitte & Touche SA has been appointed as auditor for JSE reporting requirements until the conclusion of the next AGM.

Each of the persons who are directors at the date of approval of this integrated annual report confirms that:

- As far as the directors are aware, all relevant information has been provided to the group's auditors
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves 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.

Deloitte LLP and Deloitte & Touche have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the forthcoming AGM.

Approval of financial statements

The board of directors therefore approves the integrated annual report and associated financial statements.

By order of the board

Cobus Loots
Chief Executive Officer

20 September 2016

United Kingdom

We have audited the financial statements of Pan African Resources for the year ended 30 June 2016 which comprise the consolidated and separate statement of profit or loss and comprehensive income, the consolidated and separate statement of financial position, the consolidated and separate statement of cash flows, the consolidated and separate statement of changes in equity and the related notes 1 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 integrated annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of the group's and the parent company's profit for the year then ended
- Have been properly prepared in accordance with IFRS as adopted by the European Union
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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
- The parent company financial statements are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit.

Timothy Biggs FCA
Senior statutory auditor

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

20 September 2016

Independent auditor's report

South Africa

To the shareholders of Pan African Resources

We have audited the consolidated and separate financial statements of Pan African Resources set out on pages 114 to 181, which comprise the statements of financial position as at 30 June 2016, 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 consolidated 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 these 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 about 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 entity'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 policies used and the reasonableness of accounting estimates made by management, 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 as at 30 June 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: MLE Tshabalala
Partner

20 September 2016

Consolidated and separate

Statement of financial position

as at 30 June 2016

		Consolidated		Separate	
	Notes	Audited 30 June 2016 GBP	Audited 30 June 2015 GBP	Audited 30 June 2016 GBP	Audited 30 June 2015 GBP
Assets					
Non-current assets					
Property, plant and equipment and mineral rights	16	**190,725,199**	181,532,780	**–**	–
Other intangible assets	17	**123,235**	202,488	**–**	–
Deferred taxation	29	**1,117,092**	327,748	**–**	–
Long-term inventory	21	**186,861**	–	**–**	–
Goodwill	18	**21,000,714**	21,000,714	**–**	–
Investments	19	**1,269,228**	904,818	**124,200,675**	122,911,964
Rehabilitation trust fund	20	**16,253,708**	16,181,925	**–**	–
		230,676,037	220,150,473	**124,200,675**	122,911,964
Current assets					
Inventories	21	**4,398,813**	3,502,569	**–**	–
Receivables from other group companies	35	**–**	–	**51,716,563**	31,369,774
Current tax asset	26	**848,946**	827,298	**8,469**	141,574
Trade and other receivables	22	**14,042,357**	9,559,010	**57,939**	41,531
Cash and cash equivalents	23	**2,658,947**	3,328,850	**77,660**	888,498
		21,949,063	17,217,727	**51,860,631**	32,441,377
Non-current assets held for sale	36	**66,873**	–	**–**	–
Total assets		**252,691,973**	237,368,200	**176,061,306**	155,353,341
Equity and liabilities					
Capital and reserves					
Share capital	24	**19,432,065**	18,314,947	**19,432,065**	18,314,947
Share premium		**108,936,082**	94,846,046	**108,936,082**	94,846,046
Translation reserve		**(58,583,848)**	(56,402,515)	**(5,875,138)**	(7,382,888)
Share option reserve		**1,035,888**	1,035,888	**897,658**	897,658
Retained earnings		**126,620,650**	110,850,201	**43,496,979**	39,760,855
Realisation of equity reserve		**(10,701,093)**	(10,701,093)	**–**	–
Treasury capital reserve		**(25,376,743)**	–	**–**	–
Merger reserve		**(10,705,308)**	(10,705,308)	**1,560,000**	1,560,000
Other reserves		**317,509**	(70,679)	**317,509**	(70,679)
Equity attributable to owners of the parent		**150,975,202**	147,167,487	**168,765,155**	147,925,939
Total equity		**150,975,202**	147,167,487	**168,765,155**	147,925,939
Non-current liabilities					
Long-term provisions	27	**10,432,986**	12,249,367	**–**	–
Long-term liabilities	28	**18,456,309**	16,312,982	**–**	–
Deferred taxation	29	**40,616,337**	39,288,059	**–**	–
		69,505,632	67,850,408	**–**	–
Current liabilities					
Trade and other payables	25	**18,743,235**	16,799,043	**257,837**	213,861
Current portion of long-term liabilities	28	**6,980,711**	5,047,478	**–**	–
Financial instrument liabilities	30	**5,945,399**	–		
Payable to other group companies	35	**–**	–	**7,038,314**	7,213,541
Current tax liability	26	**541,794**	503,784	**–**	–
		32,211,139	22,350,305	**7,296,151**	7,427,402
Total equity and liabilities		**252,691,973**	237,368,200	**176,061,306**	155,353,341

The financial statements of Pan African Resources, registered number 3937466, were approved by the board of directors on 20 September 2016 and signed on its behalf by:

Cobus Loots
Chief Executive Officer

Deon Louw
Financial Director

Consolidated and separate

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2016

	Notes	Consolidated Audited 30 June 2016 GBP	Consolidated Audited 30 June 2015 GBP	Separate Audited 30 June 2016 GBP	Separate Audited 30 June 2015 GBP
Revenue		**169,360,532**	141,076,883	**–**	–
Gold sales	4	**161,312,220**	135,611,436	**–**	–
Platinum sales	4	**3,480,338**	5,465,447	**–**	–
Coal sales	4	**4,567,974**	–	**–**	–
Realisation costs	4	**(956,709)**	(690,538)	**–**	–
On-mine revenue		**168,403,823**	140,386,345	**–**	–
Gold cost of production	5	**(100,487,340)**	(106,644,655)	**–**	–
Platinum cost of production	5	**(3,456,007)**	(3,768,530)	**–**	–
Coal cost of production	5	**(4,279,735)**	–	**–**	–
Mining depreciation and amortisation	16,17	**(10,456,129)**	(10,337,211)	**–**	–
Mining profit		**49,724,612**	19,635,949	**–**	–
Other (expenses)/income	8	**(12,182,895)**	249,776	**13,421,553**	53,880,947
Loss in associate	19	**–**	(127,950)	**–**	(127,950)
Loss on disposal of associate	19	**–**	(139,970)	**–**	(139,970)
Impairments	19	**–**	(58,424)	**–**	(58,424)
Royalty costs		**(2,799,947)**	(1,647,297)	**–**	–
Net income before finance income and finance costs		**34,741,770**	**17,912,084**	**13,421,553**	53,554,603
Finance income	9	**442,616**	348,959	**79,755**	53,290
Finance costs	9	**(1,448,738)**	(2,458,287)	**(6)**	(13,165)
Profit before taxation	10	**33,735,648**	15,802,756	**13,501,302**	53,594,728
Taxation	13	**(8,233,831)**	(4,132,789)	**(33,810)**	(24,306)
Profit after taxation		**25,501,817**	11,669,967	**13,467,492**	53,570,422
Other comprehensive income (net of taxes):					
Items that may be reclassified subsequently to profit and loss					
Fair value movement on available for sale investment	19	**388,188**	(70,679)	**388,188**	(70,679)
Other movements		**–**	5,529	**–**	–
Foreign currency translation differences		**(2,181,333)**	(8,857,195)	**1,507,750**	(1,700,002)
Total comprehensive income for the year		**23,708,672**	2,747,622	**15,363,430**	51,799,741
Profit attributable to:					
Owners of the parent		**25,501,817**	11,669,967	**13,467,492**	53,570,422
		25,501,817	11,669,967	**13,467,492**	53,570,422
Total comprehensive income attributable to:					
Owners of the parent		**23,708,672**	2,747,622	**15,363,430**	51,799,741
		23,708,672	2,747,622	**15,363,430**	51,799,741
Earnings per share	14	**1.41**	0.64		
Diluted earnings per share	14	**1.41**	0.64		

Consolidated and company

Statement of changes in equity

for the year ended 30 June 2016

	Share capital (Note 24) GBP	Share premium GBP	Translation reserve GBP	Share option reserve GBP
Group				
Balance at 30 June 2014	18,299,947	94,792,516	(47,545,320)	1,154,891
Issue of shares	15,000	53,530	–	–
Total comprehensive income	–	–	(8,857,195)	–
Dividends paid	–	–	–	–
Share based payment – charge for the year	–	–	–	(119,003)
Balance at 30 June 2015	**18,314,947**	**94,846,046**	**(56,402,515)**	**1,035,888**
Issue of shares	**1,117,118**	**15,011,206**	**–**	**–**
Share issue costs	**–**	**(921,170)**	**–**	**–**
Total comprehensive income	**–**	**–**	**(2,181,333)**	**–**
Dividends paid	**–**	**–**	**–**	**–**
Share buyback	**–**	**–**	**–**	**–**
Balance at 30 June 2016	**19,432,065**	**108,936,082**	**(58,583,848)**	**1,035,888**

	Share capital (Note 24) GBP	Share premium GBP	Translation reserve GBP	Share option reserve GBP
Company				
Balance at 30 June 2014	18,299,947	94,792,516	(5,682,886)	1,016,661
Issue of shares	15,000	53,530	–	–
Total comprehensive income	–	–	(1,700,002)	–
Dividends paid	–	–	–	–
Share-based payment – charge for the year	–	–	–	(119,003)
Balance at 30 June 2015	**18,314,947**	**94,846,046**	**(7,382,888)**	**897,658**
Issue of shares	**1,117,118**	**15,011,206**	**–**	**–**
Share issue costs	**–**	**(921,170)**	**–**	**–**
Total comprehensive income	**–**	**–**	**1,507,750**	**–**
Dividends paid	**–**	**–**	**–**	**–**
Balance at 30 June 2016	**19,432,065**	**108,936,082**	**(5,875,138)**	**897,658**

	Retained earnings GBP	Realisation of equity reserve GBP	Treasury capital reserve (Note 41) GBP	Merger reserve GBP	Other reserves GBP	Total GBP
	114,106,005	(10,701,093)	–	(10,705,308)	(5,529)	159,396,109
	–	–	–	–	–	68,530
	11,669,967	–	–	–	(65,150)	2,747,622
	(14,925,771)	–	–	–		(14,925,771)
	–	–	–	–	–	(119,003)
	110,850,201	**(10,701,093)**	**–**	**(10,705,308)**	**(70,679)**	**147,167,487**
	–	**–**	**–**	**–**	**–**	**16,128,324**
	–	**–**	**–**	**–**	**–**	**(921,170)**
	25,501,817	**–**	**–**	**–**	**388,188**	**23,708,672**
	(9,731,368)	**–**	**–**	**–**	**–**	**(9,731,368)**
	–	**–**	**(25,376,743)**	**–**	**–**	**(25,376,743)**
	126,620,650	**(10,701,093)**	**(25,376,743)**	**(10,705,308)**	**317,509**	**150,975,202**

	Retained earnings GBP	Realisation of equity reserve GBP	Treasury capital reserve GBP	Merger reserve GBP	Other reserves GBP	Total GBP
	1,116,204	–	–	1,560,000	–	111,102,442
	–	–	–	–	–	68,530
	53,570,422	–	–	–	(70,679)	51,799,741
	(14,925,771)	–	–	–	–	(14,925,771)
	–	–	–	–	–	(119,003)
	39,760,855	**–**	**–**	**1,560,000**	**(70,679)**	**147,925,939**
	–	**–**	**–**	**–**	**–**	**16,128,324**
	–	**–**	**–**	**–**	**–**	**(921,170)**
	13,467,492	**–**	**–**	**–**	**388,188**	**15,363,430**
	(9,731,368)	**–**	**–**	**–**	**–**	**(9,731,368)**
	43,496,979	**–**	**–**	**1,560,000**	**317,509**	**168,765,155**

Consolidated and separate

Statements of cash flows

for the year ended 30 June 2016

		Consolidated		Separate	
	Notes	Audited 30 June 2016 GBP	Audited 30 June 2015 GBP	Audited 30 June 2016 GBP	Audited 30 June 2015 GBP
Net cash generated from operating activities	38	**28,464,205**	5,364,480	**4,600,543**	39,723,238
Investing activities					
Additions to property, plant and equipment and mineral rights	16	**(14,079,918)**	(19,528,616)	**–**	–
Sale of assets and liabilities to PAR Management Services		**–**	–	**–**	(951,449)
Additions to other intangible assets	17	**(17,248)**	(25,740)	**–**	–
Investments acquired	19	**–**	(1,037,677)	**–**	(1,037,677)
Loans to subsidiaries		**–**	–	**(20,346,789)**	(8,914,156)
Proceeds on disposals of associate		**–**	277,732	**–**	277,732
Proceeds on disposals of property, plant and equipment and mineral rights		**14,620**			
Acquisition of Uitkomst Colliery		**(5,700,402)**			
Treasury share buyback		**(25,299,095)**			
Net cash used in investing activities		**(45,082,043)**	(20,314,301)	**(20,346,789)**	(10,625,550)
Financing activities					
Proceeds from borrowings	28	**38,061,147**	27,898,927	**–**	–
Borrowings repaid	28	**(38,131,957)**	(14,728,154)	**–**	(112,476)
Settlement of equity share option costs	34	**–**	(303,067)	**–**	–
Loans from subsidiaries		**–**	–	**(175,227)**	(28,110,615)
Shares issued	24	**16,128,324**	68,530	**16,128,324**	68,530
Share issue costs		**(921,170)**	–	**(921,170)**	–
Net cash from/(used in) financing activities		**15,136,344**	12,936,236	**15,031,927**	(28,154,561)
Net (decrease)/increase in cash and cash equivalents		**(1,481,494)**	(2,013,585)	**(714,319)**	943,127
Cash and cash equivalents at the beginning of the year		**3,328,850**	5,618,323	**888,498**	1,803,545
Effect of foreign exchange rate changes		**811,591**	(275,888)	**(96,519)**	(1,858,174)
Cash and cash equivalents at the end of the year	23	**2,658,947**	3,328,850	**77,660**	888,498

Notes to the consolidated and separate

Annual financial statements

for the year ended 30 June 2016

1. General information

Pan African Resources is a company incorporated in England and Wales under the UK Companies Act. The company has a dual primary listing on the AIM of the LSE and JSE. The nature of the group's operations and its principal activities relate to gold, PGE and coal 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 are 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 IFRS adopted by the EU and South Africa.

The accounting policies listed below apply to both consolidated and separate annual financial statements.

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 in a share-for-share transaction.

IFRS3: Business Combinations defines the acquirer in a business combination as the entity that obtains control. Accordingly, the combination was accounted for as a reverse acquisition.

Going concern

The financial position of the group, its cash flows and liquidity position are described in these financial statements. In addition, note 30 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 in the going concern section of the directors' report.

New and revised IFRS not yet adopted

The group applies all applicable IFRS in preparation of the financial statements. Consequently, all IFRS statements adopted by the EU that were effective at 30 June 2016 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 2016.

Standard	Amendment	Effective date
IFRS 7: Financial Instruments: Disclosures	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	Annual periods beginning on or after 1 January 2015
IAS 39: Financial Instruments: Recognition and Measurement	Amendments for novations of derivatives	Annual periods beginning on or after 1 January 2014

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 and not yet effective as at 30 June 2016.

Standard	Amendment	Effective date
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IFRS 7: Financial Instruments: Disclosures	Amendments resulting from September 2014 Annual Improvements to IFRSs	Annual periods beginning on or after 1 January 2016
IFRS 9: Financial Instruments	Reissue of a complete standard with all the chapters incorporated	Annual periods beginning on or after 1 January 2018
IFRS 10: Consolidated Financial Statements	Amendments on sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IFRS 10: Consolidated Financial Statements	Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IFRS 12: Disclosure of Interests in Other Entities	Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IFRS 15: Revenue from Contracts with Customers	Original issue	Annual periods beginning on or after 1 January 2017
IFRS 15: Revenue from Contracts with Customers	Amendment to defer the effective date to 1 January 2018	Annual periods beginning on or after 1 January 2018
IFRS 15: Revenue from Contracts with Customers	Clarifications to IFRS 15	Annual periods beginning on or after 1 January 2018
IFRS 16: Leases	Original issue	Annual periods beginning on or after 1 January 2019
IAS 1: Presentation of Financial Statements	Amendments arising under the Disclosure Initiative	Annual periods beginning on or after 1 January 2016
IAS 7: Cash Flow Statement	Amendments as result of the Disclosure Initiative	Annual periods beginning on or after 1 January 2017
IAS 12: Income Taxes	Amendments regarding the recognition of deferred tax assets for unrealised losses	Annual periods beginning on or after 1 January 2017
IAS 16: Property, Plant and Equipment	Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	Annual periods beginning on or after 1 January 2016
IAS 16: Property, Plant and Equipment	Amendments to include 'bearer plants' within the scope of IAS 16 rather than IAS 41	Annual periods beginning on or after 1 January 2016
IAS 19: Employee Benefits	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IAS 27: Separate Financial Statements	Amendments relating to equity method in separate financial statements	Annual periods beginning on or after 1 January 2016
IAS 28: Investments in Associates and Joint Ventures	Amendments on sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
IAS 28: Investments in Associates and Joint Ventures	Amendments related to the application of the investment entities exceptions	Annual periods beginning on or after 1 January 2016
IAS 34: Interim Financial Reporting	Amendments resulting from 2012 – 2014 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2016
IAS 38: Intangible Assets	Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	Annual periods beginning on or after 1 January 2016

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 reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of net fair value of the assets, liabilities and contingent liabilities recognised.

Change in ownership interest

In terms of IAS 27: Separate Financial Statements, 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.

Investment in associate

An associate is an entity over which the group and the company have significant influence and that is neither a subsidiary nor an interest in a joint venture.

In the company's separate financial statements, an investment in associate is stated at fair value less impairment losses, if any. An investment in associate is accounted for in the consolidated financial statements using the equity method of accounting. The investment in associate in the consolidated balance sheet is initially recognised at fair value and adjusted thereafter for the post- acquisition change in the group's share of net assets of the investment.

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 orebodies, to define mineralisation in existing orebodies, 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: Property, Plant and Equipment.

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 life of mine or their estimated useful lives.

Depreciation of non-mining assets

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

Research, development, mineral exploration and evaluation costs

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

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

Once these criteria are met, all directly attributable development costs and ongoing 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. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the CGU, pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Taxation

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also recorded within equity, or where they arise from the initial accounting for a business combination. In a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

The carrying amount of deferred tax assets is 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 part of the assets to be recovered.

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

Provisions

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

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

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

Lease assets

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

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

Operating leases

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

Foreign currencies

The group's subsidiaries are incorporated in South Africa and their functional currency is ZAR. The group's business is conducted in ZAR and the accounting records are maintained in this same currency, with the exception of precious metal product sales, which are conducted in USD, prior to conversion into ZAR. The ongoing review of the results of operations conducted by executive management and the board is also performed in ZAR.

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. On consolidation, the group's results are translated into GBP, the presentational currency of the group, at exchange rates prevailing on the reporting date. Monetary assets and liabilities denominated in such other currencies are translated at the rates ruling at the statement of financial position date. Profits and losses arising on exchange are recorded in the statement of comprehensive income. In order to hedge its exposure to foreign exchange risks, the group may enter into forward contracts. On consolidation, the assets and liabilities of the group's foreign operations are translated into pounds sterling at exchange rates ruling at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising from the translation of foreign operations are classified as equity and are recognised as income or expenses in the period in which the operation is disposed 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, PGE concentrate, coal mined prior to washing and post washing, gold, PGE or coal in process and consumable stores.

Bullion, PGE concentrate and coal on hand 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, PGE and coal in process inventories represent materials that are currently in the process of being converted to saleable gold, PGE or coal products. The gold, PGE and coal in process inventories are valued only if they are reliably measurable and are valued at the lower of the average cost of the material fed to process plus the in-process conversion costs and net realisable value.

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 and Evander 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.

Provision for environmental rehabilitation costs

Long-term environmental obligations are based on Barberton Mines, Evander Mines, Phoenix Platinum and the Uitkomst Colliery 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 decommissioning costs

The group provides for decommissioning 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 gold, PGE and coal sold, excluding value added tax, and is recognised when goods are delivered and risk and reward has passed, and is measured at the fair value of the consideration received or receivable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rates applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established. Revenue is recognised when the buyer takes title, provided that:

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

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been negatively impacted.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership 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
- 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
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
- 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
- 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 they expire.

Derivative financial instruments

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

Derivatives are initially recognised at cost at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the 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 the 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 is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line of the statement of comprehensive income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the group revokes the hedging relationships, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Fair value measurement

The assessment of fair value is principally used in accounting for business combinations, impairment testing and the valuation of certain financial assets and liabilities. Fair value is determined based on observable market data (in the case of listed investments, the market share price at 30 June of the respective investments is utilised) or discounted cash flow models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. Where discounted cash flows are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy as defined in IFRS 13: Fair Value Measurement as they depend to a significant extent on unobservable valuation inputs. The determination of assumptions used in assessing the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results. In particular, expected future cash flows, which are used in discounted cash flow models, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including ore reserves and resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

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 asset 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 the 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, PGEs and coal.

3. Critical accounting estimates and judgements

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

Critical accounting estimates and judgements made by management

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

- Estimates made in determining the present obligation of environmental provisions including decommissioning and rehabilitation (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
- Estimates involved in feasibility studies related to exploration and growth projects and hence the recoverability of any related capital expenditure.

4. Revenue

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Gold sales	161,312,220	135,611,436	–	–
Platinum sales	3,480,338	5,465,447	–	–
Coal sales	4,567,974	–	–	–
Realisation costs	(956,709)	(690,538)	–	–
On-mine revenue	168,403,823	140,386,345	–	–
Finance income	442,616	348,959	79,755	53,290
	168,846,439	140,735,304	79,755	53,290

5. Cost of production

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Gold cost of production				
Salaries and wages	(45,115,956)	(47,785,708)	–	–
Processing	(16,991,750)	(14,349,345)	–	–
Electricity	(14,791,254)	(15,089,408)	–	–
Mining	(9,289,873)	(12,676,638)	–	–
Engineering and technical services	(7,424,303)	(7,595,857)	–	–
Administration and other	(4,618,025)	(5,706,416)	–	–
Security	(2,042,705)	(2,154,974)	–	–
Inventory valuation adjustment	(213,474)	(1,286,309)	–	–
	(100,487,340)	(106,644,655)	–	–
Platinum cost of production				
Refining costs	(1,423,196)	(1,415,944)	–	–
Salaries and wages	(940,978)	(1,089,427)	–	–
Processing	(828,616)	(1,005,258)	–	–
Electricity	(195,922)	(208,303)	–	–
Other plant operation costs	(67,295)	(49,598)	–	–
	(3,456,007)	(3,768,530)	–	–
Coal cost of production				
Mining contractor	(1,469,111)	–	–	–
Plant operations	(1,166,769)	–	–	–
Inventory valuation adjustment	(675,571)	–	–	–
Salaries and wages	(321,342)	–	–	–
Transport costs	(334,999)	–	–	–
Administration and other	(204,542)	–	–	–
Electricity	(81,017)	–	–	–
Security and safety	(17,847)	–	–	–
Refining costs	(8,537)	–	–	–
	(4,279,735)	–	–	–

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 or segment, which is subject to risks and rewards that are different to those of other segments. The group's business activities were conducted through six business segments which are separable by geographical locations and operational functions:

- Barberton Mines, located in Barberton South Africa, derives revenue from the sale of gold to South African financial institutions
- Evander Gold Mining Proprietary Limited and Evander Gold Mines Limited (collectively known as Evander Mines), located in Evander South Africa, derive revenue form the sale of gold to South African financial institutions
- Phoenix Platinum, located in the North West province in South Africa, derives revenue from the sale of PGE concentrate to Western Platinum Limited (a subsidiary of Lonmin PLC)
- Uitkomst Colliery, located in Newcastle, KwaZulu-Natal, derives revenue from the sale of coal to local and export markets. Uitkomst Colliery was effectively consolidated into the group, from 1 April 2016
- Corporate office and growth projects, which includes PAR Gold, derives revenue from management fees resulting from providing management and administration services to other group companies. Management fee income is disclosed in other expenses (refer to note 8)
- Funding Company provides treasury function activities for the group.

The executive committee reviews the operations in accordance with the disclosures presented below.

Year ended 30 June 2016

	Barberton Mines GBP	Evander Mines GBP	Phoenix Platinum GBP	Uitkomst Colliery GBP	Corporate office and growth projects GBP	Funding Company GBP	Consolidated GBP
Revenue							
Gold sales[1]	89,596,245	71,715,975	–	–	–	–	161,312,220
Platinum sales	–	–	3,480,338	–	–	–	3,480,338
Coal sales	–	–	–	4,567,974	–	–	4,567,974
Realisation costs	(398,937)	(557,772)	–	–	–	–	(956,709)
On-mine revenue	89,197,308	71,158,203	3,480,338	4,567,974	–	–	168,403,823
Cost of production	(45,461,824)	(55,025,516)	(3,456,007)	(4,279,735)	–	–	(108,223,082)
Depreciation	(3,562,121)	(6,433,405)	(311,870)	(148,733)	–	–	(10,456,129)
Mining profit	40,173,363	9,699,282	(287,539)	139,506	–	–	49,724,612
Other (expenses)/income[2]	(7,253,912)	873,481	(249,773)	233,905	(5,867,371)	80,775	(12,182,895)
Loss from associate	–	–	–		–	–	–
Loss on disposal of associate/ asset held for sale	–	–	–		–	–	–
Impairment costs	–	–	–	–	–	–	–
Royalty costs	(2,450,505)	(332,918)	–	(16,524)	–	–	(2,799,947)
Net income/(loss) before finance income and finance costs	30,468,946	10,239,845	(537,312)	356,887	(5,867,371)	80,775	34,741,770
Finance income	13,380	27,840	448	8,823	79,755	312,370	442,616
Finance costs	(6,048)	(7,383)	(489)	–	(7)	(1,434,811)	(1,448,738)
Profit/(loss) before taxation	30,476,278	10,260,302	(537,353)	365,710	(5,787,623)	(1,041,666)	33,735,648
Taxation	(8,492,721)	(757,683)	118,266	226,037	701,414	(29,144)	(8,233,831)
Profit/(loss) after taxation before inter-company charges	21,983,557	9,502,619	(419,087)	591,747	(5,086,209)	(1,070,810)	25,501,817
Inter-company transactions							
Management fees	(1,439,394)	(1,137,529)	(107,226)	(65,734)	2,749,883	–	–
Inter-company interest charges	(331,029)	(750,800)	79,849	7,489	(135,868)	1,130,359	–
Profit after taxation after inter-company charges	20,213,134	7,614,290	(446,464)	533,502	(2,472,194)	59,549	25,501,817

[1] *All gold sales were made in the Republic of South Africa and the majority of revenue (more than 90%) was generated from South African financial institutions through its Funding Company.*

[2] *Other expenses exclude inter-company management fees and dividends.*

6. Segmental analysis continued

Year ended 30 June 2015

	Barberton Mines GBP	Evander Mines GBP	Phoenix Platinum GBP	Corporate office and growth projects GBP	Funding Company GBP	Consolidated GBP
Revenue						
Gold sales[1]	81,609,692	54,001,744	–	–	–	135,611,436
Platinum sales	–	–	5,465,447	–	–	5,465,447
Coal sales	–	–	–	–	–	–
Realisation costs	(534,421)	(156,117)	–	–	–	(690,538)
On-mine revenue	81,075,271	53,845,627	5,465,447	–	–	140,386,345
Cost of production	(50,434,360)	(56,210,295)	(3,768,530)	–	–	(110,413,185)
Depreciation	(4,008,467)	(5,963,752)	(364,992)	–	–	(10,337,211)
Mining profit	26,632,444	(8,328,420)	1,331,925	–	–	19,635,949
Other (expenses)/income[2]	(966,703)	5,057,581	(163,390)	(3,676,779)	(933)	249,776
Loss from associate	–	–	–	(127,950)	–	(127,950)
Loss on disposal of associate/asset held for sale	–	–	–	(139,970)	–	(139,970)
Impairment costs	–	–	–	(58,424)	–	(58,424)
Royalty costs	(1,595,802)	(51,495)	–	–	–	(1,647,297)
Net income/(loss) before finance income and finance costs	24,069,939	(3,322,334)	1,168,535	(4,003,123)	(933)	17,912,084
Finance income	109,514	167,047	11,186	53,290	7,922	348,959
Finance costs	(246,094)	(918,923)	(1,136)	(13,164)	(1,278,970)	(2,458,287)
Profit/(loss) before taxation	23,933,359	(4,074,210)	1,178,585	(3,962,997)	(1,271,981)	15,802,756
Taxation	(5,956,861)	2,270,046	(336,438)	(89,033)	(20,503)	(4,132,789)
Profit/(loss) after taxation before inter-company charges	17,976,498	(1,804,164)	842,147	(4,052,030)	(1,292,484)	11,669,967
Inter-company transactions						
Management fees	(1,666,667)	(1,248,661)	(152,777)	3,068,105	–	–
Inter-company interest charges	(57,776)	(1,230,251)	(4,605)	(16,450)	1,309,082	–
Profit after taxation after inter-company charges	16,252,055	(4,283,076)	684,765	(1,000,375)	16,598	11,669,967

[1] *All gold sales were made in the Republic of South Africa and the majority of revenue (more than 90%) was generated from South African financial institutions through its Funding Company.*

[2] *Other expenses exclude inter-company management fees and dividends.*

6. Segmental analysis continued

Year ended 30 June 2016

	Barberton Mines GBP	Evander Mines GBP	Phoenix Platinum GBP	Uitkomst Colliery GBP	Corporate office and growth projects GBP	Funding Company GBP	Consolidated GBP
Segmental assets							
Total assets excluding goodwill	56,651,503	146,201,423	9,991,120	15,034,211	3,180,048	632,954	231,691,259
Segmental liabilities	27,035,796	48,372,120	883,249	4,545,415	5,154,888	15,725,303	101,716,771
Goodwill	21,000,714	–	–	–	–	–	21,000,714
Net assets (excluding goodwill)	29,615,707	97,829,303	9,107,871	10,488,796	(1,974,840)	(15,092,349)	129,974,488
Capital expenditure	6,513,408	7,179,831	316,726	40,251	46,950	–	14,097,166

Year ended 30 June 2015

	Barberton Mines GBP	Evander Mines GBP	Phoenix Platinum GBP	Corporate office and growth projects GBP	Funding Company GBP	Consolidated GBP
Segmental assets						
Total assets excluding goodwill	55,423,588	146,705,365	10,850,893	2,454,933	932,707	216,367,486
Segmental liabilities	21,528,152	52,987,201	933,751	1,973,835	12,777,774	90,200,713
Goodwill	21,000,714	–	–	–	–	21,000,714
Net assets (excluding goodwill)	33,895,436	93,718,164	9,917,142	481,098	(11,845,067)	126,166,773
Capital expenditure	6,258,248	13,231,962	31,355	32,791	–	19,554,356

7. Operating leases

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

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Not later than one year	**175,799**	195,374	**–**	–
Later than one year and no later than five years	**400,054**	536,793	**–**	–
	575,853	732,167	**–**	–
Minimum lease payments under operating leases recognised as an expense in the year	**123,307**	100,947	**–**	82,639

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

The majority of the group's lease arrangements relate to the copier machines leased at the mining operations. The only material operating lease relates to the corporate office. During the prior year the existing lease agreement for the corporate office was renewed under a separate group entity and has the following terms as at 30 June 2016:

Duration of lease	5 years
Commencement of lease	1 April 2015
Remaining lease term	45 months
Escalation rate	8%
Tenant	Pan African Resources Management Services Company Proprietary Limited
Landlord	Investec Property Fund Limited
Monthly lease payments	GBP9,496

8. Other (expenses)/income

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Dividends received – subsidiary	–	–	13,892,774	54,709,384
Dividends received – other investments	45,370	34,969	45,370	34,969
Management fees	41,042	–	–	–
Foreign exchange (loss)/gain	(5,115)	(41,266)	(1,677)	(2,282)
Operating leases	(123,307)	(100,947)	–	(82,639)
Non-mining depreciation	(36,617)	(49,094)	–	–
Non-executive directors' emoluments	(196,960)	(139,508)	(196,960)	(139,508)
Executive directors' emoluments	(763,329)	(1,042,762)	–	–
Equity-settled share option expense (refer to note 34)	–	(184,064)	–	–
Cash-settled share option expense (refer to note 28)	(5,274,697)	(294,627)	–	–
Auditors' fees	(177,158)	(164,003)	(70,204)	(61,024)
Salaries corporate office	(1,348,966)	(683,902)	–	–
Investor and public relations	(91,228)	(162,945)	(2,188)	(39,768)
New business	(164,223)	(278,418)	12,358	(165,541)
Legal fees	(74,685)	(104,582)	(12,359)	(57,565)
Community projects	(980,537)	(1,154,892)	–	–
(Losses)/profits arising from realised and unrealised financial instruments (refer to note 30)	(5,307,692)	2,486,608	–	–
Profit/(loss) on disposal of assets	2,767	(149)	–	–
Rehabilitation trust fund fair value adjustments	414,955	1,827,253	–	–
Rehabilitation provision adjustment	1,780,288	–	–	–
Other net (expense)/income	77,197	302,105	(245,561)	(315,079)
	(12,182,895)	249,776	13,421,553	53,880,947

9. Finance income/(costs)

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Interest received – bank	**423,004**	205,249	**76,396**	53,290
Interest received – other	**6,260**	87,222	**3,359**	–
Interest income – rehabilitation trust fund	**13,352**	56,488	**–**	–
	442,616	348,959	**79,755**	53,290
Interest expense – bank	**(1,441,307)**	(1,278,970)	**(6)**	(13,165)
Interest expense – SARS	**(47)**	(34,748)	**–**	–
Interest expense – rehabilitation provision	**–**	(1,094,191)	**–**	–
Interest expense – other	**(7,384)**	(50,378)	**–**	–
	(1,448,738)	(2,458,287)	**(6)**	(13,165)
Net finance (expense)/income	**(1,006,122)**	(2,109,328)	**79,749**	40,125

10. Profit before taxation

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Management fee (income)/expense – Shanduka (refer to note 35)	**–**	240,480	**–**	–
Equity-settled share option expense (refer to note 34)	**–**	184,064	**–**	–
Cash-settled share options expense (refer to note 28)	**5,274,697**	294,627	**–**	–
Mining depreciation	**10,456,129**	10,337,211	**–**	–
Impairment costs	**–**	58,424	**–**	58,424
Staff costs	**48,490,571**	50,601,799	**–**	–
Royalty costs	**2,799,947**	1,647,297	**–**	–
(Losses)/profits arising from realised and unrealised financial instruments (refer to note 30)	**(5,307,692)**	2,486,608	**–**	–
New business	**164,223**	278,418	**(12,358)**	165,541
Operating leases	**123,307**	100,947	**–**	82,639

11. Auditors' remuneration

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Fees payable to the company's auditors for the audit of the company's annual financial statements	**1,049**	1,167	**1,049**	1,167
Audit of the consolidated financial statements	**49,139**	45,758	**49,139**	45,758
Audit of the company's subsidiaries pursuant to legislation	**119,697**	110,122	**–**	–
Under provision of audit fee in the prior year	**7,273**	6,956	**20,016**	14,099
Total audit fees	**177,158**	164,003	**70,204**	61,024
Other services rendered by the auditors				
External auditors	**9,336**	16,689	**9,336**	16,689
Internal auditors	**61,360**	39,017	**–**	–
Total non-audit fees	**70,696**	55,706	**9,336**	16,689

All audit fees were paid within South Africa with the exception of GBP50,300 (2015: GBP42,500) which was paid in the United Kingdom.

12. Staff costs

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Their aggregate remuneration comprised:				
Salaries and wages	**43,693,897**	45,098,239	**–**	–
Other retirement costs (refer to note 31)	**4,796,674**	5,503,560	**–**	–
	48,490,571	50,601,799	**–**	–

	Consolidated			
	Year ended 30 June 2016 Average	Year ended 30 June 2016 Closing	Year ended 30 June 2015 Average	Year ended 30 June 2015 Closing
Operating cost employees were:				
Corporate	**14**	**14**	14	14
Evander Mines	**2,150**	**2,144**	2,247	2,239
Phoenix Platinum	**3**	**3**	3	3
Uitkomst Colliery	**114**	**115**	–	–
Barberton Mines	**1,705**	**1,716**	1,675	1,692
	3,986	**3,992**	3,939	3,948
Capital employees				
Barberton Mines	**184**	**175**	192	190
Evander Mines	**275**	**274**	203	188
	459	**449**	395	378
Total number of employees	**4,445**	**4,441**	4,334	4,326

13. Taxation

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Income tax expense				
South African normal taxation				
– current year	**9,723,940**	5,456,327	**33,810**	24,306
– prior year	**(92,806)**	(86,758)	**–**	–
Deferred taxation				
– current year	**(1,397,303)**	(1,236,780)	**–**	–
Total taxation charge	**8,233,831**	4,132,789	**33,810**	24,306
Profit before taxation	**33,735,648**	15,802,756	**13,501,302**	53,594,728
Taxation at the domestic taxation rate of 28%	**9,445,982**	4,424,772	**3,780,365**	15,006,524
Taxation rate differential	**(1,298,697)**	122,889	**–**	–
Exempt income	**–**	–	**(3,745,330)**	(14,983,971)
Non-deductible expenses	**179,352**	(344,288)	**–**	–
(Overprovision)/underprovision – prior year	**(92,806)**	(70,584)	**–**	–
Tax effect of utilisation of tax losses	**–**	–	**(1,225)**	1,753
Taxation expense for the year	**8,233,831**	4,132,789	**33,810**	24,306
Effective taxation rates	**%**	%	**%**	%
South African statutory rate	**28.00**	28.00	**28.00**	28.00
Taxation rate differential	**(3.85)**	0.78	**–**	–
Exempt income	**–**	–	**(27.74)**	(27.96)
Non-deductible expenses/(exempt income)	**0.53**	(2.18)	**–**	–
(Overprovision)/underprovision – prior year	**(0.28)**	(0.45)	**–**	–
Tax effect of utilisation of tax losses	**–**	–	**(0.01)**	–
Effective taxation rate	**24.4**	26.15	**0.25**	0.04

There are no significant unrecognised temporary differences associated with undistributed profits of overseas subsidiaries. South African income 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 these deductions 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. At year-end the group has the following unredeemed capital expenditure carried forward and deductible against future profits, held within Phoenix Platinum and Evander Mines (due to the expenditure on the ETRP and other projects).

	Consolidated	
	30 June 2016 GBP	30 June 2015 GBP
Phoenix Platinum	**5,008,780**	4,967,775
Evander Mines	**13,515,292**	16,684,726
	18,524,072	21,652,501
At year-end the group has the following assessed losses carried forward		
Evander Mines	**–**	4,565,108
Phoenix Platinum	**75,348**	77,222
Total	**75,348**	4,642,330

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. Dilutive earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumptions of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

	Net profit GBP	Weighted average number of shares[3]	Earnings per share Pence
Year ended 30 June 2016			
Basic earnings per share	**25,501,817**	**1,811,427,377**	**1.41**
Dilutive potential ordinary shares	**–**	**489,558**	**–**
Diluted earnings per share	**25,501,817**	**1,811,916,935**	**1.41**
Year ended 30 June 2015			
Basic earnings per share	11,669,967	1,830,422,160	0.64
Dilutive potential ordinary shares	–	545,106	(0.00)
Diluted earnings per share	11,669,967	1,830,967,266	0.64

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 GBP	Weighted average number of shares[3]	Earnings per share Pence
Year ended 30 June 2016			
Earnings as reported	**25,501,817**	**1,811,427,377**	**1.41**
Adjustments[1]:			
Impairment costs	**–**	**–**	**–**
(Profit)/loss on sale of property, plant and equipment and mineral rights	**(2 767)**	**–**	**–**
Loss on disposal of associate/asset held for sale	**–**	**–**	**–**
Headline earnings per share[2]	**25 499 050**	**1,811,427,377**	**1.41**
Dilutive potential ordinary shares	**–**	**489,558**	**–**
Diluted headline earnings per share	**25 499 050**	**1,811,916,935**	**1.41**
Year ended 30 June 2015			
Earnings as reported	11,669,967	1,830,422,160	0.64
Adjustments[1]:			
Impairment costs	58,424	–	–
(Profit)/loss on sale of property, plant and equipment and mineral rights	149	–	–
Loss on disposal of associate/asset held for sale	139,970	–	0.01
Headline earnings per share[2]	11,868,510	1,830,422,160	0.65
Dilutive potential ordinary shares	–	545,106	(0.00)
Diluted headline earnings per share	11,868,510	1,830,967,266	0.65

[1] *The adjustments accounted for did not have any taxation impact to the group.*
[2] *Headline earnings per share is required to be disclosed in terms of the Listings Requirements of the JSE Limited.*
[3] *The shares take into account a reduction of the treasury shares of 436,358,085 only for 24 days to 30 June 2016, in the weighted average calculation.*

14. Earnings per share continued

	Consolidated	
	30 June 2016 Pence	30 June 2015 Pence
Net asset value per share	10.02	8.04
Tangible net asset value per share[1]	5.83	3.56

[1] *Total assets less goodwill, non-current assets held for sale, non-current liabilities, current liabilities and mineral rights and mining property.*

15. Dividends

Historical dividends

The group paid a final dividend of ZAR210 million or GBP9.7 million (2014: ZAR258 million or GBP15.8 million) on 24 December 2015 relating to the 2015 financial year, equating to ZAR0.11466 or 0.53 pence (2014: ZAR0.14100 or 0.82 pence).

Proposed dividend for approval at the AGM

The board has proposed a dividend of ZAR300 million or GBP16 million, equating to ZAR0.15438 per share or 0.82338 pence per share. This dividend is subject to approval at the AGM, which will take place on Friday, 25 November 2016.

Assuming the dividend is approved by the shareholders, the following salient dates would apply:

Currency conversion date	Wednesday, 11 October
Last date to trade on the exchanges	Tuesday, 6 December
Ex-dividend date on the JSE	Wednesday, 7 December
Ex-dividend date on the LSE	Thursday, 8 December
Record date	Friday, 9 December
Payment date	Thursday, 22 December

- The GBP proposed final dividend was calculated based on 1,943,206,554 total shares in issue and an illustrative exchange rate of ZAR18.75:1. Shareholders on the London register should note that a revised exchange rate will be communicated prior to approval at the AGM.
- No transfers between the Johannesburg and London registers between the commencement of trading on Monday, 5 December 2016 and close of business on Friday, 9 December 2016 will be permitted.
- No shares may be dematerialised or rematerialised between Wednesday, 7 December 2016 and Friday, 9 December 2016, both days inclusive.

The South African dividend tax rate is fifteen percent per ordinary share for shareholders who are liable to pay the dividends tax, resulting in a net dividend of ZAR0.13122 per share for these shareholders. Foreign investors may qualify for a lower dividend tax rate, subject to completing a dividend tax declaration and submitting it to Computershare Limited or Capita PLC who manage the SA and UK register, respectively. The company's South African income tax reference number is 9154588173 and it has 1,943,206,554 shares currently in issue.

Following the approval of the financial statements, the company released an announcement on 13 October 2016 confirming that the exchange rate for conversion of the ZAR dividend into GBP will be fixed at a rate of ZAR17.5787.

16. Property, plant and equipment and mineral rights

	Land[1] GBP	Mineral rights and mining property[4] GBP	Exploration assets[3] GBP
Group			
Cost			
Balance at 30 June 2014	1,969,970	41,192,425	32,899,922
Transfer to intangibles	–	–	–
Transfer from exploration assets	–	6,758,500	(6,758,500)
Transfer from assets under construction	–	–	–
Additions	–	–	–
Disposal	–	–	–
Foreign currency translation reserve	(131,672)	(3,208,512)	(1,743,774)
Balance at 30 June 2015	1,838,298	44,742,413	24,397,648
Acquired from Uitkomst Colliery	**–**	**7,675,739**	**–**
Transfer to asset held for sale	**–**	**–**	**–**
Transfers	**85,745**	**–**	**–**
Additions	**–**	**–**	**–**
Disposal	**–**	**–**	**–**
Foreign currency translation reserve	**(44,609)**	**(591,572)**	**(592,056)**
Balance at 30 June 2016	**1,879,434**	**51,826,580**	**23,805,592**
Accumulated depreciation and impairment			
Balance at 30 June 2014	–	(7,755,450)	–
Charge for the year[2]	–	(1,248,676)	–
Disposal	–	–	–
Transfers	–	–	–
Foreign currency translation reserve	–	602,478	–
Balance at 30 June 2015	–	(8,401,648)	–
Charge for the year[2]	**–**	**(1,396,679)**	**–**
Disposal	**–**	**–**	**–**
Transfers	**–**	**–**	**–**
Foreign currency translation reserve	**–**	**85,962**	**–**
Balance at 30 June 2016	**–**	**(9,712,365)**	**–**
Carrying amount			
At 30 June 2015	1,838,298	36,340,765	24,397,648
At 30 June 2016	**1,879,434**	**42,114,215**	**23,805,592**

[1] *Details of land are maintained in a register held at the offices of Barberton Mines, Evander Mines and Phoenix Platinum, 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.*

[2] *A total depreciation and amortisation charge of GBP10,456,129 has been recognised in the statement of profit or loss (2015: GBP10,337,211) and includes direct mining depreciation of GBP10,384,476 (2015: GBP10,185,964) as per below:*

[3] *Exploration assets comprise Evander South, Rolspruit and Poplar arising from the acquisition of Evander Mines for which the technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable.*

[4] *Surface tailings relate to long-term inventory tailings upon purchase of the Harper tailing storage facility located at Fairview in Barberton Mines.The surface tailings will be amortised once remining occurs through the BTRP.*

	Building and infrastructure GBP	Plant and machinery GBP	Capital under construction GBP	Shafts and exploration GBP	Surface tailings[4] GBP	Other GBP	Total GBP
	28,657,037	69,307,094	16,894,645	27,657,907	555,247	208,341	219,342,588
	–	(141,946)	–	–	–	–	(141,946)
	–	–	–	–	–	–	–
	–	23,551,820	(23,588,815)	–	–	36,995	–
	1,172,467	1,872,635	13,231,962	3,241,897	–	9,655	19,528,616
	–	(1,389)	–	–	–	–	(1,389)
	(1,994,393)	(6,335,389)	(431,615)	(2,067,003)	(37,112)	(17,068)	(15,966,538)
	27,835,111	88,252,825	6,106,177	28,832,801	518,135	237,923	222,761,331
	62,828	**1,374,990**	**–**	**–**	**–**	**–**	**9,113,557**
	(66,873)	**–**	**–**	**–**	**–**	**–**	**(66,873)**
	–	**(85,745)**	**–**	**–**	**–**	**–**	**–**
	208,460	**5,855,853**	**4,162,905**	**3,797,567**	**–**	**55,133**	**14,079,918**
	–	**(28,860)**	**–**	**–**	**–**	**(456)**	**(29,316)**
	(653,827)	**(1,562,568)**	**203,289**	**(379,060)**	**(12,574)**	**(1,158)**	**(3,634,135)**
	27,385,699	**93,806,495**	**10,472,371**	**32,251,308**	**505,561**	**291,442**	**242,224,482**
	(2,629,295)	(14,110,617)	(181,173)	(9,162,258)	–	(127,827)	(33,966,620)
	(1,647,040)	(5,940,068)	(280,229)	(1,065,115)	–	(40,076)	(10,221,204)
	–	602	–	–	–	–	602
	–	17,525	–	–	–	(17,525)	–
	286,682	1,342,032	30,985	684,149	–	12,345	2,958,671
	(3,989,653)	(18,690,526)	(430,417)	(9,543,224)	–	(173,083)	(41,228,551)
	(1,551,111)	**(6,104,087)**	**(422,681)**	**(907,139)**	**–**	**(25,252)**	**(10,406,949)**
	–	**11,929**	**–**	**–**	**–**	**–**	**11,929**
	–	**–**	**–**	**–**	**–**	**–**	**–**
	(34,142)	**(59,361)**	**(25,242)**	**154,925**	**–**	**2,146**	**124,288**
	(5,574,906)	**(24,842,045)**	**(878,340)**	**(10,295,438)**	**–**	**(196,189)**	**(51,499,283)**
	23,845,458	69,562,299	5,675,760	19,289,577	518,135	64,840	181,532,780
	21,810,793	**68,964,450**	**9,594,031**	**21,955,870**	**505,561**	**95,253**	**190,725,199**

16. Property, plant and equipment and mineral rights continued

	Land GBP	Mineral rights and mining property GBP	Exploration assets GBP
Company			
Cost			
Balance at 30 June 2014	–	–	–
Sale of assets and liabilities to subsidiary[1]	–	–	–
Foreign currency translation reserve	–	–	–
Balance at 30 June 2015	–	–	–
Accumulated depreciation and impairment			
Balance at 30 June 2014	–	–	–
Sale of assets and liabilities to subsidiary[1]			
Foreign currency translation reserve	–	–	–
Balance at 30 June 2015	–	–	–
Carrying amount			
At 30 June 2015	–	–	–
At 30 June 2016	**–**	**–**	**–**

[1] *At the beginning of the prior year the company sold its assets and liabilities at book value to PAR Management Services.*

	Consolidated	
	30 June 2016 GBP	30 June 2015 GBP
Depreciation on property, plant and equipment and mineral right	**10,406,949**	10,221,204
Amortisation on intangible assets	**85,797**	165,101
Non-mining depreciation	**(36,617)**	(49,094)
Total mining depreciation	**10,456,129**	10,337,211
Non-mining amortisation	**(71,653)**	(151,247)
Direct mining depreciation	**10,384,476**	10,185,964

17. Other intangible assets

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Software costs				
Balance at the beginning of the period	**202,488**	214,330	**–**	23,108
Reclassification of software costs from property, plant and equipment and mineral rights (refer to note 16)	**–**	141,946	**–**	–
Sale of assets and liabilities to subsidiary	**–**	–	**–**	(23,008)
Additions	**17,248**	25,740	**–**	–
Current year amortisation	**(85,797)**	(165,101)	**–**	–
Foreign currency translation reserve	**(10,704)**	(14,427)	**–**	(100)
Balance at the end of the period	**123,235**	202,488	**–**	–

	Building and infrastructure GBP	Plant and machinery GBP	Capital under construction GBP	Shafts and exploration GBP	Surface tailings GBP	Other GBP	Total GBP
	–	–	–	–	–	195,986	195,986
	–	–	–	–	–	(195,160)	(195,160)
	–	–	–	–	–	(826)	(826)
	–	–	–	–	–	–	–
	–	–		–	–	(125,036)	(125,036)
						124,509	124,509
	–	–	–	–	–	527	527
	–	–		–	–	–	–
	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**

18. Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination. All the group's goodwill has been allocated to Barberton Mines CGU.

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Opening and closing balance	**21,000,714**	21,000,714	**–**	–

The group tests the Barberton Mines 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 year. Management estimates the discount rate using post-tax rate of 10.7% (2015: 7.36%) for Barberton Mines, which reflects the current market assessments of the time value of money and the risks specific to the CGU to the extent not already reflected in the cash flows being discounted, an average gold price of ZAR580,000/kg (2015: ZAR460,000/kg over the life of projects. The life of mine was estimated at 22 years (2015: 20 years) for Barberton Mines at the end of the financial year. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash-flow forecasts derived from the most recent financial budgets approved by management.

19. Investments in subsidiaries and investments in associate

At 30 June 2016 the company and group held the following shares in subsidiaries and associate:

Name of company	Country of incorporation	Principal activity
Barberton Mines[8]	South Africa	Gold mining
Evander Gold Mining Proprietary Limited[8]	South Africa	Gold mining
Evander Gold Mines Proprietary Limited (Evander Mines)	South Africa	Gold mining
Phoenix Platinum	South Africa	PGE remining
Funding Company[1]	South Africa	Treasury services
Emerald Panther Investments 91 Proprietary Limited (Emerald Panther)[2]	South Africa	Holding company
Pan African Resources Management Services Company Proprietary Limited (PAR Management Services)[3]	South Africa	Services company
Nyambose Proprietary Limited	South Africa	Other
Pan African Resources Coal Holdings Proprietary Limited (PAR Coal Holdings)[5]	South Africa	Holding company
Uitkomst Colliery Proprietary Limited	South Africa	Coal mining
PAR Gold Proprietary Limited (PAR Gold) previously known as Shanduka Gold Proprietary Limited[6]	South Africa	BEE company
Listed investment[7]	Other	Mining
Other investments		

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Investment reconciliation				
Opening balance	**904,818**	1,009,545	**122,911,964**	123,016,683
Loss in associate	**–**	(127,950)	**–**	(127,950)
Impairment of investment in Auroch Minerals NL	**–**	(58,424)	**–**	(58,424)
Loss on disposal of associate	**–**	(139,970)	**–**	(139,970)
Proceeds from sale of investment in Auroch Minerals NL[4]	**–**	(277,732)	**–**	(277,732)
Purchase of shares in the available for sale investment	**–**	1,037,677	**–**	1,037,677
Purchase of shares in Pan African Resources Coal Holdings Proprietary Limited	**–**	–	**924,193**	–
Fair value adjustment on the available for sale investment	**388,188**	(70,679)	**388,188**	(70,679)
Foreign currency translation reserve	**(23 778)**	(467,649)	**(23,670)**	(467,641)
Closing balance	**1,269,228**	904,818	**124,200,675**	122,911,964

[1] *Funding Company was established for the purpose of providing funding and treasury services to the group.*

[2] *Emerald Panther is a company acquired to facilitate the acquisition of Evander Mines from Harmony Gold Mining Company Limited, and therefore holds the investment in Evander Mines. Emerald Panther holds 100% of Evander Gold Mines Limited and Evander Gold Mining Proprietary Limited, which are both incorporated in South Africa, and operate in mining.*

				Consolidated		Separate	
	Statutory holding	Economic benefit derived by the group	Holding effectively held by company for consolidation purposes	Carrying amount 30 June 2016 GBP	Carrying amount 30 June 2015 GBP	Carrying amount 30 June 2016 GBP	Carrying amount 30 June 2015 GBP
	95%	100%	100%	–	–	**45,770,663**	45,770,663
	100%	100%	100%	–	–	–	–
	95%	100%	100%	–	–	–	–
	100%	100%	100%	–	–	**4,209,696**	4,209,696
	100%	100%	100%	–	–	**263**	263
	100%	100%	100%	–	–	**72,026,632**	72,026,632
	100%	100%	100%	–	–	–	–
	100%	100%	100%	–	–	–	–
	100%	100%	100%	–	–	**924,193**	–
	100%	100%	100%	–	–	–	–
	50.5%	97.5%	100%	–	–	–	–
	3.4%	3.4%	3.4%	**1,269,228**	904,710	**1,269,228**	904,710
				–	108	–	–
				1,269,228	904,818	**124,200,675**	122,911,964

[3] *PAR Management Services, was internally transferred within the group. Ordinary shares previously held by Evander Gold Mining Proprietary Limited were transferred to Pan African Resources. This company was acquired to function as a management and other services provider and administrator to the group. At the beginning of the prior financial year, Pan African Resources sold its assets and liabilities to PAR Management Services at book value, with the exception of the investments in subsidiaries, current taxation assets and liabilities, and trade receivables and payables directly for the account of the company as a group holding company. Refer below for assets and liabilities sold:*

	30 June 2015 ZAR	*30 June 2015 GBP*
Summary of assets and liabilities sold		
Property, plant and equipment	*1,693,944*	*93,659*
Other non-current assets		
Deferred tax asset	*6,601,879*	*365,023*
Current assets		
Trade and other receivables	*400,699*	*22,155*
Cash	*69,147*	*3,823*
Non-current liabilities		
Long-term liabilities	*(12,870,005)*	*(711,592)*
Current liabilities		
Trade and other payables	*(13,034,623)*	*(720,694)*
Net assets sold	*(17,138,959)*	*(947,626)*

See footnotes 4, 5, 6, 7 and 8 on next page.

19. Investments in subsidiaries and investments in associate continued

[4] *Pursuant to a share sale and purchase agreement, dated 27 August 2012, relating to the sale of Manica Gold Projects, certain terms were amended between the contract parties and as a result the company made a decision to sell its investment in Auroch Minerals (42% shareholding) for a total consideration of AUD2,000,000.*

During the prior year, Pan African Resources concluded the sale of its investment in Auroch Minerals NL and derecognised the investment from the statement of financial position by recognising in the statement of profit and loss an impairment of GBP58,424, a loss in associate of GBP127,950 and a loss on sale of investment of GBP139,970. Impairment arose due to continued challenges experienced within the mining environment and reducing gold prices which led to Auroch's share price dropping to AUD0.03 at the date of sale. Proceeds received during the current year and attributable to the sale of investment were as follows.

	Consolidated and separate	
	AUD	ZAR
Proceeds received on 3 July 2014	150,000	1,513,623
Proceeds received on 21 November 2014	350,000	3,307,797
	500,000	4,821,420

	Consolidated and separate	
	ZAR	GBP
Opening balance 1 July 2014	10,556,778	1,009,429
Loss in associate	(2,291,239)	(127,950)
Carrying value before impairment	8,265,539	881,479
Impairment	(1,014,239)	(58,424)
Foreign currency reserve	–	(405,353)
Carrying value before sale	7,251,300	417,702
Proceeds	(4,821,420)	(277,732)
Loss on disposal of associate	(2,429,880)	(139,970)
Balance at year-end	–	–

[5] *PAR Coal Holdings was acquired during the current year with all its issued shares subscribed for by Pan African Resources. This company was acquired as a strategic holding company to the group's coal business. PAR Coal Holdings is the main shareholder in the Uitkomst Colliery (previously known as Emerald Panther Investments 107 Proprietary Limited). Refer to note 40 for the purchase price allocation of the Uitkomst Colliery acquisition.*

[6] *Towards the end of the financial year the group finalised a share buyback transaction in which 49.9% of the shares issued in PAR Gold were purchased through the group's wholly owned subsidiary, Funding Company. The transaction translated to a share buyback as PAR Gold has as its sole investment a 23.8% stake in Pan African Resources on 3 June 2016 (at 30 June 2016 the shareholding diluted to 22.46% following the share issue on 3 June 2016), and deriving only dividends linked to the shareholding as income. Refer to note 41.*

[7] *During the prior year, the company purchased 1,750,850 shares in a listed entity for an amount of ZAR18.9 million. The entity is an exploration, development and gold mining company focused on Southern Africa.*

At year-end the investment remains a 3.4% holding and therefore carried at fair value as per the applicable accounting standard.

	Consolidated and separate			
	30 June 2016 ZAR	30 June 2016 GBP	30 June 2015 ZAR	30 June 2015 GBP
Dividends received from listed investment	**973,179**	**45,371**	629,448	34,969

[8] *A portion of shares in the investment was issued to employees via an ESOP transaction scheme described in note 39. The substance of the transaction renders Pan African Resources retaining full control of the investment and therefore consolidating 100% of the investment.*

20. Rehabilitation trust fund

	Barberton Mines GBP	Evander Mines GBP	Total GBP
Funds held in trust fund (refer to note 27)			
Opening balance as at 30 June 2014	2,106,866	13,351,425	15,458,291
Interest earned on the rehabilitation fund	41,770	14,718	56,488
Fair value adjustment	252,537	1,574,716	1,827,253
Foreign currency translation reserve	(160,646)	(999,461)	(1,160,107)
Closing balance as at 30 June 2015	2,240,527	13,941,398	16,181,925
Interest earned on the rehabilitation fund	**1,849**	**11,503**	**13,352**
Fair value adjustment	**57,454**	**357,501**	**414,955**
Foreign currency translation reserve	**(49,364)**	**(307,160)**	**(356,524)**
Closing balance as at 30 June 2016	**2,250,466**	**14,003,242**	**16,253,708**

The funds available from contributions are held within Pan African Resources Group Rehabilitation Trust.

The amounts are invested in a number of instruments, including interest-bearing short-term deposits, medium-term equity-linked notes issued by commercial banks, equity share portfolios managed by asset managers.

The Evander Mines rehabilitation trust fund was transferred from Harmony Gold Mining Company Limited (Harmony).

Refer to note 27 for the associated rehabilitation provision disclosure.

21. Inventories

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Consumable stores	**3,060,766**	3,102,272	–	–
Mineral stocks	**934,306**	483,044	–	–
Coal inventory	**456,620**	–	–	–
Short-term portion of long-term inventory	**31,850**	–	–	
Provision for obsolete stock	**(84,729)**	(82,747)	–	–
	4,398,813	3,502,569	–	–
Long-term Inventory[1]	**186,861**	–	–	–
	4,585,674	3,502,569	–	–

[1] *During the year tailings stock (Elandskraal) of approximately 1.28 million tonnes was purchased to increase Phoenix Platinum feed sources. Elandskraal was purchased for ZAR4.5 million and the tailings were treated from September in the current year.*

The nature of this inventory is long term as it is expected to be processed over a period in excess of 12 months from the reporting date.

22. Trade and other receivables

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Trade receivables	**10,233,634**	5,731,102	**–**	–
Provision for doubtful debtors	**(44,233)**	(30,504)	**–**	–
Other receivables and prepayments	**1,247,281**	1,519,648	**23,949**	21,557
VAT receivable	**2,605,675**	2,338,764	**33,990**	19,974
	14,042,357	9,559,010	**57,939**	41,531

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 debtors relating to other receivables, estimated by the group's management based on the current economic environment and individual debtor circumstances. The credit risk on liquid funds is limited because the counterparties are dealt with in accordance with the group's credit policy. Financial institutions are the major customer that represents more than 5% of the trade receivables balance for the individual gold mining subsidiaries (Barberton Mines and Evander Mines), and Western Platinum Limited (subsidiary of Lonmin PLC) is the one major customer that represents more than 5% of the trade receivables balance of Phoenix Platinum. ArcelorMittal Newcastle is a major customer that represents more than 5% of the trade receivables balance of Uitkomst Colliery.

	Consolidated	
	30 June 2016	30 June 2015
The average credit period is:		
Number of days	**17.0**	18.0
Trade receivables	**10,233,634**	5,731,102
Revenue	**169,360,532**	141,076,883

The ageing of trade receivables remained materially unchanged even with the introduction of Uitkomst Colliery into the group at a trade receivables balance of GBP2.8 million. This was due to continued improved cash collections on gold sales from the treasury function.

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 creditworthy customers and large institutions within South Africa.

The fair value of trade receivables is not materially different from the carrying value presented. Receivables have been pledged as security, in terms of the revolving credit facility.

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.

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Cash and cash equivalents	**2,658,947**	3,328,850	**77,660**	888,498
Included in cash and cash equivalents is restricted cash for an amount of ZAR12.9 million. This amount represents guarantees to Transnet SOC Limited and the Department of Mineral Resources, and currently owed to Uitkomst Colliery by Brandywine Valley Investments Proprietary Limited (previous owner of Uitkomst Colliery).				
Cash and cash equivalents also include an overdraft of ZAR50 million drawn at Funding Company level at year-end.				
Credit facilities				
The group has the following credit facilities:				
Nedbank Limited revolving credit facility[1]	**13,481,631**	13,816,926	**–**	–
Rand Merchant Bank revolving credit facility[1]	**13,481,631**	13,816,926	**–**	–
Absa Bank Limited revolving credit facility[1]	**13,481,631**	13,816,926	**–**	–
Absa Bank Limited overdraft facility[1]	**2,527,806**	2,590,674	**–**	
Rand Merchant Bank overdraft facility[1]	**2,527,806**	2,590,674	**–**	
Absa Bank Limited credit card facilities	**75,834**	77,720	**50,556**	51,813
Guarantee[2]	**3,381,275**	2,794,398	**–**	–
USD trading facility[3]	**4,802,831**	4,922,279	**–**	–
	53,760,445	54,426,523	**50,556**	51,813

[1] *The group has secured a five-year revolving credit facility with Nedbank Limited, Absa Bank Limited and Rand Merchant Bank (refer to note 28). The facility carries an interest rate of the monthly JIBAR rate plus 2.5% margin, and is secured against Barberton Mines, Evander Mines and Phoenix Platinum's property, plant and equipment. The revolving credit facility was utilised during the current year, and at year-end, there was an outstanding amount of GBP15.7 million (2015: GBP12.7 million) payable in relation to the facility and an unutilised amount of GBP24.8 million (2015: GBP29.0 million). The Absa Limited overdraft facility was fully utilised during the year and Rand Merchant Bank overdraft facility remains unsecured and unutilised at year-end. The overdraft facilities attract interest that is linked to prime in South Africa.*

[2] *The guarantees relate to GBP1,243,332 (2015: GBP1,274,254) for Eskom (electricity utility), GBP1,028,237 (2015: GBP724,809) for the Department of Mineral Resources (DMR), other financial guarantees GBP776,036 (2015: GBP795,336) and GBP333,670 relating to Transnet SOC Limited.*

[3] *The USD trading facility relates to trading facilities held by Barberton Mines for the purposes of trading USD for ZAR on USD gold sales.*

24. Share capital

	Consolidated 30 June 2016 GBP	Consolidated 30 June 2015 GBP	Separate 30 June 2016 GBP	Separate 30 June 2015 GBP
Issued				
Number of ordinary shares issued	**1,943,206,554**	1,831,494,763	**1,943,206,554**	1,831,494,763
Treasury shares	**(436,358,058)**	–	**–**	–
	1,506,848,496	1,831,494,763	**1,943,206,554**	1,831,494,763
Ordinary shares issued of GBP0.01 each	**19 432 065**	18,314,947	**19 432 065**	18,314,947

The following cash issue of shares was made during the year:

- On 3 June 2016 111,711,791 shares were issued as part of the rights issue at 14.4 pence per share, in relation to the acquisition of the Shanduka Gold share buyback transaction.

During the prior financial year:

- On 19 March 2015 1,500,000 shares were issued at 5 pence per share to Mr KC Spencer's family trust (Strode Trust) upon exercising historical share options.

Current number of equity-settled share options outstanding at 30 June 2016 is 1,122,000 (2015: 1,122,000), excluding the new issue of equity options disclosed in note 34.

25. Trade and other payables

	Consolidated 30 June 2016 GBP	Consolidated 30 June 2015 GBP	Separate 30 June 2016 GBP	Separate 30 June 2015 GBP
Trade and other payables	**9,980,679**	8,945,258	**–**	–
Accruals and other payables	**8,390,553**	7,514,861	**257,837**	213,861
VAT payable	**372,003**	338,924	**–**	–
Total trade and other payables	**18,743,235**	16,799,043	**257,837**	213,861

	Consolidated 30 June 2016	Consolidated 30 June 2015
The average credit period is:		
Number of days	**32**	31

Creditors days have remained materially constant, remaining marginally in line with debtors days indicating improved collection from debtors to settle short-term obligations.

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

26. Current tax

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Current tax asset	**848,946**	827,298	**8,469**	141,574
Current tax liability	**541,794**	503,784	**–**	–

Current taxes payable and receivable by the group relate to the South African Revenue Service (SARS).

27. Long-term provisions

	Consolidated		Separate	
	Decom-missioning and rehabilitation GBP	Total GBP	Decom-missioning and rehabilitation GBP	Total GBP
Balance at 30 June 2014	12,033,167	12,033,167	–	–
Provided during the year	1,094,191	1,094,191	–	–
Foreign currency translation reserve	(877,991)	(877,991)	–	–
Balance at 30 June 2015	12,249,367	12,249,367	–	–
Acquired from Uitkomst Colliery	**386,580**	**386,580**	**–**	**–**
Net release during the year	**(1,780,288)**	**(1,780,288)**	**–**	**–**
Foreign currency translation reserve	**(422,673)**	**(422,673)**	**–**	**–**
Balance at 30 June 2016	**10,432,986**	**10,432,986**	**–**	**–**

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. Estimates 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 following life of mine and rates.

The current year movement in the group's rehabilitation liability has been largely influenced by the changes to the closure costs estimate.

	30 June 2016		30 June 2015	
	Life of mine Years	Risk-free rate %	Life of mine Years	Risk-free rate %
Barberton Mines	**22**	**11.31**	20	8.74
BTRP	**14**	**9.85**	15	8.67
Evander Mines	**16**	**9.73**	16	8.67
ETRP	**16**	**9.73**	16	8.67
Phoenix Platinum[1]	**9**	**9.02**	28	8.61
Uitkomst Colliery	**22**	**11.31**	–	–

[1] *The change in the life of mine is attributed to the exclusion of the mineral reserves from the Lesedi Mine current arisings.*

28. Long-term liabilities

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Cash-settled share options				
Opening balance	**1,313,721**	1,579,923	**–**	714,603
Sale of assets and liabilities to PAR Management Services	**–**	–	**–**	(711,592)
Expense for the year	**5,274,697**	294,627	**–**	–
Payments during the year	**(1,324,924)**	(428,512)	**–**	–
Foreign currency translation reserve	**277,857**	(132,317)	**–**	(3,011)
Closing balance	**5,541,351**	1,313,721	**–**	–
Current portion	**(2,738,123)**	(933,152)	**–**	–
Long-term portion	**2,803,228**	380,569	**–**	–
Post-retirement benefits				
Opening balance	**78,535**	90,832	**–**	–
Utilised for the year	**(11,009)**	(6,677)	**–**	–
Foreign currency translation reserve	**(2,835)**	(5,620)	**–**	–
Closing balance	**64,691**	78,535	**–**	–
Revolving credit facility				
Opening balance	**12,732,505**	–	**–**	–
Drawdowns	**38,061,147**	27,898,927	**–**	–
Finance costs incurred[1]	**1,317,577**	1,271,063	**–**	–
Repayments of capital	**(36,807,033)**	(14,299,642)	**–**	–
Repayments of finance costs	**(1,074,513)**	(1,337,774)	**–**	–
Foreign currency translation reserve	**1,464,254**	(800,069)	**–**	–
Closing balance	**15,693,937**	12,732,505	**–**	–
Current portion	**(1,452,109)**	(1,118,559)	**–**	–
Long-term portion	**14,241,828**	11,613,946	**–**	–

[1] *Finance costs incurred exclude GBP127,572 (2015: GBP7,907), relating to the new general banking facilities, which are separately disclosable from the RCF.*

28. Long-term liabilities continued

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Gold loan				
Opening balance	7,235,699	11,225,365	–	–
Gold loan repayments	(2,747,333)	(3,396,717)	–	–
Fair value adjustment	–	(120,490)	–	–
Foreign currency translation reserve	(351,325)	(472,459)	–	–
Closing balance	4,137,041	7,235,699	–	–
Current portion	(2,790,479)	(2,995,767)	–	–
Long-term portion	1,346,562	4,239,932	–	–
Total	18,451,276	16,312,982	–	–

The gold loan has been designated as an instrument to be measured at amortised cost.

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Current and non-current portions of long-term liabilities				
Current portion	6,980,711	5,047,478	–	–
Non-current portion – capital to be paid on maturity	18,456,309	16,312,982	–	–
	25,437,020	21,360,460	–	–

28. Long-term liabilities continued

Terms of the revolving credit facility

Facility amount	ZAR800,000,000
Accordian option	ZAR300,000,000 exercisable with two years at the inception of the revolving credit facility
Lenders	Rand Merchant Bank (a division of FirstRand Bank Limited), Absa Limited, Nedbank Limited
Borrower	Pan African Resources Funding Company Proprietary Limited
Interest rate	JIBAR (quoted at 5.958% at year-end), at a monthly payment selection period
Interest rate margin	2.5%
Commitment fee	35% of the margin per annum, calculated on a day-to-day basis on the undrawn portion of the maximum available commitment
Term of loan	Five years from (17 June 2015)
Repayment period	Full repayment of the outstanding amount at the end of five years
Final repayment date	17 June 2020
Financial covenant limits	The ratio of the net debt to equity must be less than 1:1 (measured on a semi-annual basis) The interest cover ratio (refer to note 30) must be greater than four times (measured on a semi-annual basis) The ratio of net debt to EBITDA (refer to note 30), as defined in the agreement, must be less than 2.5:1 (measured on a semi-annual basis)

Bonds as security for revolving credit facilities

The following bonds were entered into by the group:

Continuing covering mortgage bond B1534/2013 –Barberton Mines/Bowwood and Main No. 40 Proprietary Limited

Continuing covering mortgage bond B1740/2013 – Evander Mines/Bowwood and Main No. 40 Proprietary Limited

Special notarial bond BN6785/2013 – Barberton Mines/Bowwood and Main No. 40 Proprietary Limited

Special notarial bond BN6912/2013 – Evander Mines/Bowwood and Main No. 40 Proprietary Limited

General notarial bond BN7075/2013 – Barberton Mines/Bowwood and Main No. 40 Proprietary Limited

General notarial bond BN6592/2013 – Evander Mines/Bowwood and Main No. 40 Proprietary Limited

Ceded rights as security for the revolving credit facility

Bank accounts

Debts[1]

Insurance[2]

Insurance proceeds

The above listed rights are ceded whether actual, prospective or contingent, direct or indirect, whether a claim to payment of money or to the performance of any other obligation, and whether or not the said rights and interest were within the contemplation of the parties at signature date.

[1] *All claims which the cedent has or may in future have in respect of agreements entered into or to be entered into by the cedent pursuant to which goods and/or services are provided (or to be provided) to or by the cedent, including but not limited to book debts against trade debtors from time to time.*

[2] *All contracts and policies of insurance and reinsurance of any kind which are effected and maintained by or on behalf of the cedent.*

28. Long-term liabilities continued

Terms of the gold loan

In May 2014, a gold loan transaction of ZAR200 million was entered into with Absa Bank Limited as a counterparty. The purpose of this gold loan was to provide funds for the ETRP constructed at Evander Mines. The gold loan is repaid quarterly in gold ounces produced from the Evander Mines operation, with the repayments having commenced in July 2014 to end in October 2017. Refer to terms below.

Effective delivery price per ounce	ZAR12,694
Effective delivery price per kg	ZAR408,129
Repayment period	1.5 years
Final repayment date	31 October 2017
Financial covenant limits	The ratio of the net debt to equity must be less than 1:1 (measured on a semi-annual basis) The interest cover ratio (refer to note 30) must be greater than four times (measured on a semi-annual basis) The ratio of net debt to EBITDA (refer to note 30), as defined in the agreement, must be less than 2.5:1 (measured on a semi-annual basis)
Security of gold loan	Security of the gold loan is included in the revolving credit facility security package

Gold loan repayment schedule	Delivery date	Ounces delivered
	29 July 2016	1,105,94
	31 October 2016	1,093,96
	31 January 2017	1,081,14
	28 April 2017	1,067,07
	31 July 2017	1,055,50
	31 October 2017	1,042,69
		6,446,30

As repayment of the loan is made in physical ounces of gold, revenue is recognised on physical delivery to Absa Bank Limited.

Group cash-settled share options

On 9 May 2011, the company established a cash-settled share appreciation rights programme entitling selected executives and employees of the group, as approved by the board of directors and the remuneration committee of the company, to be allocated notional shares in the group. These notional shares confer the conditional right on the participant to be paid a cash settlement equal to the appreciation in the company 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 is determined no later than the sixth anniversary of the date that the notional shares are allocated. However the participant can elect, subject to approval by the company's remuneration committee, 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 is regarded as remuneration for income tax purposes and thus subject to the deduction of pay-as-you-earn (PAYE) and all other taxes and contributions via the payroll of the company or the relevant subsidiary. These taxes are for the account of the participant.

28. Long-term liabilities continued

Group cash-settled share options continued

No share appreciation rights settlements can be made until after the period, calculated from the date the notional shares were allocated, of:

Initial issue

- Two years has elapsed, in which event not more than 25% of the total number of notional shares allocated can be surrendered
- Three years has elapsed, in which event not more than 50% of the total number of notional shares allocated can be surrendered
- Four years has elapsed, in which event all of the notional shares allocated can be surrendered.

Top-up issues

- One year has elapsed, in which event not more than 25% of the total number of notional shares allocated can be surrendered
- Two years has elapsed, in which event not more than 50% of the total number of notional shares allocated can be surrendered
- Three years has elapsed, in which event not more than 75% of the total number of notional shares allocated can be surrendered
- Four years has elapsed, in which event all of the notional shares allocated can be surrendered
- Or any lesser amount of notional shares may be surrendered. Notional shares which a participant is entitled to surrender are referred to as "surrenderable notional shares".

Remco may, by resolution, amend and postpone any of these vesting periods, with the consent of the participant concerned.

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.

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

Group cash-settled share options

	30 June 2016		30 June 2015	
	Weighted average exercise price ZAR	Number of options	Weighted average exercise price ZAR	Number of options
Outstanding at 1 July	**1.61**	**58,439,090**	1.92	53,275,980
Granted during the year	**1.67**	**50,509,449**	1.18	18,715,657
Exercised during the year	**1.53**	**(14,646,951)**	2.20	(10,456,992)
Forfeited in the year	**–**	**–**	2.37	(3,095,555)
Outstanding and exercisable at 30 June	**1.65**	**94,301,588**	1.61	58,439,090

Cash-settled share options are valued annually at fair value.

The weighted average share price on redemptions was ZAR2.93 (2015: no redemptions).

28. Long-term liabilities continued

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

	30 June 2016	30 June 2015
Weighted average share price	**R3.44**	R2.04
Weighted average exercise/strike price	**R2.12**	R2.15
Exercise price	**R1.15 – R3.04**	R1.15 – R2.67
Expected volatility	**30.00%**	30.00%
Expected life	**3 – 6 years**	3 – 6 years
Weighted average remaining life	**3.5 years**	4.2 years
Risk-free rate	**7.56 – 8.48%**	6.94 – 7.89%
Expected dividend yield	**4.00%**	4.00%

Expected volatility includes the following factors:

- Implied volatility from traded share options on the entity's shares, or other traded instruments of the entity that include option features (such as convertible debt), if any
- The historical volatility of the share price over the most recent period that is generally commensurate with the expected term of the option (taking into account the remaining contractual life of the option and the effects of expected early exercise)
- The length of time an entity's shares have been publicly traded. A newly listed entity might have a high historical volatility, compared with similar entities that have been listed longer.

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

The group recognised an expense of GBP4,291,500 (income in 2015: GBP340,996) relating to cash-settled share-based payment transactions during the year, as a result of the share price increasing.

During the prior year, the group entered into an employee share ownership scheme transaction at Barberton Mines level and during the current year a similar scheme was entered into at Evander Mines level. The group recognised an expense of GBP586,305 in relation to the employee share ownership scheme. Refer to note 39.

Chief Executive Officer long-term incentive

To incentivise the Chief Executive Officer and align the interests of the Chief Executive Officer with that of the group, and to ensure retention during the three year contract term, the following long-term incentive was put in place on 28 February 2015. The Chief Executive Officer no longer participates in the group share appreciation scheme other than historic holdings:

- Cash or equity-settled payment at the end of the three-year contract term of 4,000,000 Pan African Resources shares, issued for no consideration, vesting only at the end of the Chief Executive Officer's contract term
- Cash or equity-settled payment of a maximum number of a further 4,000,000 Pan African Resources shares, issued for no consideration, vesting only at the end of the Chief Executive Officer's contract term. These shares will only be issued upon meeting certain pre-defined Remco criteria, which are determined annually
- The Chief Executive Officer will therefore be eligible for a minimum number of 4,000,000 Pan African Resources shares and maximum number of 8,000,000 Pan African Resources shares at the end of his contract term.

At year-end this incentive scheme was treated as a cash-settled share option scheme and a liability of GBP396,892 (2015: GBP71,977) was recognised in the statement of financial position.

Subsequent to year-end, the incentive scheme for both the Chief Executive Officer and the Financial Director was amended, as detailed in the remuneration policy.

28. Long-term liabilities continued

Vesting schedule 2016

Description	Grant date	Vesting period years	Vesting period days	Vesting date	Valuation ZAR	Options granted	Options expected to vest
Tranche 1	11 May 2011	2	731	11 May 2013	2.07	1,281,784	1,281,784
Tranche 2	11 May 2011	3	1,096	11 May 2014	2.07	1,281,784	1,281,784
Tranche 3	11 May 2011	4	1,461	11 May 2015	2.07	2,563,561	2,563,561
Tranche 1	1 March 2013	2	731	1 March 2015	1.12	733,057	733,057
Tranche 2	1 March 2013	3	1,096	29 February 2016	1.12	733,057	733,057
Tranche 3	1 March 2013	4	1,461	28 February 2017	1.12	1,466,114	1,466,114
Tranche 1	13 July 2012	2	731	13 July 2014	1.36	570,195	570,195
Tranche 2	13 July 2012	3	1,096	13 July 2015	1.36	570,195	570,195
Tranche 3	13 July 2012	4	1,461	13 July 2016	1.36	1,140,390	1,140,390
Tranche 1	1 April 2013	2	731	1 April 2015	1.25	728,111	728,111
Tranche 2	1 April 2013	3	1,096	1 April 2016	1.25	728,111	728,111
Tranche 3	1 April 2013	4	1,461	1 April 2017	1.25	1,456,222	1,456,222
Tranche 1	1 June 2013	2	731	1 June 2015	1.24	555,284	555,284
Tranche 2	1 June 2013	3	1,096	1 June 2016	1.24	555,284	555,284
Tranche 3	1 June 2013	4	1,461	1 June 2017	1.24	1,110,568	1,110,568
Tranche 1	1 August 2013	2	549	1 February 2015	1.35	1,000,000	1,000,000
Tranche 1	1 August 2013	2	731	1 August 2015	1.35	1,000,000	1,000,000
Tranche 2	1 August 2013	3	1,096	1 August 2016	1.35	1,000,000	1,000,000
Tranche 3	1 August 2013	4	1,461	1 August 2017	1.35	2,000,000	2,000,000
Tranche 1	27 September 2013	2	731	27 September 2015	1.21	166,136	166,136
Tranche 2	27 September 2013	3	1,096	27 September 2016	1.21	166,136	166,136
Tranche 3	27 September 2013	4	1,461	27 September 2017	1.21	332,272	332,272
Tranche 1	13 November 2013	2	731	13 November 2015	1.09	126,845	126,845
Tranche 2	13 November 2013	3	1,096	13 November 2016	1.09	126,845	126,845
Tranche 3	13 November 2013	4	1,461	13 November 2017	1.09	253,691	253,691
Tranche 1	1 April 2014	2	731	1 April 2016	1.30	545,709	545,709
Tranche 2	1 April 2014	3	1,096	1 April 2017	1.30	545,709	545,709
Tranche 3	1 April 2014	4	1,461	1 April 2018	1.30	1,091,418	1,091,418
Tranche 1	1 May 2014	1	366	1 May 2015	1.39	1,525,170	1,525,170
Tranche 2	1 May 2014	2	731	1 May 2016	1.39	1,525,170	1,525,170
Tranche 3	1 May 2014	3	1,096	1 May 2017	1.39	1,525,170	1,525,170
Tranche 4	1 May 2014	4	1,461	1 May 2018	1.39	1,525,170	1,525,170
Tranche 1	27 May 2014	2	731	27 May 2016	1.06	312,000	312,000
Tranche 2	27 May 2014	3	1,096	27 May 2017	1.06	312,000	312,000
Tranche 3	27 May 2014	4	1,461	27 May 2018	1.06	624,000	624,000
Tranche 1	1 March 2015	1	366	1 March 2016	1.41	1,538,173	1,538,173
Tranche 2	1 March 2015	2	731	1 March 2017	1.41	1,538,173	1,538,173
Tranche 3	1 March 2015	3	1,096	1 March 2018	1.41	1,538,634	1,538,634
Tranche 1	30 July 2015	2	731	30 July 2017	1.70	2,119,207	2,119,207
Tranche 2	30 July 2015	3	1,096	30 July 2018	1.70	2,119,207	2,119,207
Tranche 3	30 July 2015	4	1,461	30 July 2019	1.70	4,238,415	4,238,415
Tranche 1	30 July 2015	1	366	30 July 2016	1.70	10,277,892	10,277,892
Tranche 2	30 July 2015	2	731	30 July 2017	1.70	10,277,892	10,277,892
Tranche 3	30 July 2015	3	1,096	30 July 2018	1.70	10,277,892	10,277,892
Tranche 4	30 July 2015	4	1,461	30 July 2019	1.70	10,277,892	10,277,892
Tranche 1	16 May 2016	2	731	16 May 2018	1.06	230,263	230,263
Tranche 2	16 May 2016	3	1,096	16 May 2019	1.06	230,263	230,263
Tranche 3	16 May 2016	4	1,461	16 May 2020	1.06	460,527	460,527
Tranche 1	28 February 2015	3	1,096	28 February 2018		8,000,000	8,000,000
						94,301,588	94,301,588

28. Long-term liabilities continued

Vesting schedule 2015

Description	Grant date	Vesting period years	Vesting period days	Vesting date	Valuation ZAR	Options granted	Options expected to vest
Tranche 1	11 May 2011	2	731	10 May 2013	0.91	3,572,511	3,572,511
Tranche 2	11 May 2011	3	1,096	10 May 2014	0.91	3,572,511	3,572,511
Tranche 3	11 May 2011	4	1,461	10 May 2015	0.91	7,145,023	7,145,023
Tranche 1	1 March 2013	2	731	1 March 2015	0.39	859,828	859,828
Tranche 2	1 March 2013	3	1,096	29 February 2016	0.39	859,828	859,828
Tranche 3	1 March 2013	4	1,461	28 February 2017	0.39	1,719,653	1,719,653
Tranche 1	1 April 2013	2	731	1 April 2015	0.46	850,121	850,121
Tranche 2	1 April 2013	3	1,096	31 March 2016	0.46	850,121	850,121
Tranche 3	1 April 2013	4	1,461	31 March 2017	0.46	1,700,241	1,700,241
Tranche 1	1 May 2013	2	731	1 May 2015	0.54	871,859	871,859
Tranche 2	1 May 2013	3	1,096	30 April 2016	0.54	871,859	871,859
Tranche 3	1 May 2013	4	1,461	30 April 2017	0.54	1,743,713	1,743,713
Tranche 1	1 June 2013	2	731	1 June 2015	0.46	563,864	563,864
Tranche 2	1 June 2013	3	1,096	31 May 2016	0.46	563,864	563,864
Tranche 3	1 June 2013	4	1,461	31 May 2017	0.46	1,127,727	1,127,727
Tranche 1	1 July 2013	2	731	1 July 2015	0.46	245,455	245,455
Tranche 2	1 July 2013	3	1,096	30 June 2016	0.46	245,455	245,455
Tranche 3	1 July 2013	4	1,461	30 June 2017	0.46	490,909	490,909
Tranche 1	1 August 2013	2	731	1 August 2015	0.52	1,500,000	1,500,000
Tranche 2	1 August 2013	3	1,096	31 July 2016	0.52	1,500,000	1,500,000
Tranche 3	1 August 2013	4	1,461	31 July 2017	0.52	3,000,000	3,000,000
Tranche 1	27 September 2013	2	731	27 September 2015	0.45	221,515	221,515
Tranche 2	27 September 2013	3	1,096	26 September 2016	0.45	221,515	221,515
Tranche 3	27 September 2013	4	1,461	26 September 2017	0.45	443,030	443,030
Tranche 1	13 November 2013	2	731	13 November 2015	0.39	126,845	126,845
Tranche 2	13 November 2013	3	1,096	12 November 2016	0.39	126,845	126,845
Tranche 3	13 November 2013	4	1,461	12 November 2017	0.39	253,691	253,691
Tranche 1	1 April 2014	2	731	31 March 2016	0.51	727,612	727,612
Tranche 2	1 April 2014	3	1,096	31 March 2017	0.51	727,612	727,612
Tranche 3	1 April 2014	4	1,461	31 March 2018	0.51	1,455,224	1,455,224
Tranche 1	27 May 2014	2	731	26 May 2016	0.39	391,250	391,250
Tranche 2	27 May 2014	3	1,096	26 May 2017	0.39	391,250	391,250
Tranche 3	27 May 2014	4	1,461	26 May 2018	0.39	782,500	782,500
Tranche 1	1 July 2014	2	731	30 June 2016	0.57	1,525,170	1,525,170
Tranche 2	1 July 2014	3	1,096	30 June 2017	0.57	1,525,170	1,525,170
Tranche 3	1 July 2014	4	1,461	30 June 2018	0.57	3,050,339	3,050,339
Tranche 1	1 March 2015	1	366	29 February 2016	0.59	1,538,173	1,538,173
Tranche 2	1 March 2015	2	731	28 February 2017	0.59	1,538,173	1,538,173
Tranche 3	1 March 2015	3	1,096	28 February 2018	0.59	1,538,634	1,538,634
Tranche 1	28 February 2015	3	1,096	28 February 2018	–	8,000,000	8,000,000
						58,439,090	58,439,090

29. Deferred taxation

		Consolidated		Separate	
	Note	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Arising from temporary differences relating to:					
Property, plant and equipment		**47,689,097**	46,253,745	**–**	–
Provisions		**(4,555,564)**	(4,407,102)	**–**	–
Investment in rehabilitation trust		**2,726,840**	3,283,461	**–**	–
Other		**(5,244,036)**	(5,842,045)	**–**	–
Net deferred tax liabilities		**40,616,337**	39,288,059	**–**	–
Reconciliation of deferred tax liabilities:					
Net deferred liabilities at the beginning of the year		**39,288,059**	43,353,577	**–**	–
Acquired from Uitkomst Colliery	40	**2,818,212**	–	**–**	–
Deferred tax charge for the year	13	**(662,080)**	(1,252,133)	**–**	–
Foreign currency translation reserve		**(827,854)**	(2,813,385)	**–**	–
Net deferred liabilities at the end of the year		**40,616,337**	39,288,059	**–**	–
Arising from temporary differences relating to:					
Provisions		**1,143,692**	328,127	**–**	–
Other		**(26,600)**	(379)	**–**	–
		1,117,092	327,748	**–**	–
Reconciliation of deferred tax assets:					
Net deferred assets at the beginning of the year		**327,748**	366,567	**–**	366,567
Sale of assets and liabilities to subsidiary		**–**	–	**–**	(365,023)
Deferred tax credit for the year	13	**735,223**	(15,353)	**–**	–
Foreign currency translation reserve		**54,121**	(23,466)	**–**	(1,544)
Net deferred assets at the end of the year		**1,117,092**	327,748	**–**	–

	Assessed loss carried forward		Unredeemed capital carried forward		Total	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Phoenix Platinum	**75,348**	77,222	**5,008,780**	4,967,775	**5,084,128**	5,044,997
Evander Mines	**–**	4,565,108	**13,515,292**	16,684,726	**13,515,292**	21,249,834
	75,348	4,642,330	**18,524,072**	21,652,501	**18,599,420**	26,294,831

Deferred tax assets have been raised on the basis that the individual group companies will, in the future be able to generate taxable economic benefits to utilise current deductible temporary differences.

Deferred taxation rates applied within the group:

The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse.

	Consolidated	
	30 June 2016 %	30 June 2015 %
Deferred taxation rates applied within the group:		
Barberton Mines	**28**	28
Evander Mines	**25.5**	26.5
Phoenix Platinum	**28**	28
Uitkomst Colliery	**28**	28
Other companies	**28**	28

30. Financial instruments

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

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Components of capital and financial covenants:				
Cash and cash equivalents	**(2,658,947)**	(3,328,850)	**77,660**	888,498
Interest-bearing debt/Gold loan	**19,830,978**	19,968,204	**–**	–
Net interest-bearing liabilities/(assets)	**17,172,031**	16,639,354	**77,660**	888,498
Equity	**150,975,202**	147,167,487	**168,765,155**	147,925,939
Net debt to equity ratio (ratio)[1]	**0.11**	0.11	**0.00**	0.01
Finance costs of the revolving credit facilities	**1,317,577**	1,271,063	**–**	–
Earnings before interest and taxation	**34,741,770**	17,912,084	**13,421,553**	53,554,603
Interest cover ratio	**26**	14	**–**	–
Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, loss on disposal of associate, impairments and loss on disposal of assets held for sale	**45,197,899**	28,447,689	**13,421,553**	53,752,997
Net debt to adjusted EBITDA	**0.38**	0.58	**0.01**	0.02
Financial covenant limits:				
The ratio of the net debt to equity must be less than 1:1 (measured semi-annually).				
The interest cover ratio must be greater than four times (measured semi-annually).				
The ratio of net debt to adjusted EBITDA must be less than 2.5:1 (measured semi-annually).				
Categories of financial instruments:				
Financial assets[2]:				
Cash and cash equivalents	**2,658,947**	3,328,850	**77,660**	888,498
Listed available-for-sale investment	**1,269,228**	904,710	**1,269,228**	904,710
Rehabilitation trust fund	**16,253,708**	16,181,925	**–**	–
Receivables	**10,233,634**	5,731,102	**–**	–
Financial liabilities:				
Trade and other payables	**18,371,232**	16,460,119	**257,837**	213,861
Long-term liabilities	**25,437,020**	21,360,460	**–**	–
Financial instrument liabilities	**5,945,399**	–	**–**	–
Current portion of long-term liabilities	**6,980,711**	5,047,478	**–**	–

[1] *Net debt is calculated on cash and cash equivalents less interest-bearing debt.*
[2] *At year-end the group did not have trade receivables that are past overdue and not impaired.*

30. 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 any financial derivatives is approved by the board of directors, who also on a continuous basis provide guidance on managing foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Exposure limits are 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 GBP44,233 (2015: GBP30,504) relating to other receivables, estimated by the group's management based on the current economic environment and individual debtor circumstances. The credit risk on liquid funds is limited because the counterparties are dealt with in accordance with the group's credit policy. Financial institutions are a major customer that represents more than 5% of the trade receivables balance for the individual gold mining subsidiaries (Barberton Mines and Evander Mines), and Western Platinum Limited (subsidiary of Lonmin PLC) is the one major customer that represents more than 5% of the trade receivables balance of Phoenix Platinum. ArcelorMittal, Calcial is a major customer that represents more than 5% of the trade receivables balance of Uitkomst Colliery.

	Consolidated	
	30 June 2016 GBP	**30 June 2015 GBP**
Customers above 5%		
Financial institutions	**6,332,277**	4,233,646
Western Platinum Limited (subsidiary of Lonmin PLC)	**896,151**	1,497,456
ArcelorMittal	**843,476**	–
	8,071,904	5,731,102
Provision for doubtful debtors	**44,233**	30,502

Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and investments . 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. Investment risk is managed by reviewing the portfolio's constitution, risk profile and returns on an annual basis.

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. The group specifically ensures USD receipts are converted into ZAR as efficiently as possible.

Commodity price and foreign exchange rate risk

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

Interest rate and liquidity risk

Fluctuations in 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.

30. Financial instruments continued

Currency and commodity price risk

	30 June 2016		30 June 2015	
	Closing rate	Average rate	Closing rate	Average rate
Currency and gold spot price				
GBP/ZAR exchange rate	**19.78**	**21.45**	19.30	18.00
USD/ZAR exchange rate	**14.78**	**14.51**	12.28	11.45

	Consolidated	
	30 June 2016	30 June 2015
USD gold spot price (USD/oz) received	**1,164**	1,212

	Impact of 10% currency or gold price movement on profit GBP
Foreign currency/gold price sensitivity	
2016	**11,983,681**
2015	9,936,378

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:

	GBP[1]	Impact of 10% currency movement on translation reserve
2016		
Assets	**21,949,063**	**19,953,694**
Liabilities	**32,211,139**	**29,282,854**
2015		
Assets	17,217,727	15,652,479
Liabilities	22,350,305	20,318,459

[1] *The functional currency within the group is ZAR therefore the sensitivity details the effect of the ZAR/GBP exchange rate on the foreign currency translation reserve.*

30. Financial instruments continued

Commodity zero cost collar

The group entered into two zero cost collar gold transactions during the year, similar to transactions that were undertaken in the prior year. During the current financial year, the group realised a loss of GBP5,307,692 upon agreeing to realise one contract and measuring the other contract as financial liability at year-end.

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Financial instruments (derivatives)				
Opening balance	–	–	–	–
Financial instruments during the year	(5,307,692)	2,486,608	–	–
Fair valuing of financial instruments	–	–	–	–
Financial instruments realised during the year	(180,996)	(2,486,608)	–	–
Foreign currency translation reserve	(456,711)	–	–	–
Closing balance	(5,945,399)	–	–	–

	Consolidated	
	30 June 2016	30 June 2015
Cost collar derivative profits		
Losses unrealised from fair value measurement	(5,482,517)	–
Cash profits realised on the statement of comprehensive income	174,825	2,486,608
	(5,307,692)	2,486,608

30. Financial instruments continued

Commodity zero cost collar continued

Terms of the zero cost collar gold transaction:

	30 June 2016		30 June 2015		
	Contract one	Contract two	Contract one	Contract two	Contract three
Call option terms:					
Trade date	28 July 2015	4 March 2016	30 September 2014	30 September 2014	1 July 2014
Commodity	Gold	Gold	Gold	Gold	Gold
Total notional quantity	25,000 ounces (776 kilograms)	10,000 ounces (311 kilograms)	22,500 ounces (700 kilograms)	40,000 ounces (1,244 kilograms)	70,000 ounces (2,177 kilograms)
Option style	Asian	Asian	Asian	Asian	Asian
Option type	Call	Call	Call	Call	Call
Commodity option buyer	FirstRand Bank Limited	Nedbank Limited	Absa Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited
Option term	From and including 1 October 2016, to and including 30 September 2017 (1 year)	From and including 7 March 2016, to and including 30 June 2016 (4 months)	From and including 1 October 2015, to and including 30 September 2016 (1 year)	From and including 1 October 2014, to and including 30 September 2015 (1 year)	From and including 1 July 2014, to and including 30 June 2016 (2 years)
Strike price per unit	ZAR505,000 per kilogram	ZAR694,000 per kilogram	ZAR435,000 per kilogram	ZAR484,000 per kilogram	ZAR529,008 per kilogram
Put option terms:					
Trade date	28 July 2015	4 March 2016	30 September 2014	30 September 2014	1 July 2014
Commodity	Gold	Gold	Gold	Gold	Gold
Total notional quantity	50,000 ounces (1,555 kilograms)	10,000 ounces (311 kilograms)	45,000 ounces (1,400 kilograms)	40,000 ounces (1,244 kilograms)	70,000 ounces (2,177 kilograms)
Option style	Asian	Asian	Asian	Asian	Asian
Option type	Put	Put	Put	Put	Put
Commodity option buyer	FirstRand Bank Limited	Nedbank Limited	Absa Bank Limited	FirstRand Bank Limited	FirstRand Bank Limited
Option term	From and including 1 October 2016, to and including 30 September 2017 (1 year)	From and including 7 March 2016, to and including 30 June 2016 (4 months)	From and including 1 October 2015, to and including 30 September 2016 (1 year)	From and including 1 October 2014, to and including 30 September 2015 (1 year)	From and including 1 July 2014, to and including 30 June 2016 (2 years)
Strike price per unit	ZAR450,000 per kilogram	ZAR600,000 per kilogram	ZAR435,000 per kilogram	ZAR425,000 per kilogram	ZAR440,015 per kilogram
Realised and unrealised (losses)/profits[1]	(5,482,517)	174,825	922,719	966,667	597,222

[1] *Financial losses incurred during the year were not settled by year-end. Settlements will commence from October 2016. Profits realised during the year were redeemed during the 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.

30. Financial instruments continued

Interest rate sensitivity

The group has, at year-end, drawn down on its revolving credit facility, which is quoted on JIBAR rates (refer to note 28). Refer below for revolving credit facility loan sensitivity on interest rate variations.

	Interest rate variation impact on the revolving credit facility loan				
	10% decrease in interest rates	5% decrease in interest rates	Revolving credit facility	5% increase in interest rates	10% increase in interest rates
ZAR	**310,383,474**	**310,404,778**	**310,426,082**	**310,447,386**	**310,468,690**
GBP	**15,691,783**	**15,692,860**	**15,693,937**	**15,695,014**	**15,696,092**

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. This framework involves constant weekly monitoring of the group's cash position, cash flow forecast, and matching maturity profiles of financial assets and liabilities to enable management of the liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowings facilities.

The group has access to financing facilities from the revolving credit facility and the general banking facilities, through the Funding Company, of which GBP15,672,396 (2015: GBP12,694,301) relating to the revolving credit facility was drawn down and GBP2,527,806 (2015: nil) relating to the general banking facility was drawn down as at year-end. A gold loan of GBP4,137,041 (30 June 2015: GBP7,235,699) was outstanding at year-end (refer to note 28). The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Liquidity risk analysis

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

	Weighted average interest rate %	Less than 12 months GBP	1 – 5 years GBP	Total GBP
Group				
2016				
Trade and other payables	**–**	**18,371,232**	**–**	**18,371,232**
Long-term liabilities (non-interest bearing)	**–**	**5,528,602**	**4,214,481**	**9,743,083**
Long-term liabilities (interest-bearing)	**9.60**	**1,452,109**	**14,241,828**	**15,693,937**
Financial instrument liabilities	**–**	**5,945,399**	**–**	**–**
Other short-term liabilities	**–**	**–**	**–**	**–**
2015				
Trade and other payables	–	16,460,119	–	16,460,119
Long-term liabilities (non-interest bearing)	–	3,928,919	4,699,036	8,627,955
Long-term liabilities (interest-bearing)	8.46	1,118,559	11,613,946	12,732,505
Other short-term liabilities	–	–	–	–
Separate				
2016				
Trade and other payables	**–**	**257,837**	**–**	**257,837**
Long-term liabilities	**–**	**–**	**–**	**–**
Other short-term liabilities	**–**	**–**	**–**	**–**
2015				
Trade and other payables	–	213,861	–	213,861
Long-term liabilities	–	–	–	–
Other short-term liabilities	–	–	–	–

30. Financial instruments continued

Fair value of financial instruments

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

Fair value hierarchy

The following is an analysis of the financial instruments that are measured at fair value.

They are grouped into levels 1 to 3 based on the extent to which fair value is observable.

The levels are classified as follows:

Level 1 – fair value is based on quoted prices in active markets for identical financial assets or liabilities

Level 2 – fair value is determined using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Level 3 – fair value is determined on inputs not based on observable market data.

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Total GBP
30 June 2016				
Financial assets[1]	**1,269,228**	**–**	**–**	**1,269,228**
Rehabilitation trust fund[2]	**16,253,708**	**–**	**–**	**16,253,708**
Cash-settled share option liability[3]	**–**	**(5,260,208)**	**–**	**(5,260,208)**
ESOP transactions liabilities[4]	**–**	**–**	**(281,143)**	**(281,143)**
Derivative financial liabilities[5]	**(5,945,399)**		**–**	**(5,945,399)**
30 June 2015				
Financial assets[1]	904,710	–	–	904,710
Rehabilitation trust fund	16,181,925	–	–	16,181,925
Cash-settled share option liability[3]		(1,304,343)		(1,304,343)
ESOP transactions liabilities[4]	–	–	(9,378)	(9,378)

[1] The fair value of the listed investment is treated as level 1 of the fair value hierarchy, as its market share price is quoted on a stock exchange.

[2] The rehabilitation trust fund is treated as level 1 of the fair value hierarchy as the contributions are invested in a number of market-related instruments, including market-related interest-bearing short-term deposits, medium-term equity-linked notes issued by commercial banks, equity share portfolios managed by asset managers.

[3] Cash-settled share option liability is valued on a mark-to-market basis according to the company's quoted share price. Refer to note 28 for further inputs.

[4] The group's ESOP liability is accounted on a cash-settled share option basis (refer to note 39 for further description and terms of the transactions). The valuation of the liability relates to the group's gold operations, Evander Mines and Barberton Mines, and was performed by ZAQ consultants and actuaries. The liability was valued as a European call option with the following assumptions used:

	Barberton Mines	*Evander Mines*
Loan amount at issue	*ZAR99,500,000*	*ZAR146,000,000*
Spot price (model provided by management)	*Determined using discounted cash flow model*	*Determined using discounted cash flow model*
Strike price	*preference share + preference dividend – dividends*	*preference share + preference dividend – dividends*
Remaining option life	*8 years*	*9 years*
Volatility	*40%*	*40%*
Risk-free interest rate	*Swap curve based*	*Swap curve based*
Annual dividend yield (continuously compounding)	*12%*	*12%*
Final valuation (refer to note 39 for complete reconciliation)	*GBP123,812*	*GBP16,127*

At year-end Evander Mines ESOP liability includes a trickle dividend to the employees which was accrued but not paid.

Management determines fair value based on observable market data (in case of listed assets and liabilities) or discounted cash flows (and other valuation methods) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant for unquoted assets and liabilities. Where discounted cash flows are used and other valuation techniques, the determination of the assumptions used in assessing the fair value of identifiable assets and liabilities is subjective and the use of different valuation could have a significant impact on financial results. Therefore management follows a particular process in determining reasonable assumptions for the valuation of identifiable assets and liabilities.

30. Financial instruments continued

Fair value hierarchy continued

[4] *Note 4 continued:*

	Barberton Mines GBP	*Evander Mines GBP*
Sensitivity on changes in volatility		
Volatility at 10%	*3,539*	*–*
Volatility at 20%	*34,580*	*113*
Volatility at 30%	*78,261*	*3,640*
Volatility at 40%	*123,812*	*16,127*
Sensitivity on changes in risk-free rate		
Risk-free rate -1%	*115,420*	*280,000*
Risk-free rate +1%	*132,457*	*362,000*
Sensitivity on discount to share price		
0% discount	*123,812*	*319,000*
10% discount	*101,517*	*246,000*
20% discount	*80,738*	*183,000*

[5] *The derivative financial liability is treated as a level 1 of the fair value hierarchy due to the following market-related inputs used in the valuation:*

	30 June 2016
USD gold price	*1,318.40*
ZAR gold price	*625,251.64*
Risk-free rate	*Zero-coupon bond 3-months*
Historical volatility	*19.272%*

31. Post-retirement benefit information

The majority of employees are required to be members of either the Barberton Pension Umbrella Fund, Sentinel Retirement Fund, Mine Workers Provident Fund or the Shanduka Group Provident Fund. These are defined contribution funds and are registered under and governed by the South African Pension Act, 1956 as amended. The assets of the scheme are held separately from those of the group in funds and they are in the control of the trustees. The total costs charged to the statement of comprehensive income of GBP4,796,674 (2015: GBP5,503,560) at group level and nil (2015: nil) at company level represent employer contributions payable to the schemes by the group and company at rates specified in the rules of the scheme. The calculation of the provision for post-retirement medical benefits is performed internally by management using the South African Revenue Services life expectancy tables as the benefits payable are a fixed amount per pensioner. The balance of post-retirement medical benefits were GBP64,690 (2015: GBP78,535).

32. Commitments, contingent liabilities and guarantees

Commitments

The group had outstanding open orders contracted for at year-end of GBP641,876 (2015: GBP1,182,823).

Authorised commitments for the new financial year not yet contracted for totalled GBP17,489,848 (2015: GBP14,046,896).

Contingent liabilities

The group had no contingent liabilities in the current financial year or prior year.

Guarantees

The group had guarantees of GBP1,243,332 (2015: GBP1,274,254) in favour of Eskom, GBP1,028,237 (2015: GBP724,809) in favour of the Department of Mineral Resources, other financial guarantees of GBP776,036 (2015: GBP795,336) and GBP333,670 relating to Transnet SOC Limited at year-end.

Company

There were no commitments, contingent liabilities and guarantees for the company for the year ended 30 June 2016 (2015: nil), except for the operating lease commitments disclosed in note 7.

33. Directors' emoluments

The key management personnel for which remuneration has been disclosed below are considered to be the executive directors, non-executive directors, RA Holding and prescribed officers:

	Consolidated		Separate	
	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP	Year ended 30 June 2016 GBP	Year ended 30 June 2015 GBP
Executive directors				
Emoluments	724,634	747,100	–	–
Share options exercised	38,695	295,662	–	–
Total	763,329	1,042,762	–	–
Non-executive directors				
Emoluments	196,960	139,508	196,960	139,508
Share options exercised	–	110,845	–	110,845
Total	196,960	250,353	196,960	250,353
Total remuneration	960,289	1,293,115	196,960	250,353

	Share option taxable benefit GBP	Basic remune-ration GBP	Retire-ment fund GBP	Life and disability plan GBP	Allow-ances GBP	Other remune-ration GBP	Bonuses[6] GBP	Total 30 June 2016 GBP	Total 30 June 2015 GBP
Executive									
Mr JAJ Loots[3]	38,695	144,428	8,978	1,372	10,767	–	250,769	455,009	421,961
Mr GP Louw[4]	–	128,205	–	–	1,204	–	178,911	308,320	51,869
Mr RA Holding[2]	–	–	–	–	–	–	–	–	568,932
Total	38,695	272,633	8,978	1,372	11,971	–	429,680	763,329	1,042,762

	Share option taxable benefit GBP	Basic remune-ration GBP	Retire-ment fund GBP	Life and disability plan GBP	Directors' fee[7] GBP	Other remune-ration GBP	Bonuses GBP	Total 30 June 2016 GBP	Total 30 June 2015 GBP
Non-executive									
Mrs P Mahanyele[1]	–	–	–	–	–	–	–	–	27,788
Mr KC Spencer[8]	–	–	–	–	59,697	–	–	59,697	152,554
Mrs HH Hickey	–	–	–	–	47,455	–	–	47,455	27,676
Mr T Mosololi	–	–	–	–	45,754	–	–	45,754	24,607
Mr RM Smith[5]	–	–	–	–	44,054	–	–	44,054	17,728
Total	–	–	–	–	196,960	–	–	196,960	250,353

[1] *Directors' fees accruing are paid by the company to Shanduka Group Proprietary Limited.*
[2] *Mr RA Holding resigned as Chief Executive Officer with effect from 1 March 2015.*
[3] *Mr JAJ Loots was appointed Chief Executive Officer with effect from 1 March 2015.*
[4] *Mr GP Louw was appointed as Financial Director with effect from 1 March 2015.*
[5] *Mr RM Smith was appointed as a non-executive director from 8 September 2014.*

See notes 6, 7 and 8 on next page.

33. Directors' emoluments continued

	Share option taxable benefit GBP	Basic remune-ration GBP	Retire-ment fund GBP	Life and disability plan GBP	Allow-ances GBP	Other remune-ration GBP	Bonuses GBP	Total 30 June 2016 GBP	Total 30 June 2015 GBP
Prescribed officers									
Mr A van den Bergh	143,655	117,831	4,874	–	2,738	–	103,026	372,124	189,816
Mr A Karigeni	27,137	109,258	17,826	2,226	4,459	–	108,728	269,634	170,180
Mr C Strydom	187,529	106,917	12,359	–	3,848	–	74,176	384,829	154,225
Mr M da Silva (resigned on 23 April 2015)	–	–	–	–	–	–	–	–	129,978
Mr BFM Malunga	–	101,536	12,418	–	8,392	–	62,354	184,700	15,046
Mr B McLeod	20,140	65,397	10,205	1,274	2,485	–	78,977	178,478	102,169

6 *At the end of the financial year executive directors had the following bonuses accruing but not yet paid:*

	Transactional bonus GBP
Executive	
Mr JAJ Loots	*186,480*
Mr GP Louw	*93,240*
	279,720

These bonuses arose a result of executive directors' stewardship in finalising and concluding the Shanduka Gold transaction (refer to note 41).

7 *At the end of the financial year non-executive directors had the following additional fees accruing but not year paid:*

	Additional fees GBP
Non-executive	
Mr KC Spencer	*20,979*
Mrs HH Hickey	*20,979*
Mr T Mosololi	*20,979*
Mr RM Smith	*20,979*
	83,916

The additional fees arose as a result of extra time and detailed consideration required from the non-executive directors, during the negotiation and finalisation of the Shanduka Gold transaction deal (refer to note 41).

8 *Mr KC Spencer's remuneration in the prior year includes GBP110,845 relating to taxable share option benefit for the exercise of equity-settled share options.*

33. Directors' emoluments continued

No changes occurred during the year in respect of director appointments and resignations.

No retirement fund contributions are currently made by the company on behalf of non-executive 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:

	Mr KC Spencer *(Chairman)* GBP	Mrs HH Hickey GBP	Mr T Mosololi GBP	Mr RM Smith GBP
30 June 2016				
Board of directors	28,906	13,263	13,263	13,263
Remuneration committee	–	–	3,401	5,101
Audit committee *(Mrs HH Hickey as Chairperson)*	–	5,101	3,400	–
SHEC committee	5,101	3,401	–	–
Nominations committee	2,380	2,380	2,380	2,380
Retainer	2,331	2,331	2,331	2,331
Additional director fees (refer to note above)	20,979	20,979	20,979	20,979
	59,697	47,455	45,754	44,054

	Mr KC Spencer *(Chairman)* GBP	Ms P Mahanyele *(Deputy Chairperson)* GBP	Mrs HH Hickey GBP	Mr T Mosololi GBP	Mr JAJ Loots GBP
30 June 2015					
Board of directors	35,506	21,999	17,754	17,754	13,692
Remuneration committee *(Deputy Chairperson as Chairperson)*	–	5,789	–	3,859	3,859
Audit committee *(Mrs HH Hickey as Chairperson)*	–	–	5,789	3,859	–
SHEC committee	5,789	–	3,859	–	–
Nominations committee	–	–	–	–	–
	41,295	27,788	27,402	25,472	17,551

	Total options outstanding 1 July 2014	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 2015
Mr KC Spencer	1,500,000	21 July 2008	5,2	(1,500,000)	19 March 2015	–	–	–
Mr RA Holding	1,500,000	1 September 2013	–	(1,500,000)	28 February 2015	–	–	–
Mr JAJ Loots	1,150,000	1 September 2013	–	(1,150,000)	28 February 2015	–	–	–
Total	4,150,000			(4,150,000)			–	–

33. Directors' emoluments continued

Directors' dealings in shares

Financial year 30 June 2016

There were no director dealings in securities during the year.

Financial year 30 June 2015

On 19 March 2015 1,500,000 shares were issued at 5 pence per share to Mr KC Spencer's Strode Trust, upon exercising historical share options.

At 30 June 2015 the Strode Trust held a total of 3,000,000 shares (2014: 1,500,000).

During the year under review Mr T Mosololi participated in the following transactions in the company's shares:

- On 6 March 2015, purchased 2,000 shares at ZAR2.04 per share
- On 9 March 2015, purchased 28,000 shares at ZAR2.07 per share.

At 30 June 2015 Mr T Mosololi held a total of 30,000 shares (2014: nil).

Cash-settled options

	Total options outstanding 1 July 2015	Grant date	Strike price pence	Options granted/ (exercised) during the period	Grant/ (exercise) date	Grant/ (exercise) price pence	Options forfeited	Total options 30 June 2016
Listed per grant/ exercise								
Mr JAJ Loots	5,000,000	29 August 2013	0.13	(1,000,000)		0.13	–	4,000,000
Mr GP Louw	4,614,979	1 March 2015	0.12	–		–	–	4,614,979
Mr C Strydom[1]	2,325,000	9 May 2011	0.11	(2,325,000)	18 March 2016	0.11	–	–
Mr C Strydom[1]	1,268,206	1 May 2014	0.12	–			–	1,268,206
Mr C Strydom[1]	–		–	3,764,929	30 July 2015	0.08	–	3,764,929
Mr A van den Bergh[1]	1,812,590	9 May 2011	0.11	(1,812,590)	18 March 2016	0.11	–	–
Mr A van den Bergh[1]	2,460,399	1 May 2014	0.12	–		–	–	2,460,399
Mr A van den Bergh[1]	–		–	3,762,889	30 July 2015	0.08	–	3,762,889
Mr A Karigeni[1]	2,910,448	1 April 2014	0.13	(727,612)	18 April 2016	0.13	–	2,182,836
Mr A Karigeni[1]	–			3,007,647	30 July 2015	0.08	–	3,007,647
Mr B Malunga[1]	–		–	4,801,829	30 July 2015	0.08	–	4,801,829
Mr P Human[1]	–		–	2,501,368	30 July 2015	0.08	–	2,501,368
Mr P Human[1]	1,935,000	9 May 2011	0.11	(1,935,000)	18 March 2016	0.11	–	–
Mr RA Holding	5,127,134	9 May 2011	0.11	–		–	–	5,127,134
Mr RA Holding	1,000,000	29 August 2013	0.13	–		–	–	1,000,000
	28,453,756		0.12	10,038,460		0.10	–	38,492,216

[1] *Highest paid non-directors.*

34. Equity-settled share options

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

- 33.33% of the total number of shares allocated after one year has elapsed from the grant date by the participant of the grant
- 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
- The balance of the shares allocated after three years have elapsed from the grant date by the participant of the grant
- 25% of the total number of shares allocated after one year has elapsed from the grant date by the participant of the grant
- Up to 50% of the total number of shares allocated after two years have elapsed from the grant date by the participant of the grant
- 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
- The balance of the shares after four years have elapsed from the grant date by the participant of the grant; provided that the board may, at its discretion, anticipate or postpone such dates.

An option holder may not exercise a share option under the share option programme by later than the end of the year preceding the tenth anniversary of the grant date. Upon death of an option holder the estate would be entitled to exercise the options vested to date within twelve months of the date of death, if the options are not exercised the total available share options would lapse. The directors have the discretion to approve the vesting of the deceased's total number of unvested share options.

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

During the 2014 financial year, an equity-linked incentive was implemented for the then newly appointed executive directors. The terms of the scheme are as follows:

Total number of potential shares	2,650,000
Grant date	1 September 2013
Vesting date	28 February 2015
Vesting period	18 months
Exercise price	nil

Market conditions to be met

In the event that the 30-day volume weighted average price (VWAP) JSE share price of Pan African Resources has outperformed the JSE gold index by 10% or more during the 18-month period starting 1 September 2013, 1,750,000 ordinary shares of Pan African Resources will be issued by the vesting date, or alternatively cash settled.

In the event that the 30-day VWAP JSE share price of Pan African Resources has outperformed the JSE gold index by 25% or more during the 18-month period starting 1 September 2013, further 900,000 ordinary shares of Pan African Resources will be issued by the vesting date, or alternatively cash settled.

The remuneration committee may elect to settle the obligation in cash, should it be unable to issue shares, provided that the beneficiary is in a net neutral position, after taking account of taxes and other costs.

During the prior year, the above mentioned equity-linked incentives vested and were redeemed through a cash consideration by the respective directors.

34. Equity-settled share options continued

The transaction was treated as an equity-based share option transaction by the group, throughout the vesting period and settled by cash on exercise date. Refer below:

	ZAR	GBP
Opening balance equity reserve 30 June 2013	–	–
Equity expense for the year	2,008,779	119,003
Closing balance 30 June 2014	2,008,779	119,003
Equity expense for the year	3,313,149	184,064
Cash settlement on redemption	(5,321,928)	(303,067)
Closing balance 30 June 2015	–	–

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

	30 June 2016		30 June 2015	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 July	1.9p	1,122,000	5.3p	5,272,000
Granted during the year	–	–	–	–
Forfeited	–	–	–	–
Exercised during the year	–	–	1.7p	(4,150,000)
Outstanding 30 June	1.9p	1,122,000	1.9p	1,122,000

	30 June 2016		30 June 2015	
	Vested	Unvested	Vested	Unvested
Total number share options at year-end	1,122,000	–	1,122,000	–

34. Equity-settled share options continued

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

	Last fair value measurements		
	30 June 2014	30 June 2010	30 June 2008
Share price	2.06	ZAR0.68	ZAR0.62
Exercise price	Nil	ZAR0,.68	ZAR0.70
Expected volatility	30%	58.61%	72.39%
Expected life	18 months	3 – 6 years	1 – 3 years
FTSE/JSE SA Gold Mining Index at grant date	1,304,10	n/a	n/a
Risk-free interest rate	6.03%	8.15%	5.31%

A company dividend rate has not 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 except the share options issued during the 2014 financial year.

The group recognised total expenses of nil (2015: GBP184,064) 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.

35. Related party transactions

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

	Pan African Resources GBP	Funding Company GBP	PAR Management Services GBP
30 June 2016			
Statement of comprehensive income transactions			
Dividends received from Barberton Mines	**13,892,774**	**–**	**–**
Management fee	**–**	**–**	**2,749,883**
Finance charges – inter-company	**–**	**1,130,359**	**(135,868)**
Gold purchases from Evander Gold Mines Limited	**–**	**–**	**–**
Cost of gold production income invoiced to Evander Gold Mines Limited	**–**	**–**	**–**
Statement of financial position			
Pan African Resources receivables	**51,716,563**	**(19,019,040)**	**(87,504)**
Pan African Resources payables	**(7,038,314)**	**–**	**–**
Funding Company receivables	**–**	**8,926,860**	**(2,782,018)**
Funding Company payables	**–**	**(2,373,966)**	
PAR Management Services receivables	**–**	**–**	**3,820,393**
PAR Management Services payables	**–**	**–**	**–**
Payables to Shanduka	**–**	**–**	**111,862**
Pan African Resources Coal Holding receivables	**–**	**–**	**–**
Barberton Mines receivables	**–**	**–**	**–**
Evander Gold Mining Proprietary Limited payable	**–**	**–**	**–**
30 June 2015			
Statement of comprehensive income transactions			
Dividends received from Barberton Mines	54,709,384	–	–
Management fee	–	–	3,068,106
Management fee – Shanduka	–	–	(177,778)
Directors' fees expense to Shanduka	(27,788)		
Finance charges – inter-company	–	1,309,082	(16,450)
Gold purchases from Evander Gold Mines Limited	–	–	–
Cost of gold production income invoiced to Evander Gold Mines Limited	–	–	–
Statement of financial position			
Pan African Resources receivables	31,369,774	–	(1,060,195)
Pan African Resources payables	(7,213,541)	181	–
Funding Company receivables	(181)	12,029,355	(243,782)
Funding Company payables	–	(155,440)	
PAR Management Services receivables	–	–	2,712,694
PAR Management Services payables	1,060,195	243,782	(1,303,977)
Payables to Shanduka	–	–	(170,831)
Pan African Resources Coal Holding receivables	–	–	–
Barberton Mines receivables	–	–	–
Evander Gold Mines Limited receivables	–	–	–
Evander Gold Mines Limited payable	–	–	–
Evander Gold Mining Proprietary Limited payable	–	–	–

[1] *Evander Gold Mines Limited and Evander Gold Mining Proprietary Limited are collectively referred to as Evander Mines due to an interim-mining arrangement in place since 1 March 2013, until such time that the inter-company mining right transfer occurs.*

Refer to investment in subsidiaries and investment in associate (note 19) for the nature of relationships of the related parties to the company.

Refer to directors' emoluments (note 33), for key management remuneration under related parties.

In addition to the related party transactions identified above, the acquisition of Uitkomst Colliery and PAR Gold were identified as related party transactions. Refer to notes 40 and 41.

	Pan African Resources Coal Holding GBP	Phoenix Platinum GBP	Uitkomst Colliery GBP	Barberton Mines GBP	Evander Gold Mining Proprietary Limited[1] GBP	Evander Gold Mines Limited[1] GBP	Emerald Panther GBP	Evander subsidiaries GBP
	–	–	–	(13,892,774)	–	–	–	–
	–	(107,226)	(65,734)	(1,439,394)	(1,137,529)	–	–	–
	–	79,849	7,490	(331,029)	(750,800)	–	–	–
	–	–	–	–	(54,211,073)	54,211,073	–	–
	–	–	–	–	53,674,330	(53,674,330)	–	–
	(3,033,367)	(7,027,516)	–	–	(22,549,136)	–	–	–
	–	–	–	2,499,505	–	4,531,387	7,422	–
	(13)		(775,498)	(4,288,073)	(1,081,258)	–	–	–
		2,373,966	–	–	–	–	–	–
	–	(137,550)	(236,876)	(1,917,383)	(1,528,584)	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	(4,853,387)	–	–	4,853,387	–	–	–	–
	–	–	–	25,634	(25,634)	–	–	–
	–	–	–	(48,128,871)	48,128,871	–	–	–
	–	–	–	(54,709,384)	–	–	–	–
	–	(152,778)	–	(1,666,667)	(1,248,661)	–	–	–
	–	–	–	(62,702)	–	–	–	–
	–	(4,605)	–	(57,776)	(1,230,251)	–	–	–
	–	–	–	–	(54,916,954)	54,916,954	–	–
	–	–	–	–	54,373,221	(54,373,221)	–	–
	–	(7,202,293)	–	–	(23,107,286)	–	–	–
	–	–	–	2,561,669	–	4,644,085	7,606	–
	–		–	(699,055)	(11,080,476)	(5,861)	–	–
		155,440	–	–	–	–	–	–
	–	(162,435)	–	(865,285)	(1,684,974)	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–		–	–	–	–
	–	–	–	–	–	–	–	–
	–	–	–	–	–	153,566	–	(153,566)
	–	–	–	–	–	6,596,733	–	6,596,733
	–	2,212,476	–	–	(50,032,949)	47,820,473	–	–

36. Non-current asset held for sale

The carrying value of non-current assets held for sale on 30 June 2016 is as follows:

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Opening balance	–	–	–	–
Building and infrastructure	66,873	–	–	–
Closing balance	66,873	–	–	–

An offer to purchase was signed on 28 June 2016 with a third party for the purchase of the building property, situated at 36 Gemsbok Avenue, Newcastle. The purchase price agreed upon is ZAR1.3 million. The building property came with the acquisition of Uitkomst Colliery, and is currently used an administrative office for the coal operation.

37. Events after the reporting period

No material subsequent events were noted after the reporting period.

38. Reconciliation of profit before taxation to cash generated by/(used in) operations

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Profit before taxation	33,735,648	15,802,756	13,501,302	53,594,728
Adjusted for:	21,521,444	9,765,769	(79,749)	286,219
Impairment	–	58,424	–	58,424
Equity and cash-settled share options costs	5,274,697	478,691	–	–
Net finance income – bank	1,018,303	1,073,721	(79,749)	(40,125)
Net finance income – rehabilitation trust fund	(13,352)	(56,488)	–	–
Net finance income – other	1,124	(36,844)	–	–
Net finance income – provision for rehabilitation	–	1,094,191	–	–
Net finance income – SARS	47	34,748	–	–
Loss/(profit) on disposal of assets	2,767	149	–	–
Royalty costs	2,799,947	1,647,297	–	–
Loss on disposal of associate/sale of asset held for sale	–	139,970	–	139,970
Loss on associate	–	127,950	–	127,950
Financial instruments	5,482,517	–	–	–
Decrease in provision for environmental rehabilitation	(1,780,288)	–	–	–
Fair value adjustment on gold loan	–	(120,490)	–	–
Fair value adjustment on rehabilitation trust fund	(414,955)	(1,827,253)	–	–
Non-mining depreciation	36,617	49,094	–	–
Mining depreciation	10,456,129	10,337,211	–	–
Gold loan amortisation	(2,747,333)	(3,352,833)	–	–
Non-cash items	1,424,824	–	–	–
Other	(19,600)	118,231	–	–
Operating cash flows before working capital changes	55,257,092	25,568,525	13,421,553	53,880,947
Working capital changes	(4,200,122)	3,285,395	25,860	112,308
Decrease/(increase) in inventories	134,804	1,838,559	–	–
(Increase)/decrease in trade and other receivables	(3,847,888)	2,137,370	(16,408)	(3,260)
(Decrease)/increase in trade and other payables	(117,539)	(420,706)	43,976	130,948
Non-cash items	(369,499)	(269,828)	(1,708)	(15,380)
Cash generated by operations	51,056,970	28,853,920	13,447,413	53,993,255
Income taxes paid	(9,998,969)	(6,129,666)	101,573	(26,218)
Royalties paid	(2,916,283)	(1,945,421)	–	–
Net finance costs/income	(652,680)	(1,130,429)	76,390	40,125
Dividend paid	(9,024,833)	(14,283,924)	(9,024,833)	(14,283,924)
Net cash from operating activities	28,464,205	5,364,480	4,600,543	39,723,238

38. Reconciliation of profit before taxation to cash generated by/(used in) operations continued

	Consolidated		Separate	
	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Taxation paid during the year:				
Taxation charge per the statement of comprehensive income	**8,233,831**	4,132,789	**33,810**	24,306
Less: Deferred taxation	**1,397,303**	1,236,780	**–**	–
	9,631,134	5,369,569	**33,810**	24,306
Taxation payable/(receivable) at the beginning of the year	**215,072**	891,435	**(141,574)**	(147,911)
Taxation (payable)/receivable at the end of the year	**(205,941)**	(215,072)	**8,469**	141,574
Foreign currency translation	**358,704**	83,734	**(2,278)**	8,249
Taxation paid during the year	**9,998,969**	6,129,666	**(101,573)**	26,218
Royalty paid during the year:				
Royalty costs (receivable)/payable at the beginning of the year	**(538,586)**	(291,089)		
Royalty costs receivable at the end of the year	**594,498**	538,586		
Royalty costs charge for the year	**2,799,947**	1,647,297		
Foreign currency translation	**60,424**	50,627		
Royalty paid during the year	**2,916,283**	1,945,421		

39. ESOP transactions

Barberton Mines ESOP Transaction

On 1 June 2015 Barberton Mines entered into an agreement with the Barberton Mines BEE Company Proprietary Limited and Barberton Mines BEE Trust.

The agreement concluded Barberton Mines would issue 5% of its authorised share capital for ZAR99.5 million to Barberton Mines BEE Company Proprietary Limited which is 100% held by the Barberton Mines BEE Trust.

The beneficiaries of the Barberton Mines BEE Trust are all the Barberton Mines employees of a Paterson Grading C level and below.

The share issue was vendor financed by Barberton Mines against preference share capital issued by Barberton Mines BEE Company for ZAR99.5 million.

Evander Mines ESOP Transaction

On 1 June 2015 Evander Gold Mining Proprietary Limited entered into an agreement with the Evander Gold Mining BEE Company and the Evander Gold Mining BEE Trust.

The agreement concluded Evander Gold Mining Proprietary Limited would issue 5% of its authorised share capital for ZAR146 million to Evander Gold Mining BEE Company which is 100% held by the Evander Gold Mining BEE Trust.

The beneficiaries of the BEE Trust are all the Evander Gold Mining Proprietary Limited employees of a Paterson Grading C level and below.

The issue was vendor financed by Evander Gold Mining Proprietary Limited against preference share capital issued by Evander Gold Mining BEE Company for ZAR146 million.

Preference share capital funding arrangement terms:

Real interest rate:	Two percent per annum
Vesting period of the BEE scheme:	10 years

The payment terms of the funding arrangement allow for a portion of the dividends issued by the gold operations to be retained for settlement of the funding arrangement.

39. ESOP transactions continued

The retention percentage applied to dividends for repayment is summarised as follows:

	Year 1 %	Year 2 %	Year 3 %	Year 4 %	Year 5 to 10 %
Percentage of dividends withheld for payment of funding arrangement	50	50	60	70	80
Percentage of dividends accruing to the BEE Trust	50	50	40	30	20
Total dividends	100	100	100	100	100

The dividends are calculated based on 80% of the mines' net cash generated during the year subject to compliance with the Companies Act requirements of liquidity and solvency.

The transaction is classified under IFRS 2 as a cash-settled share option scheme (refer to note 28) and has been summarised as follows:

The ESOP cash-settled share option liability for the gold operation was valued by independent actuaries at 30 June 2016.

	Barberton Mines		Evander Mines		Barberton Mines		Evander Mines	
	30 June 2016 ZAR	30 June 2015 ZAR	30 June 2016 ZAR	30 June 2015 ZAR	30 June 2016 GBP	30 June 2015 GBP	30 June 2016 GBP	30 June 2015 GBP
Statement of financial position								
ESOP cash-settled share options liability								
Opening balance	181,000	–	–	–	9,378	–	–	–
Dividend accrued	7,196,232	6,504,337	3,112,000	–	335,489	361,352	145,082	–
Dividend paid	(7,196,232)	(6,504,337)	–	–	(319,061)	(368,568)	–	–
IFRS 2 revaluation expense	2,268,000	181,000	–	–	105,734	10,056	–	–
FCTR	–	–	–	–	(7,728)	6,538	12,249	–
Closing balance	2,449,000	181,000	3,112,000	–	123,812	9,378	157,331	–
Statement of comprehensive income								
ESOP IFRS 2 expense	(9,464,232)	(6,685,337)	(3,112,000)	–	(441,223)	(371,408)	(145,082)	–

40. Acquisition of Uitkomst Colliery

The group completed the acquisition of the Uitkomst Colliery by acquiring it from Oakleaf and Shanduka Resources Proprietary Limited for a final net cash consideration of ZAR148 million on 31 March 2016. Uitkomst Colliery is located close to the town of Utrecht in KwaZulu-Natal, South Africa, and is a high grade thermal export quality coal deposit with metallurgical applications. Uitkomst is an existing operation containing a coal resource of 25.7 million tonnes, of which 22.1 million tonnes can be classed as measured or indicated, in accordance with the South African code for the reporting of exploration results, mineral resources and mineral reserves. Uitkomst Colliery also has additional exploration and expansion potential.

The ultimate effect of the transaction effectively resulted in the group purchasing the assets and liabilities from Blue Falcon 232 Trading Proprietary Limited (Blue Falcon) through a wholly owned subsidiary, Emerald Panther Investments 107 Proprietary Limited (renamed to Uitkomst Colliery Proprietary Limited). Therefore Blue Falcon remained a statutory company still belonging to its previous owners outside of the group.

The transaction was settled on revised terms as per below:

	ZAR	GBP
Original agreed upon cash consideration	200,000,000	9,499,608
Revised cash consideration	176,000,000	8,359,655
Effective cash distribution to shareholders	(28,054,944)	(1,332,555)
Net purchase consideration	147,945,056	7,027,100
Cash acquired with the acquisition	(27,931,627)	(1,326,698)
Net cash consideration	120,013,429	5,700,402
Net purchase consideration outflow		
Shanduka Resources Proprietary Limited	88,000,000	4,179,828
Oakleaf Investments Holdings 109 Proprietary Limited	59,945,056	2,847,272
	147,945,056	7,027,100

In accordance with the acquisition method of accounting, the acquisition cost has been allocated to the underlying assets acquired and liabilities assumed, based on their estimated fair values at the date of acquisition. BDO Corporate Finance was used to assist the group in determining the fair value of the mining rights and property, plant and equipment acquired.

40. Acquisition of Uitkomst Colliery continued

	Fair value at acquisition ZAR	Fair value at acquisition GBP
Non-current assets	191,872,281	9,113,557
Property, plant and equipment	28,948,352	1,374,990
Building and infrastructure	1,322,750	62,828
Mining right	161,601,179	7,675,739
Other financial assets		
Current assets	66,951,519	3,180,066
Inventories	25,641,259	1,217,909
Trade and other receivables	13,378,633	635,459
Cash and cash equivalents	27,931,627	1,326,698
Total assets	258,823,800	12,293,623
Liabilities		
Non-current liabilities	(67,472,079)	(3,204,792)
Deferred tax	(59,333,216)	(2,818,212)
Provisions	(8,138,863)	(386,580)
Current liabilities	(43,406,665)	(2,061,731)
Current tax payable	(4,086,467)	(194,099)
Trade and other payables	(39,320,198)	(1,867,632)
Total liabilities	(110,878,744)	(5,266,523)
Net asset at fair value	147,945,056	7,027,100
Purchase price	(147,945,056)	(7,027,100)

41. Shanduka Gold transaction

On 7 June 2016, the group concluded the purchase of shares in Shanduka Gold Proprietary Limited (Shanduka Gold) renamed to PAR Gold Proprietary Limited.

Shanduka Gold is Pan African Resources' primary BEE shareholder, with its sole assets being a 22.5% interest in Pan African Resources' issued share capital (post conclusion of the Shanduka Gold transaction) and a notional vendor loan of R558 million to its BEE shareholder, the Mabindu Business Development Trust, as at 30 June 2016. Following a merger between Shanduka Group Proprietary Limited and the Pembani Group Proprietary Limited in December 2015, Pan African Resources engaged with Shanduka Gold shareholders and concluded an agreement to assist in preserving the group's BEE ownership in a meaningful and mutually beneficial manner by means of an acquisition of a material interest in Shanduka Gold. Prior to the transaction with Pan African Resources, Shanduka Gold's shareholders were Standard Bank of South Africa Limited (16.9%), Jadeite Limited (33.6%) and the Mabindu Trust (49.5%). Pan African Resources acquired Standard Bank's 16.9% and Jadeite Limited's 33.6% interest in Shanduka Gold. Approximately 0.6% of the Shanduka Gold shares acquired from Jadeite Limited have been retained by Jadeite Limited for sale, at a future date, to an independent third party nominated by Pan African Resources. Pursuant to the transactions, Pan African Resources acquired a 49.9% direct interest in Shanduka Gold but consolidates the full interest in Shanduka Gold for accounting purposes.

Prior to the purchase of shares, the direct shareholding in Shanduka Gold was held by the following entities:

	Shareholding %	Issued shares
Jadeite Limited (an investment vehicle of the China Investment Corporation) (Jadeite)	33,6	104,424,000
The Standard Bank of South Africa Limited (Standard Bank)	16,9	52,487,000
The Mabindu Business Development Trust (Mabindu)[1]	49,5	153,778,000
	100,0	310,689,000

The effect of the transaction was therefore a share buyback as the group acquired shares in a company that holds a 23.83% (22.46% as at 30 June 2016) investment in the group's parent company as its only asset.

The acquisition of the Shanduka Gold shares was conducted through one of the group's wholly owned subsidiaries, Funding Company, and was funded as follows:

	ZAR	GBP
Share issue of Pan African Resources ordinary shares (UK Shareholders)[2]	217,344,600	10,053,407
Share issue of Pan African Resources ordinary shares (SA Shareholders)[2]	142,252,500	6,579,975
Internally generated cash resources/funding facilities	187,344,045	8,665,713
Funding company investment in Shanduka Gold Resources	546,941,145	25,299,095
Costs capitalised to the Shanduka Gold investment in Pan African Resources[3]	1,678,657	77,648
Treasury capital reserve	548,619,802	25,376,743
Effective shares acquired on a share buyback	436,358,058	
Effective price paid for the share acquired	1,25	

[1] *Mabindu's 49.5% interest in Shanduka Gold was acquired through the creation of a notional loan, to be settled by Mabindu, with a notional value of ZAR536,039,493 as at 11 December 2015. The notional loan accrues notional interest linked to prime interest rate plus 5% and is required to be notionally settled on 11 December 2018. Whilst the notional loan is outstanding, 95% of the dividends payable to Mabindu are waived by Mabindu and the notional loan is notionally reduced by the aggregate value of all dividends paid and payable to Mabindu. Therefore from an accounting perspective Mabindu holds an option in Shanduka Gold, which results in Pan African Resource Funding Company receiving 97.5% of the economic benefits derived by Shanduka Gold.*

The implementation of the transactions will result in Pan African Resources consolidating all the Pan African Resources shares (436,358,059 shares) held by Shanduka Gold for accounting purposes. This will also mean that Pan African Resources will receive the benefit of indirectly participating in dividends it declares to shareholders.

[2] *The group issued 111,711,791 ordinary shares in Pan African Resources to assist in raising funds for the Shanduka Gold transaction.*

[3] *On consolidation the Shanduka Gold investment in Pan African Resources is eliminated to the group treasury capital reserve. Certain costs were capitalised into the investment, mostly relating to the taxation paid for the transfer of shares to the group.*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Gold as an **INVESTMENT**

Of all the precious metals, gold is the most popular as an investment as investors generally buy gold as a way of diversifying risk, hedging against inflation, deflation or currency devaluation. The gold market is subject to speculation and volatility as are other markets; however compared to other precious metals used for investment, gold has the most effective safe haven and hedging properties across a number of asset classes. Gold has been used throughout history as money and like most commodities, the price of gold is driven by supply and demand including demand from speculation. Given the huge quantity of gold stored above-ground compared to the annual production, the price of gold is mainly affected by changes in demand from speculators, through investment demand, rather than changes in annual production (supply).

Central banks and the International Monetary Fund play an important role in the gold price. At the end of 2004 central banks and official organisations held 19 percent of all above-ground gold as official gold reserves. It is generally accepted that the price of gold is closely related to interest rates. As interest rates rise the general tendency is for the gold price, which earns no interest, to fall, and as interest rates dip, for the gold price to rise. As a result, the gold price can be closely correlated to central banks through the monetary policy decisions made by them related to interest rates. The price of gold can be influenced by a number of macro-economic variables which include the price of oil, the use of quantitative easing, currency exchange rate movements and returns on equity markets.

The most traditional way of investing in gold is by buying bullion gold bars. In some countries, like Canada, Austria, Liechtenstein and Switzerland, these can easily be bought or sold at the major banks. Alternatively, there are bullion dealers that provide the same service. Bars generally carry lower price premiums than gold bullion coins. However larger bars carry an increased risk of forgery due to their less stringent parameters for appearance.

Gold coins are a common way of owning gold. Bullion coins are priced according to their fine weight, plus a small premium based on supply and demand, The sizes of bullion coins range from one-tenth of an ounce to two ounces, with the one-ounce size being most popular and readily available. South Africa's Krugerrand is the most widely held gold bullion coin, with 46 million troy ounces (1,400 tonnes) in circulation.

http://www.randrefinery.com/brochures/Rand%20Refinery%20-%20The%20Story%20of%20Gold.pdf

79 **Au** +1 +3

Gold

196.97

2-8-18-32-18-1

Shareholders' analysis

Register date: 30 June 2016
Issued share capital: 1,943,206,554 shares

Shareholder spread

	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	718	13.88	295,594	0.02
1,001 – 10,000 shares	1,914	36.99	9,094,133	0.47
10,001 – 100,000 shares	1,836	35.49	61,088,701	3.14
100,001 – 1,000,000 shares	504	9.74	168,044,981	8.65
1,000,001 shares and over	202	3.90	1,704,683,145	87.73
Total	**5,174**	**100.00**	**1,943,206,554**	**100.00**

Distribution of shareholders

	Number of shareholders	%	Number of shares	%
Banks	309	5.97	526,783,469	27.11
Brokers	18	0.35	17,247,239	0.89
Close corporations	46	0.89	2,999,772	0.15
Endowment funds	21	0.41	11,361,724	0.58
Hedge funds	2	0.04	6,446,816	0.33
Individuals	3,915	75.67	98,072,723	5.05
Insurance companies	42	0.81	32,972,024	1.70
Investment companies	1	0.02	600,000	0.03
Medical aid schemes	6	0.12	5,764,405	0.30
Mutual funds	160	3.09	454,441,275	23.39
Nominees and trusts	331	6.40	31,690,068	1.63
Other corporations	56	1.08	2,797,397	0.14
Pension funds	165	3.19	298,722,037	15.37
Private companies	88	1.70	449,623,779	23.00
Public companies	14	0.27	3,683,826	0.19
Total	**5,174**	**100,00**	**1,943,206,554**	**100.00**

Public/non-public shareholders

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	4	0.08	439,469,633	22.62
Director	3	0.06	3,261,575	0.17
Strategic holder (more than 10%)	1	0.02	436,358,058	22.46
Public shareholders	5,170	99.92	1,503,736,921	77.37
Total	**5,174**	**100.00**	**1,943,206,554**	**100.00**

Beneficial shareholders holding of 3% or more

	Number of shares	%
PAR Gold Proprietary Limited	436,358,058	22.46
Allan Gray Investment	381,214,546	19.62
Fidelity Worldwide Investment	128,728,403	6.62
Truffle Asset Management	117,511,805	6.05
Prudential Investment managers	91,085,743	4.69
Old Mutual Group	86,116,983	4.43

Notice of annual general meeting

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

Notice is hereby given that the 2016 annual general meeting (AGM) of Pan African Resources (the company) will be held at the offices of Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT* on Friday, 25 November 2016 at 11:00 (all times stated are United Kingdom times unless otherwise stated) to consider and, if thought fit, transact the following business:

Ordinary business

1. To receive and adopt the directors' report, the audited statement of accounts and auditors' report for the year ended 30 June 2016.
2. To approve the payment of a final dividend for the year ended 30 June 2016 of ZAR0.15438 per share.
3. To re-elect Mrs HH Hickey as a director of the company (director), who retires by rotation pursuant to the articles of association of the company (Articles of Association).
4. To re-elect Mr T Mosololi as a director of the company, who retires by rotation pursuant to the Articles of Association.
5. To re-elect Mrs HH Hickey as a member of the audit committee.
6. To re-elect Mr KC Spencer as a member of the audit committee.
7. To re-elect Mr T Mosololi as a member of the audit committee.
8. To endorse the company's remuneration policy for the year ended 30 June 2016.
9. To re-appoint Deloitte LLP as auditors of the company and to authorise the directors to determine their remuneration.

Brief CVs of the directors mentioned in resolutions 3 and 4 above are contained on page 84 of this integrated annual report.

Special business

As special business, to consider and if thought fit, to pass the following resolutions of which resolution 10 will be proposed as an ordinary resolution and resolution 11 will be proposed as a special resolution:

10. That the directors be and are hereby authorised generally and unconditionally to exercise all the powers of the company to allot relevant securities (as defined in section 551 of the Companies Act 2006):
    (a) up to a nominal amount of GBP6,477,355.18 (being one-third of the nominal value of the current issued share capital of GBP19,432,065.54)
    (b) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of GBP12,954,710.36 (being two-thirds of the nominal value of the current issued share capital of GBP19,432,065.54) such amount to be reduced by any allotments made under paragraph (a) above in connection with an offer by way of a rights issue:
    - to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings
    - to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or laws of, any territory or any matter.

The authorities conferred on the directors to allot securities under paragraph (a) and (b) will expire on the date of the AGM of the company to be held in 2017 or on 31 December 2017 whichever is sooner, unless previously revoked or varied by the company and such authority shall extend to the making before such expiry of an offer or an agreement that would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired.

11. That the company be generally and unconditionally authorised for purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of the company on such terms and in such a manner as the directors shall determine, provided that:
    - the maximum aggregate number of ordinary shares which may be purchased is GBP971,603.27 (representing approximately 5 percent of the issued share capital of the company at the date of this notice)
    - the minimum price (excluding expenses) which may be paid for such ordinary share is 1pence
    - the maximum price (excluding expenses) which may be paid for such ordinary share (i) does not exceed 5 percent above the average closing price of such shares for the 5 business days on the London Stock Exchange prior to the date of purchase and (ii) that stipulated by Commission-adopted Regulatory Technical Standards pursuant to article 5(6) of the Market Abuse Regulation

** Please note that as the AGM will be held at The London Stock Exchange all attendees will be required to show ID in order to gain entry.*

- this authority shall expire at the conclusion of the next AGM of the company or on 31 December 2017, whichever is the earlier, unless such authority is renewed prior to that time (except in relation to the purchase of ordinary shares the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry)
- any market purchases by the company of ordinary shares in the company as contemplated in this resolution shall comply, to the extent required, with the provisions of the Listings Requirements of the JSE Limited (JSE) (the Listings Requirements) pertaining to the general authority to repurchase securities for cash, which in summary provide as follows:
  – such repurchases are effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and a counterparty, unless the JSE otherwise permits
  – the company and its subsidiaries are enabled by their Articles of Association to acquire such shares
  – such repurchases are made at a price no greater than 10 percent above the weighted average market price at which the company's shares traded on the JSE over the five business days immediately preceding the date on which the transaction is effected
  – at any point in time, the company appoints only one agent to effect any repurchase on the company's behalf
  – the directors will ensure that a resolution by the board of directors (the board) was taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed solvency and liquidity tests and confirming that since such tests were performed there have been no material adverse changes to the financial position of the group
  – such repurchases are not conducted during prohibited periods as defined by the JSE Listings Requirements, unless the company has complied with the conditions set out in paragraph 5.72(h) of the JSE Listings Requirements.

The other general information referred to in paragraph 11.26(b) of the JSE Listings Requirements regarding the company is contained elsewhere in this notice of AGM, as follows:

- major shareholders on page 184
- company's share capital, on page 148.

Directors' responsibility statement

The directors of the company, whose names are given on pages 84 and 85 of the group's integrated annual report in which this notice is incorporated, collectively and individually accept full responsibility for the accuracy of the information given in this notice, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the JSE Listings Requirements.

Material change

The directors of the company confirm that there has not been any material change in the financial or trading position of the company and its subsidiaries that has occurred since the end of the last financial period.

The intention of the directors is that the repurchase of the company's shares will be effected within the parameters laid down by resolution 11 as well as by the Act, the JSE Listings Requirements and the board, as and when the directors of the company deem such repurchases to be appropriate, having regard for prevailing market and business conditions. The directors will ensure that the requisite prior resolution of the board has been taken authorising such repurchases, confirming that the company and its subsidiaries engaged in such repurchases have passed the solvency and liquidity test and confirming that since such tests were performed there have been no material adverse changes to the financial position of the group.

After considering the effect of a general repurchase within the parameters set out above, the directors are of the view that for a period of at least 12 months after the date of the AGM referred to in this notice:

- the company and the group would in the ordinary course of their business be able to pay their debts
- the consolidated assets of the company and the group would exceed the consolidated liabilities of the company and the group respectively, such assets and liabilities being fairly valued and recognised and measured in accordance with the accounting policies used in the 2014 audited annual financial statements of the company and the group
- the issued capital and reserves of the company and the group would be adequate for the purposes of the company and the group's ordinary business
- the company and the group's working capital would be adequate for ordinary business purposes.

Note

The company will publish an announcement complying with the JSE Listings Requirements if and when an initial and successive 3 percent tranche(s) of its shares have been repurchased in terms of the aforementioned general authority.

Approvals required for resolutions

The ordinary resolutions contained in this notice of AGM require the approval of more than fifty percent (50%) of the total votes cast on the resolution by shareholders present or represented by proxy at the AGM. The special resolutions contained in this notice of AGM require the approval of at least seventy-five percent (75%) of the total votes cast on the resolutions by the shareholders present or represented by proxy at the AGM.

By order of the board

St James's Corporate
Services Limited

St James's Corporate Services Limited
Company Secretary

20 September 2016

Suite 31, Second Floor
107 Cheapside
London
England
EC2V 6DN

Explanatory notes to the notice of AGM

1. Directors' report and accounts (resolution 1)

This resolution will be proposed as an ordinary resolution. The directors of the company (the directors) are required by the Act to present to the meeting, the directors' and auditors' reports and the audited accounts for the year ended 30 June 2016. The report of the directors and the audited accounts have been approved by the directors and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the integrated annual report and accounts of the company.

2. Approval of final dividend (resolution 2)

A final dividend can only be paid after it has been approved by the shareholders. A final dividend of ZAR0.15438 per share or approximately 0.82338 pence per share in respect of the year ended 30 June 2016 is recommended by the directors.

3. Director re-election (resolutions 3 and 4)

These resolutions will be proposed as ordinary resolutions. Article 123 of the Articles of Association states that at each AGM one-third of the directors (or, if their number is not a multiple of three, the number of directors nearest to but not greater than one-third, unless their number is fewer than three, in which case one director) shall retire from office by rotation. Accordingly, Mrs HH Hickey and Mr T Mosololi retire by rotation and offer themselves for re-election under this provision.

Biographical details of all of the directors are set out on pages 84 and 85 of the integrated annual report and accounts of the company.

4. Audit committee members' re-election (resolutions 5, 6 and 7)

These resolutions will be proposed as ordinary resolutions. In accordance with good corporate governance practice, subject where it is necessary to their re-appointment as directors of the company in terms of the resolutions proposed in resolutions 3 and 4 above, to confirm by separate resolutions the appointment of the stated directors to the company's audit committee for the period until the next AGM of the company.

5. Endorsement of the remuneration policy (resolution 8)

This resolution will be proposed as an ordinary resolution. This resolution will approve, by way of an advisory non-binding vote, the company's remuneration policy as set out on pages 94 to 103 of the integrated annual report for the year ended 30 June 2016, in terms of the King III principles.

6. Appointment and remuneration of auditors (resolution 9)

This resolution will be proposed as an ordinary resolution. This resolution proposes the appointment of Deloitte LLP as the auditors of the company and, in accordance with standard practice, gives authority to the directors to determine their remuneration.

Explanatory notes to the notice of AGM continued

7. Authority to allot shares (resolution 10)

This resolution will be proposed as an ordinary resolution. Resolution 10 enables the directors to allot equity securities (including new ordinary shares). The total nominal amounts are specified rather than the total number of shares in order that the resolution does not need to be amended if the company consolidates or sub-divides its shares. The nominal amount specified in part (a) of this resolution is one-third of the company's issued ordinary share capital. Part (b) of this resolution allows the directors to allot ordinary shares in connection with a rights issue up to an aggregate nominal amount of two-thirds of the issued ordinary share capital. The resolution also gives authority to the directors to deal with practical issues that may arise from the allotment or take account of requirements relating to overseas shareholders due to local laws or regulations.

8. Authority to repurchase shares (resolution 11)

This resolution will be proposed as a special resolution. The company's Articles of Association contain a provision allowing the company to purchase its own shares subject to the prior authority of the members having been obtained. In accordance with the board's previous practice, resolution 11 is for the purpose of seeking general authority to effect such purchases within the limits set out in the resolution.

Purchases pursuant to the proposed authority would only be made after the most careful consideration, where the directors believed purchases were in the best interests of the company and its shareholders. The directors consider that it is prudent to obtain the proposed authority, although the board has no present intention of exercising this authority.

The UK Companies Act permits companies to hold in treasury any shares acquired by way of market purchases, rather than having to cancel them. Treasury shares continue to exist as shares, but are owned by the company itself, and can only be sold by the company for cash as an alternative to listing new shares. Section 727 of the UK Companies Act permits a company at any time to sell shares from treasury for cash (subject to statutory pre-emption provisions), to transfer shares from treasury for the purposes of an employee share scheme, or to cancel them. If the company were to repurchase any of its own shares pursuant to the authority conferred by resolution 11, the company would consider at that time whether to hold those shares as treasury shares or to cancel them. However, the company would be likely to hold them as treasury shares unless there were some exceptional and unforeseen reasons at the time of purchase which meant that it would not be in the interests of the company to do so. This would give the company the ability to sell treasury shares quickly, with the proceeds of the sale (up to the amount which was initially paid for them by the company) being credited back to the company's distributable reserves, and would provide the company with additional flexibility in the management of its capital base. Where considered appropriate, treasury shares may be issued or transferred for the purpose of the company's employee share plans rather than issuing new shares or purchasing shares on the open market.

No dividends will be paid on shares whilst held in treasury and no voting rights will be exercised in respect of treasury shares.

The authority sought under resolutions 10 and 11 will expire at the earlier of the conclusion of the AGM of the company in 2017 or 31 December 2017.

Notes

Entitlement to attend and vote

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 (Uncertificated Securities Regulations), only those members entered in the register of members of the company as at close of business on 23 November 2016, and in the case of an adjourned meeting, two days before such adjourned meeting, shall be entitled to attend, speak and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to the register of members after the close of business on 23 November 2016, or if the AGM is adjourned, after close of business on the day two days before the adjourned meeting shall be disregarded in determining the rights of any person to attend, speak and vote at the AGM.

Appointment of proxies

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

   You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form.

   If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy this form.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
6. Any corporation which is a member of the company can appoint one or more corporate representative(s) who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. A member of the company may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the company for any purpose other than those expressly stated.

Appointment of proxy using hard-copy proxy form

8. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:
   - completed and signed; and
   - sent or delivered to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, South Africa (PO Box 61051, Marshalltown 2107, Johannesburg, South Africa); no later than 11:00 on 23 November 2016.

   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

9. 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

10. 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 Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, South Africa (PO Box 61051, Marshalltown 2107, Johannesburg, South Africa).

Notes continued

Changing proxy instructions continued

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

11. 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 Asset Services or Computershare Investor Services Proprietary Limited no later than 11:00 on 23 November 2016. 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

12. As at close of business on 19 September 2016, the company's issued share capital comprised ordinary shares of 1p each. Each ordinary share carries the right to one vote at an AGM of the company and, therefore, the total number of voting rights in the company as at close of business on 19 September 2016 was 1,943,206,554.

Directors' interests and documents on display

13. 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, Sundays 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

14. 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 (available via www.euroclear.com). 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.

15. 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 the specifications of Euroclear UK & Ireland Limited (EUI) and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA10) by 11:00 on 23 November 2016 (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.

16. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in EUI 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. The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations.

Form of proxy

United Kingdom

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

This form of proxy is for use by all non-South African shareholders and for South African certificated shareholders and South African own name dematerialised shareholders only.

I/We, the undersigned, being a member of the above-named company, hereby appoint the Chairman of the meeting or (see notes 1 and 3)

Name of proxy Number of shares proxies appointed over

as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting (AGM) of Pan African Resources (the company) to be held at the offices of Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT at 11:00 on 25 November 2016 and at any adjournment thereof.

If you wish to appoint multiple proxies please see note 1 below. ☐ Please also tick here if you are appointing more than one proxy.

The proxy will vote on the undermentioned resolutions, as indicated.

Ordinary business:	For	Against	Voting withheld*	Discretionary**
1. To receive the accounts and the reports of the directors of the company (the directors) and auditors thereon				
2. To approve the payment of a final dividend for the year ended 30 June 2016				
3. To re-elect Mrs HH Hickey as a director of the company				
4. To re-elect Mr T Mosololi as a director of the company				
5. To re-elect Mrs HH Hickey as a member of the audit committee				
6. To re-elect Mr KC Spencer as a member of the audit committee				
7. To re-elect Mr T Mosololi as a member of the audit committee				
8. To endorse the company's remuneration policy				
9. To re-appoint Deloitte LLP as auditors of the company and to authorise the directors to determine their remuneration				
Special business:				
10. To authorise the directors to allot equity securities				
11. To approve market purchases of ordinary shares				

If this form is signed and returned without any indication as to how the proxy shall vote, he or she will exercise his or her discretion both as to how he or she votes (and whether or not he or she abstains from voting).

* *The 'Voting 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.*

Print name:
(BLOCK CAPITALS)

Signature:

Address:

Dated this day of 2016

Notes

1. To appoint as a proxy a person other than the Chairman of the meeting insert the full name in the space provided. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy need not be a member of the company.
2. This form is for use of shareholders only and will be used only in the event of a poll being directed or demanded.
3. You may, if you wish, delete the words "the Chairman of the meeting" and substitute the names(s) of your choice. Please initial such alteration.
4. To be effective, this form of proxy must be lodged at the company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, South Africa not later than 48 hours before the start of the meeting.
5. In the case of a corporation, the form must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. In the case of joint holders, the signature of any of them will suffice but the names of all joint holders should be shown. The vote of the senior joint holder who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
7. Dematerialised shareholders in South Africa who are not own name dematerialised shareholders and who wish to attend the AGM should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting in person, in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature. Dematerialised shareholders in South Africa who are not own name dematerialised shareholders and who cannot attend but who wish to vote at the AGM should provide their CSDP or broker with their voting instructions, in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.
8. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual.

Second fold

Business Reply Plus
Licence Number
RLUB-TBUX-EGUC

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First fold

PXS 1
34 Beckenham Road
BECKENHAM
BR3 4ZF

Third fold and tuck in flap

Form of proxy

South Africa

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

This form of proxy is for use by all non-South African shareholders and for South African certificated shareholders and South African own name dematerialised shareholders only.

I/We, the undersigned, being a member of the above-named company, hereby appoint the Chairman of the meeting or (see notes 1 and 3)

Name of proxy Number of shares proxies appointed over

as my/our proxy to attend, speak and vote on my/our behalf at the annual general meeting (AGM) of Pan African Resources (the company) to be held at the offices of Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT at 11:00 on 25 November 2016 and at any adjournment thereof.

If you wish to appoint multiple proxies please see note 1 below. ☐ Please also tick here if you are appointing more than one proxy.

The proxy will vote on the undermentioned resolutions, as indicated.

Ordinary business:	For	Against	Voting withheld*	Discretionary**
1. To receive the accounts and the reports of the directors of the company (the directors) and auditors thereon				
2. To approve the payment of a final dividend for the year ended 30 June 2016				
3. To re-elect Mrs HH Hickey as a director of the company				
4. To re-elect Mr T Mosololi as a director of the company				
5. To re-elect Mrs HH Hickey as a member of the audit committee				
6. To re-elect Mr KC Spencer as a member of the audit committee				
7. To re-elect Mr T Mosololi as a member of the audit committee				
8. To re-appoint Deloitte LLP as auditors of the company and to authorise the directors to determine their remuneration				
Special business:				
9. To authorise the directors to allot equity securities				
10. To approve market purchases of ordinary shares				

If this form is signed and returned without any indication as to how the proxy shall vote, he or she will exercise his or her discretion both as to how he or she votes (and whether or not he or she abstains from voting).

* *The 'Voting 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.*

Print name:
(BLOCK CAPITALS)

Signature:

Address:

Dated this day of 2016

Notes

1. To appoint as a proxy a person other than the Chairman of the meeting insert the full name in the space provided. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy need not be a member of the company.
2. This form is for use of shareholders only and will be used only in the event of a poll being directed or demanded.
3. You may, if you wish, delete the words "the Chairman of the meeting" and substitute the names(s) of your choice. Please initial such alteration.
4. To be effective, this form of proxy must be lodged at the company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001, South Africa not later than 48 hours before the start of the meeting.
5. In the case of a corporation, the form must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
6. In the case of joint holders, the signature of any of them will suffice but the names of all joint holders should be shown. The vote of the senior joint holder who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
7. Dematerialised shareholders in South Africa who are not own name dematerialised shareholders and who wish to attend the AGM should instruct their CSDP or broker to issue them with the necessary authority to attend the meeting in person, in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature. Dematerialised shareholders in South Africa who are not own name dematerialised shareholders and who cannot attend but who wish to vote at the AGM should provide their CSDP or broker with their voting instructions, in the manner stipulated in the custody agreement governing the relationship between such shareholders and their CSDP or broker. These instructions must be provided to the CSDP or broker by the cut-off time and date advised by the CSDP or broker for instructions of this nature.
8. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual.

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Glossary

AGM	Annual general meeting
Aids	Acquired Immune Deficiency Syndrome
AIM	Alternative Investment Market, the London Stock Exchange's international market for smaller growing companies
Auroch	Auroch Minerals NL, an Australian-listed company in which Pan African Resources had an investment
B-BBEE	Broad-based black economic empowerment
Barberton Mines	Barberton Mines Proprietary Limited
BIOX®	The Biological Oxidation (BIOX®) gold extraction process was developed at Barberton Mines. It is an environmentally friendly process of releasing gold from the sulphide that surrounds it by using bacteria
the board	The board of directors of Pan African Resources, as set out on pages 84 and 85
Brownfield project	Project based on prior work or rebuilt from a previous one
BTRP	Barberton Tailings Retreatment Plant, a gold recovery tailing plant owned by Barberton Mines, which commenced production in FY2014
Business rescue	A process which gives a company in financial distress the opportunity to restructure and reorganise its affairs under the supervision of a business rescue practitioner
CEO	Chief Executive Officer. Pan African Resources' CEO is Cobus Loots (appointed 1 March 2015)
CIL	Carbon-in-leach
the Companies Act	South African Companies Act 71 of 2008 (SA Companies Act)
COO	Chief Operating Officer
CSI	Corporate social investment
CTRP	Chrome tailings retreatment plant
the current year	The year ended 30 June 2016
DMR	Department of Mineral Resources
Earnings-accretive acquisition	An acquisition which increases earnings per share
Eskom	Electricity Supply Commission, South African electricity supplier
ETRP	Evander Tailings Retreatment Plant, commissioned in October 2015
Evander Mines	Evander Gold Mines Limited and Evander Gold Mining Proprietary Limited
Exco	Executive committee of Pan African Resources
FD	Financial Director
g/t	Grams/tonne
GRI	Global Reporting Initiatives
Harmony	Harmony Gold Mining Company Limited
HDSA	Historically disadvantaged South African
HIV	Human Immunodeficiency Virus
HR	Human Resources
IAS	International Accounting Standards
IBC	Inside back cover (of this integrated annual report)
IFL	International Ferro Metals (SA) Proprietary Limited, Phoenix Platinum concluded a formal CTRP agreement with IFL and operates from its Lesedi Mine
IFMSA	South African subsidiary, International Ferro Metals (SA) Proprietary Limited
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IoDSA	Institute of Directors South Africa
ISO	International Standards Organisation
JSE	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
King III Report or King III	King Report on Corporate Governance for South Africa, 2009
km	Kilometres
KPIs	Key performance indicators – a set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals
LSE	London Stock Exchange
LTIFR	Lost time injury frequency rate
MCF	Mine call factor
Metanza	Metanza Mineral Processors, a BEE company which operates the CTRP at Phoenix Platinum plant under contract to Pan African Resources
Mining Charter	Charter to facilitate the sustainable transformation and development of the South African mining industry
MOI	Memorandum of incorporation

Glossary continued

Moz	Million ounces
MPRDA	Mineral and Petroleum Resources Development Act
MR&MR	Mineral Resources and Mineral Reserves Report
MRM	Mineral resource management
Mt	Million tonnes
NIHL	Noise-induced hearing loss
Nomad	Nominated Adviser appointed in accordance with the London Stock Exchange's AIM Rules for Companies
NUM	National Union of Mineworkers
Opsco	Operations committee
PGE	Platinum group elements, namely platinum, palladium, rhodium and gold
Phoenix Platinum	Phoenix Platinum Mining Proprietary Limited, a subsidiary of Pan African Resources
Prescribed officers	Anyone who fulfils the role of a director but is operating under a different designation
RCF	Revolving credit facility
Remchannel	Internet based remuneration survey providing data across a wide variety of industries in South Africa
Remco	Remuneration committee of Pan African Resources
RIFR	Reportable injury frequency rate
ROM	Run-of-mine
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC	South African Code for Reporting of Mineral Resources and Mineral Reserves
Section 54 safety stoppages	In terms of section 54 of the Mine Health and Safety Act 29 of 1996, if an inspector of mines believes that an occurrence, practice or condition at a mine endangers or may endanger the health or safety of people at the mine, the inspector may give any instruction necessary to protect the health or safety of people at the mine, including instructing that operations at the mine or a part of the mine be halted
Shanduka or Shanduka group	Shanduka Group Proprietary Limited. Pan African Resources' black empowerment partner, which has a 22.46% stake in the group
SHEQC	Safety, health, environment, quality and community
SLP	Social and labour plan
Sporotrichosis	A disease caused by a fungus infection
t	Tonnes
TB	Tuberculosis
the group or the company or Pan African Resources	Pan African Resources PLC, listed on the LSE's AIM and on the JSE in the 'Gold Mining' sector
the previous year	The year ended 30 June 2015
The UK Code	UK Corporate Governance Code which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relationships with shareholders
the year or the year under review	The year ended 30 June 2016
TIFR	Total injury frequency rate
TMM	Trackless mobile machinery
UASA	United Association of South Africa
UK	United Kingdom
The UK Companies Act 2006	An Act of the Parliament of the United Kingdom which forms the primary source of UK company law
Financial terms	
AUD	Australian Dollar
CPI	The consumer price index of South Africa, a primary indicator of South Africa's inflation
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share
FVTPL	Fair value through profit and loss
GBP	Pounds sterling
HEPS	Headline earnings per share
JIBAR	Johannesburg Inter-Bank Acceptance Rate
PPI	Producer price inflation
ROI	Return on investment
USD	US Dollar
VWAP	Volume weighted average price
ZAR	South African rand

Company information

Corporate office
The Firs Office Building
1st Floor, Office 101
Cnr. Cradock and Biermann Avenues
Rosebank, Johannesburg
South Africa
Office: + 27 (0) 11 243 2900
Facsimile: + 27 (0) 11 880 1240

Registered office
Suite 31 Second Floor
107 Cheapside
London, EC2V 6DN
United Kingdom
Office: + 44 (0) 20 7796 8644
Facsimile: + 44 (0) 20 7796 8645

Directors
Cobus Loots
Pan African Resources
Chief Executive Officer
Office: + 27 (0) 11 243 2900

Deon Louw
Pan African Resources
Financial Director
Office: + 27 (0) 11 243 2900

Company secretary
Phil Dexter/Jane Kirton
St James's Corporate Services Limited
Office: + 44 (0) 20 7796 8644

JSE sponsor
Sholto Simpson
One Capital
Office: + 27 (0) 11 550 5009

Nominated adviser and joint broker
John Prior/Paul Gillam/James Black
Numis Securities Limited
Office: +44 (0) 20 7260 1000

Joint brokers
Matthew Armitt/Ross Allister
Peel Hunt LLP
Office: +44 (0) 20 7418 8900

Jeffrey Couch/Neil Haycock/Thomas Rider
BMO Capital Markets Limited
Office: +44 (0) 20 7236 1010

Public and investor relations SA
Julian Gwillim
Aprio Strategic Communications
Office: +27 (0)11 880 0037

Public and investor relations UK
Daniel Thöle
Bell Pottinger PR
Office: + 44 (0) 20 3772 2500

www.panafricanresources.com

Shareholders' diary

Financial year-end	30 June 2016
Preliminary annual results announcement	21 September 2016
Annual report posted	28 October 2016
Annual general meeting	25 November 2016
Interim results announcement	22 February 2017

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