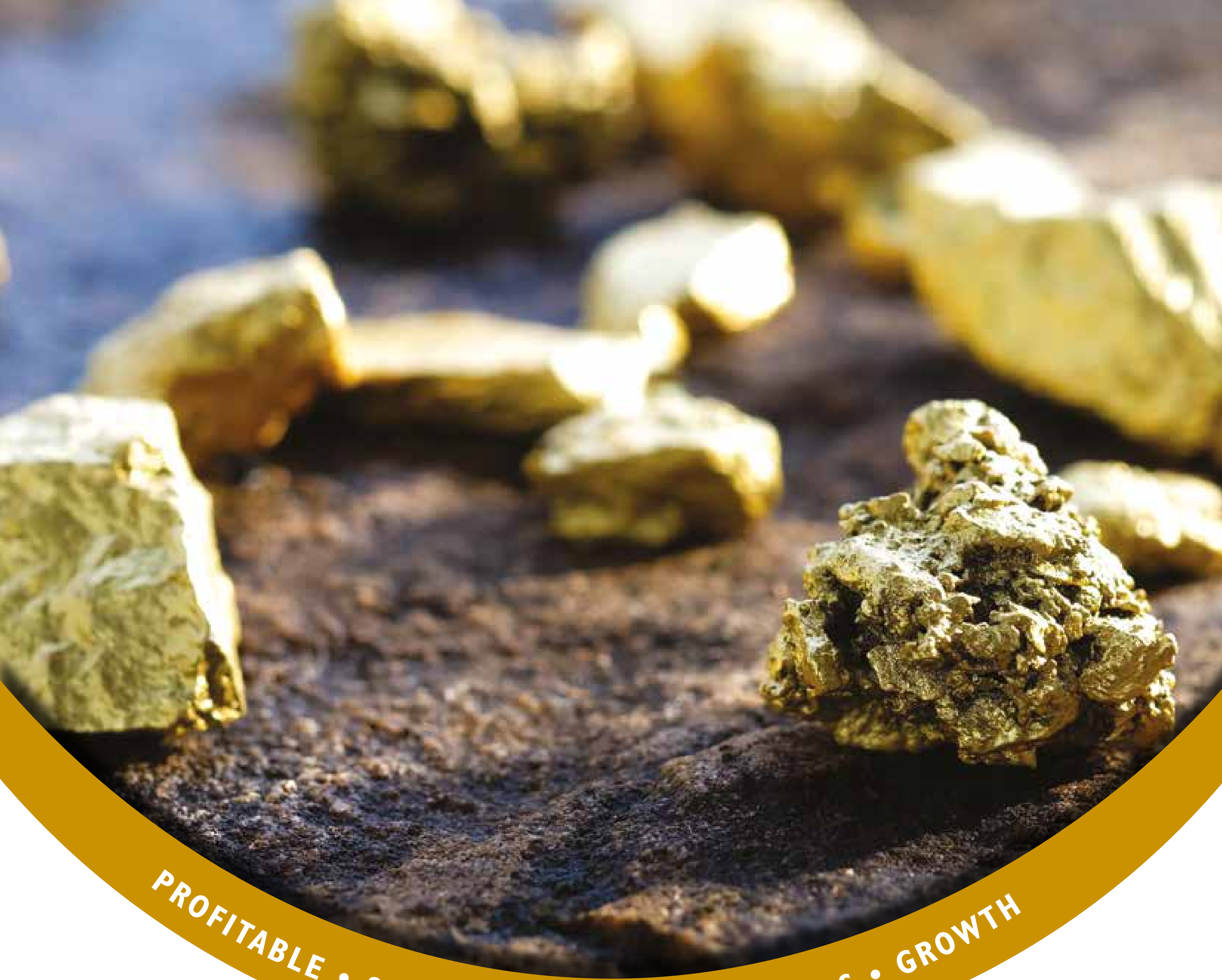


PROFITABLE • SUSTAINABLE • STAKEHOLDERS • GROWTH

PAN AFRICAN RESOURCES PLC

INTEGRATED ANNUAL REPORT

for the year ended 30 June 2018

CONTENTS

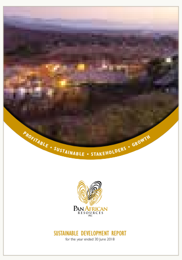
SUPPLEMENTARY INFORMATION

This report represents one of three elements of Pan African Resources' 2018 financial year communication strategy with stakeholders, the other two being:

Pan African Resources' sustainable development report

- Contains additional non-financial disclosures referencing GRI
- The sustainable development report is compiled based on a self-declared GRI Application Level B

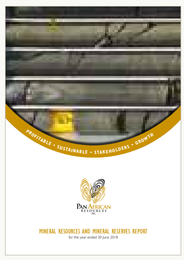
http://www.panafricanresources.com/sheqc/gri-and-sustainability/



Pan African Resources' Mineral Resources and Mineral Reserves report

- Provides technical information on the mineral assets of Pan African Resources in compliance with the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code)

http://www.panafricanresources.com/mineral-resource-mineral-reserve/



The above documents, together with this 2018 integrated annual report, are available on the group's website at http://www.panafricanresources.com/investors/financial-reports/

ABOUT THIS REPORT

SCOPE AND BOUNDARY

We are pleased to present Pan African Resources' integrated annual report (the report) for the year ended 30 June 2018. This report provides an overview of the group's integrated approach to its financial and non-financial information and is aimed at our shareholders and other interested stakeholders. The report includes the activities of the holding company, Pan African Resources, and all its operations and subsidiaries. The group's subsidiaries are incorporated in South Africa and their functional currency is the South African rand (ZAR). The group's business is conducted in ZAR and the accounting records are maintained in this currency, except precious metal product sales, which are conducted in United States dollars (USD) before conversion into ZAR. The ongoing review of the results of the operations conducted by executive management and the board is also performed in ZAR. For ease of reference, abbreviations and terms are defined in the glossary on page 234.

PROCESS FOR DEFINING REPORT CONTENT

The process for defining the report content was guided by the recommendations contained in the International Integrated Reporting Council's (IIRC) framework. We continue to embed the guiding principles and content elements contained in the IIRC's framework. The report content focuses on those issues which materially impact our ability to create and sustain value over the short term (one year), medium term (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 8.

Further, the report was prepared in line with both the AIM Market (AIM) of the London Stock Exchange (LSE), the LSE's international market for smaller growth companies, and the Johannesburg Stock Exchange's (JSE) Listings Requirements. We have applied the principles of the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV™) with a report included on our website at http://www.panafricanresources.com/wp-content/uploads/KING-IV-REPORT-FINAL.pdf. Aspects of the UK Corporate Governance Code (UK Code) were considered in the preparation of the report. The sustainability information contained in this report and online was prepared based on the Global Reporting Initiative (GRI) standard disclosure guidelines. A separate GRI report is available on our website at http://www.panafricanresources.com/sheqc/gri-and-sustainability/.

The abridged Mineral Resources and Mineral Reserves Report (MR&MR) was based on the Mining and Metals Sector Disclosure Guidelines and the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition (the SAMREC Code). 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 Guidelines, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the UK Companies Act 2006 (UK Companies Act).

King IV™	IIRC	IFRS
⊙	⊙	⊙

STRATEGIC REPORT

Our strategic report, including the investment case from pages 1 to 97, was reviewed and approved by the board on 19 September 2018.

ALTERNATIVE PERFORMANCE MEASURES

Throughout the strategic report we use a range of financial and non-financial measures to assess our performance. Management uses these measures to monitor the group's financial performance, alongside IFRS measures, because they assist in illustrating the underlying financial performance and position of the group. We have defined and explained the purpose of each of these measures on pages 229 to 233, where we provide more detail, including reconciliations to the closest equivalent measure under IFRS. These APMs should be considered in addition to, and not as a substitute for, or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS. APMs are not uniformly defined by all companies, including those in the group's industry. Accordingly, APMs may not be comparable with similarly titled measures and disclosures by other companies.

ASSURANCE

Pan African Resources' external auditors, Deloitte LLP and Deloitte & Touche (Deloitte) has independently audited the annual financial statements for the year ended 30 June 2018. Its unmodified audit reports are set out on pages 135 and 141.

FORWARD-LOOKING STATEMENTS

Refer to the forward-looking statements on the back cover of this report.

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

19 September 2018

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 at 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.

The following tools will assist you throughout the report:

For further reading on our website at www.panafricanresources.com

For further reading in this report

Ⓐ Words with this symbol Ⓐ are defined in the Alternative Performance Measures (APMs)

PAN AFRICAN RESOURCES AT A GLANCE

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

Committed to sustainability

- Focused on achieving zero-harm
- Operational transformation trusts are actively involved in local economic development (LED) projects
- Legacy of environmentally responsible mining with estimated rehabilitation liabilities fully funded
- Strong, transparent relationships with labour, government and communities
- People-focused ethos with a largely stable workforce

Disciplined approach to capital management

- Management team drives shareholder value through judicious capital allocation
- Limited gearing with strong statement of financial position
- Investments are required to provide appropriate shareholder returns

ACTION

LEADERSHIP, PLANNING AND CONTROL

Preferred gold investment

- Profitable production growth from long-life assets
- Long-life quality gold mining operations: Barberton Mines Proprietary Limited (Barberton Mines) – up to 20 years' life-of-mine, and Elikhulu Tailings Retreatment Plant (Elikhulu) – 13 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
- Capacity to grow organically and acquisitively
- Strong track record of replenishing Mineral Reserves through effective exploration to increase the life-of-mine
- Gold mining assets are expected to provide a safe-haven investment in volatile global markets

RESULTS

DELIVERING ON OUR OBJECTIVES WITHOUT COMPROMISE | MAXIMISING SUSTAINABLE GOLD PRODUCTION | POSITIVE IMPACT ON EARNINGS

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

- Culture of delivery – Barberton Tailings Retreatment Plant (BTRP) and Evander Tailings Retreatment Plant (ETRP)
- Quality high-grade and low-cost assets delivering strong cash flows and robust returns
- Elikhulu is scheduled to be producing at steady state ahead of schedule
- Improved group sustainability following the cessation of Evander Gold Mining Proprietary Limited's (Evander Mines') large-scale underground operations (which includes 7 Shaft, 8 Shaft and the run-of-mine circuit in the Kinross metallurgical plant)
- Total Mineral Resources: Gold of 33.30Moz and an attractive project development pipeline

Delivering consistent and increasing returns

- Historically provided attractive dividend yield with a track record of sector-leading dividends
- Continuing operations, such as Barberton Mines and our surface assets at Evander Mines, have demonstrated robust profitability and cash flow generation
- Cash-flow-generative assets typically enable consistent dividend payments to be made
- Dividends were curtailed in the current financial year due to costs associated with the cessation of Evander Mines' large-scale underground operations
- Project delivery and requisite shareholder returns: BTRP payback within 18 months and ETRP payback within three years
- The cessation of the high-cost Evander Mines' large-scale underground operations has resulted in the group being repositioned as a low-cost gold producer, although this resulted in the recognition of an impairment charge of R1.78 billion or GBP106.3 million in the current reporting period

Cash flow generative

- Dividend policy linked to cash generation and a track record of sector-leading dividends
- Following a challenging year, which included a persistent low gold price, currency volatility and losses incurred by Evander Mines' underground operations and associated retrenchment costs, the board has resolved to forego proposing a dividend for the 2018 financial year
- A five-year historical average dividend yield Ⓐ of more than 4%
- An appropriate level of gearing associated with the construction of the R1.74 billion Elikhulu plant
- Access to a revolving credit facility (RCF) of R1 billion and a R1 billion term loan facility (Elikhulu term loan facility) funding Elikhulu

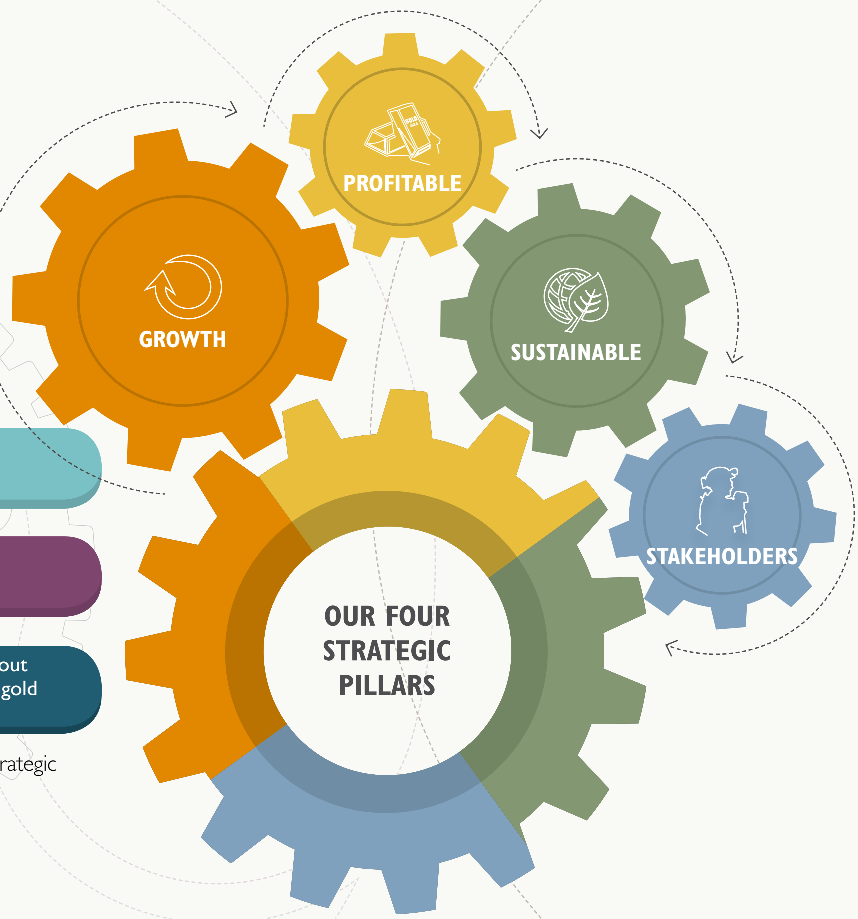
OUR PURPOSE, VISION AND STRATEGY

OUR PURPOSE

is to exploit mineral deposits in a manner that creates value for our stakeholders and for the betterment of society in a sustainable manner.

OUR VISION

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



OUR KEY STRATEGIC ENABLERS

1. PEOPLE Fostering relationships through action, integrity and trust
2. ACTION Leadership, planning and control
3. RESULTS Delivering on all our objectives without compromise, maximising sustainable gold and positive impact on earnings

The strategic scorecard discusses the group's strategic progress in greater detail on page 18.

OUR STRATEGY

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 and cash flows in a margin-accretive manner, and by capturing the full precious metals mining value chain by focusing on:

- low-cost base
- growth in Mineral Reserve base and profitable production
- positive impact on earnings in a sustainable manner
- maximising recovered grade and production tonnes
- high margins.

We encourage an entrepreneurial culture that fosters consistent value accretion for stakeholders by first identifying and then executing into opportunities within our business and operations. This culture further contributes to sourcing new investments, organically or acquisitively, thereby bolstering our portfolio of mining assets.

KEY FEATURES

GOLD SOLD
160,444oz
(2017: 173,285oz)

REVENUE[3]
R1,873.9 million (2017: R2,158.2 million)[4]
GBP108.5 million
(2017: GBP125.1 million)[4]

EARNINGS PER SHARE CONTINUING OPERATIONS[4]
11.16 cents per share
(2017: 44.78 cents per share)
0.63 pence per share
(2017: 2.60 pence per share)

EARNINGS PER SHARE[2]
(86.03) cents per share
(2017: 19.81 cents per share)
(5.15) pence per share
(2017: 1.14 pence per share)

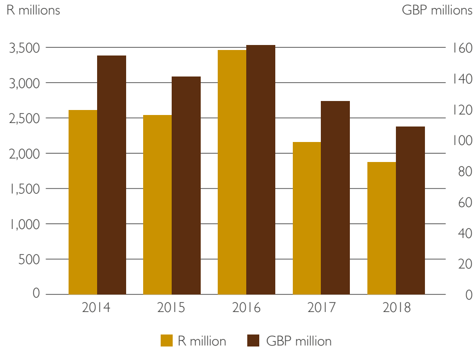
HEADLINE EARNINGS[2] A
R229.1 million
(2017: R315.6 million)
GBP13.3 million
(2017: GBP18.3 million)

HEADLINE EARNINGS CONTINUING OPERATIONS[4] A
R338.6 million
(2017: R605.7 million)
GBP19.6 million
(2017: GBP35.0 million)

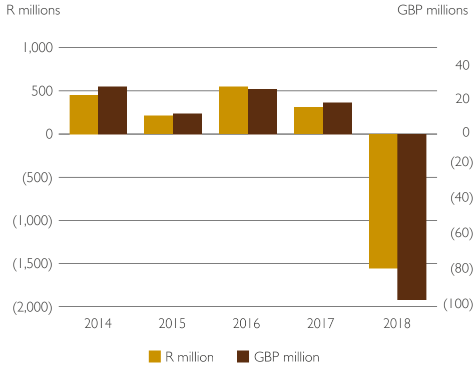
ALL-IN COST PER KILOGRAM FOR CONTINUING OPERATIONS[1]
R463,145/kg
(2017: R392,296/kg)[4]

[1] *The all-in cost per kilogram refers to the group's continuing operations.*
[2] *The group's key features refer to continuing and discontinued operations collectively.*
[3] *Revenue refers to revenue from continuing operations.*
[4] *The prior reporting period figures were represented to exclude the effect of discontinued operations. Refer to the financial statements earnings per share (EPS) note 15 on* *page 173.*

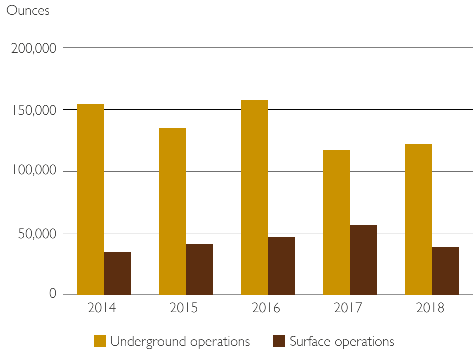
GROUP REVENUE[3]



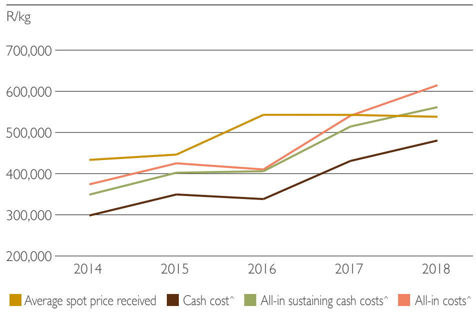
PROFIT/LOSS AFTER TAXATION



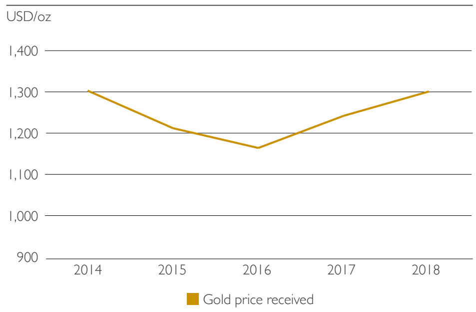
GOLD SOLD



AVERAGE GOLD PRICE VS WORLD GOLD COUNCIL COST

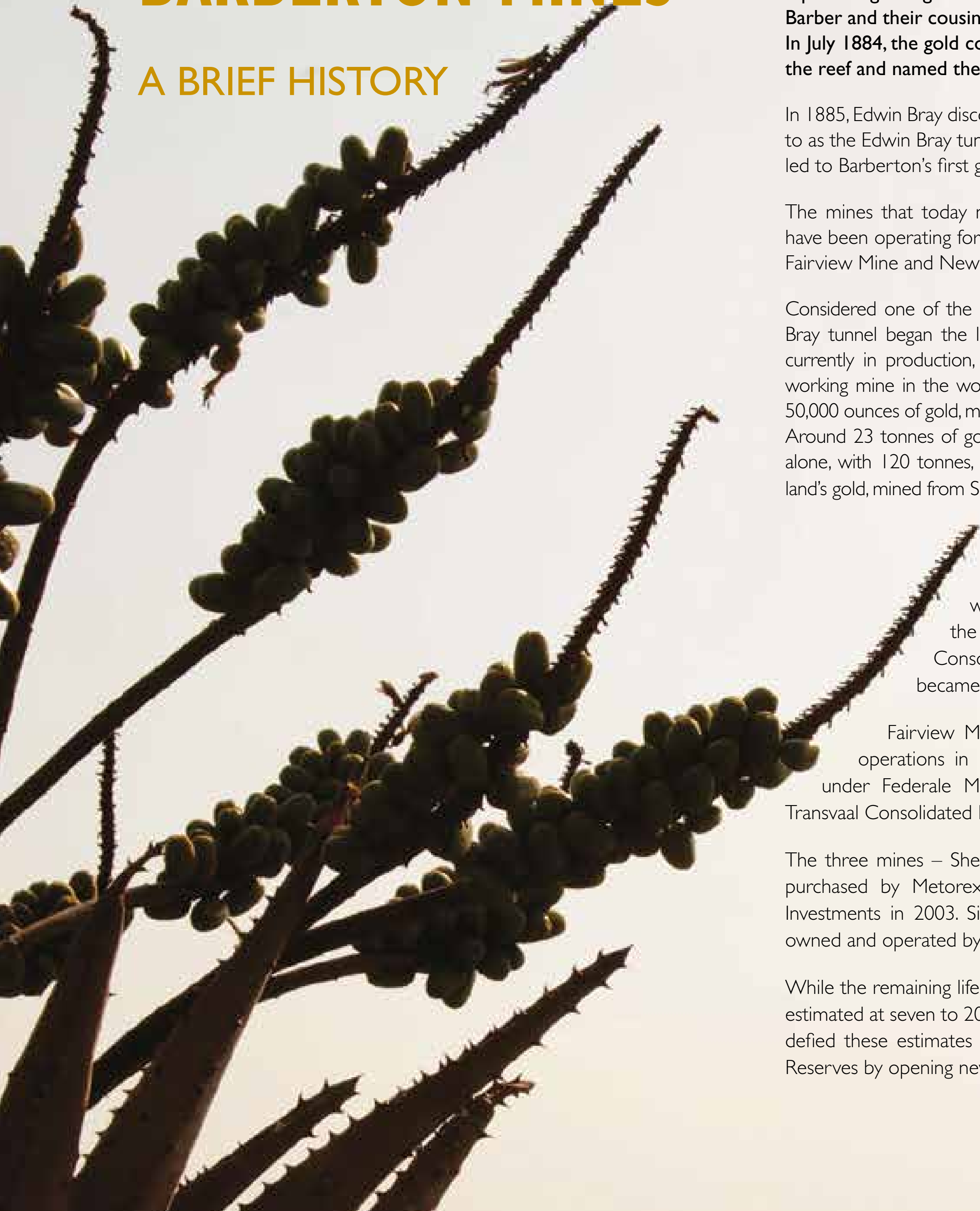


AVERAGE GOLD PRICE RECEIVED



BARBERTON MINES

A BRIEF HISTORY



The town of Barberton in the South African province of Mpumalanga originated in the 1880s after Fred and Henry Barber and their cousin, Graham, discovered gold in the region. In July 1884, the gold commissioner, David Wilson, laid claim to the reef and named the town Barberton.

In 1885, Edwin Bray discovered the Golden Quarry (also referred to as the Edwin Bray tunnel), along with the first gold nugget. This led to Barberton's first gold production in 1886.

The mines that today make up the Barberton Mines complex have been operating for over 100 years and include Sheba Mine, Fairview Mine and New Consort Mine.

Considered one of the mining wonders of the world, the Edwin Bray tunnel began the life of the Sheba Mine. This tunnel is still currently in production, with Sheba Mine the oldest and richest working mine in the world. Its first 13,000 tonnes of ore yielded 50,000 ounces of gold, making it one of the richest gold strikes ever. Around 23 tonnes of gold were mined from the Golden Quarry alone, with 120 tonnes, almost a third of all Barberton mountain land's gold, mined from Sheba Mine.

New Consort Mine was originally an area of several small workings, which were consolidated over time. In 1933, the mine was acquired by Eastern Transvaal Consolidated Mines Limited, which, in 1948, became a member of the Anglovaal group.

Fairview Mine also started as a group of smaller operations in 1886. In 1955, they were consolidated under Federale Mynbou and later acquired by Eastern Transvaal Consolidated Mines Limited in 1998.

The three mines – Sheba, Fairview and New Consort – were purchased by Metorex Limited and Millenium Consolidated Investments in 2003. Since 2007, Barberton Mines have been owned and operated by Pan African Resources.

While the remaining life-of-mine for each of the mines has been estimated at seven to 20 years, Barberton Mines have continually defied these estimates and continue adding to Resources and Reserves by opening new orebodies and extensions.

Sheba Mine operates one of the oldest shafts in the world – the Zwartkoppie (ZK) Shaft sunk in 1905.

During a flash flood of the De Kaap River, ten gold bars were lost from Sheba Mine when carriage and horses were washed away.

For most of its early mining life, Sheba Mine was the richest gold mine in the world.

WHO WE ARE

STAKEHOLDERS

- We have a long track record of providing a cash return to shareholders through an attractive dividend, when group performance allows. We have an integrated approach to operate sustainably to the benefit of all shareholders

GROWTH

- We continually consider opportunities to grow our business in a value-accretive manner to benefit all stakeholders

PROFITABLE

- The group's strategic focus is on the exploitation of high-grade orebodies and surface operations that yield high margins with a relatively low-cost base
- Our group produces gold from underground operations and from surface tailings and is one of the lowest cash-cost producers of gold in southern Africa

SUSTAINABLE

- In the current year, Pan African Resources restructured our business, with a focus on sustainable, low-cost and safe gold production

OUR VALUES

HOW WE GET THINGS DONE

Continually improving our safety structures, culture and procedures	Integrity and leading by example	Respecting the natural environment	Delivering consistent and increasing returns	Responsibility to the wider employment context	Challenging the status quo	Relentless focus on delivery

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

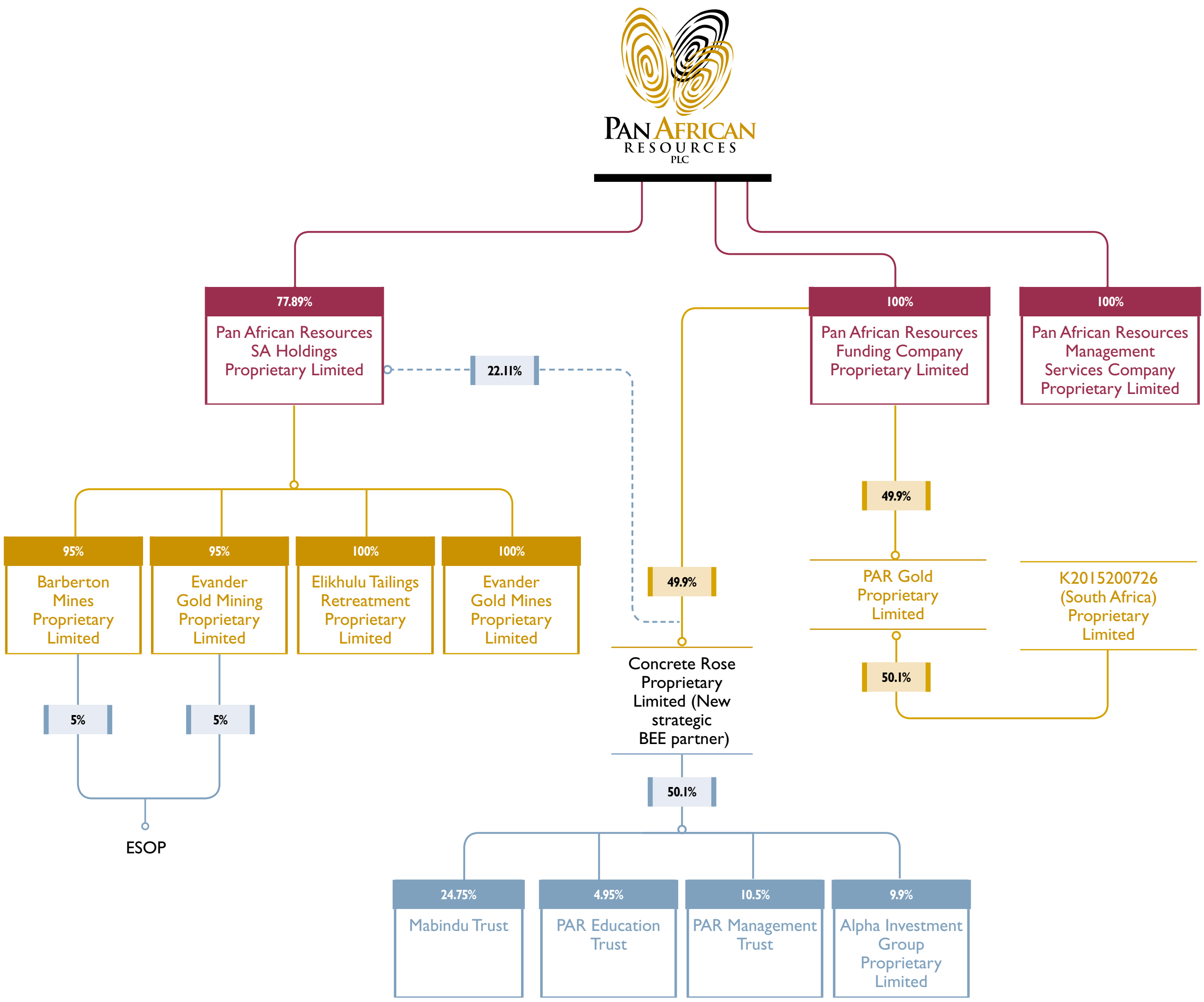
2009
- Acquired the remaining 26% of Barberton Mines from PAR Gold (previously known as Shanduka Gold Proprietary Limited) in exchange for 295.7 million shares in the company
- Exercised the option to acquire 100% of Phoenix Platinum from Metorex for cash in May

2013
- Finalised the acquisition of 100% of the share capital of Evander Mines for a total net purchase consideration of R1.3 billion
- Commissioned the BTRP

2015
- Commissioned the ETRP

2016
- Acquired Uitkomst Colliery Proprietary Limited (Uitkomst Colliery) on 31 March for a cash price of R148.0 million
- Acquired shares in PAR Gold held by Standard Bank of South Africa Limited and Jadeite Limited for R546.9 million

ORGANISATIONAL STRUCTURE



2018

- Group BEE restructure concluded during January, resulting in an effective 26% BEE ownership of South African mining operations
- Cessation of large-scale mining at Evander Mines' underground operations on 31 May
- Elikhulu is scheduled to be producing at steady state in October 2018 ahead of initial project schedule

2017

- Approval received for Elikhulu's development at a cost of R1.74 billion – venture to yield over 56,000 ounces of gold per annum over a 13-year project life, boosting group production
- Raised equity and secured debt financing to fund construction of Elikhulu
- Disposed of the Uitkomst Colliery effective 30 June to MC Mining Limited (MC Mining, previously known as Coal of Africa Limited) for R277.6 million
- Concluded a conditional agreement to dispose of Phoenix Platinum for R89.0 million after year-end

DUAL LISTING
on London's AIM and South Africa's JSE

MARKET CAPITALISATION
at 30 June 2018 of R3.0 billion (2017: R5.3 billion)

DIVERSIFIED SHAREHOLDER
base of major South African and international institutions

THE GROUP'S BLACK ECONOMIC EMPOWERMENT (BEE) OWNERSHIP
for purposes of the Mineral and Petroleum Resources Development Act (MPRDA) equates to 26% for Barberton Mines and Evander Mines

OPERATING ASSETS

PAN AFRICAN RESOURCES IS A MID-TIER AFRICAN-FOCUSED PRECIOUS METALS PRODUCER WITH A PRODUCTION CAPACITY OF MORE THAN 170,000oz GOLD PER ANNUM.

The group's assets at the end of the financial year include:

BARBERTON MINES

Three underground gold mines and the BTRP in Mpumalanga

BARBERTON MINES

1,881 | 612 | 20 years

Located in a greenstone belt, this is a low-cost, high-grade operation comprising three underground mines: Fairview, Sheba and New Consort.

Production (tonnes milled):	**237,831**
Produced (oz/annum):	**73,125**
Capacity (oz/annum):	**95,000**
Tonnage (capacity per annum):	**300,000**
Sustainable capital per annum:	**R110.4 million**
Acquired:	**74% from Metorex in 2007 and then remaining 26% from PAR Gold Proprietary Limited (PAR Gold) in 2009**
Resources:	**14.9Mt @ 7.54g/t (3.6Moz)**
Reserves:	**8.4Mt @ 5.73g/t (1.5Moz)**
Head grade:	**10.30g/t**
Cash cost:	**USD1,053/oz**

BARBERTON TAILINGS RETREATMENT PLANT

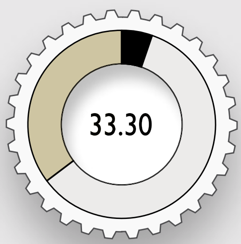
64 | 9 | 11 years

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.

Production (tonnes milled):	**858,967**
Produced (oz/annum):	**17,504**
Capacity (oz/annum):	**30,000**
Tonnage (capacity per annum):	**1.2 million**
Sustainable capital per annum:	**R0.5 million**
Developed:	**Steady-state production commenced in 2013**
Resources:	**23.3Mt @ 1.08g/t (0.8Moz)**
Reserves:	**12.6Mt @ 1.36g/t (0.6Moz)**
Head grade:	**1.40g/t**
Cash cost:	**USD691/oz**

GROUP MINERAL RESOURCES (Moz)

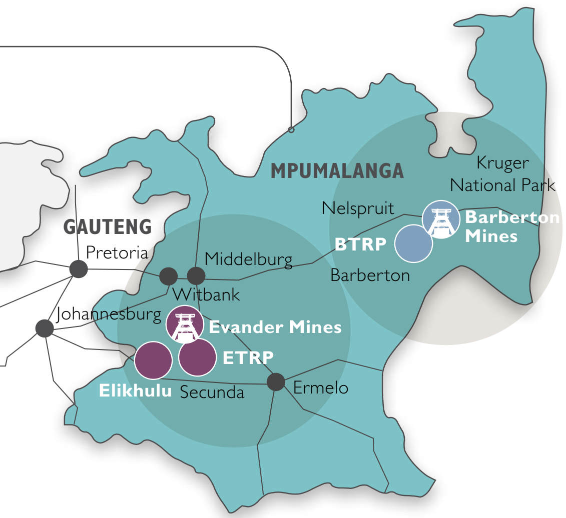
Gold (331.2Mt at 3.13g/t)



Employees Contractors Life-of-mine Description and location Operational statistics Resources and reserves

EVANDER MINES[1]

Situated in Mpumalanga, comprising Elikhulu, ETRP and several brownfield and greenfield projects



GROUP MINERAL RESERVES (Moz)

Gold (239.1Mt at 1.46g/t)

0.98 Proved 10.23 Probable

EVANDER MINES[1]

Employees: 72 | Contractors: 259 | Life-of-mine: 0 years

Located in the Witwatersrand basin, comprising 8 Shaft (operations ceased in 2018) and several potential development projects – Egoli, Poplar, Evander South and Rolspruit. Egoli's revised feasibility study to be completed during the first quarter of 2019.

Production (tonnes milled):	**272,124**
Produced (oz/annum):	**48,565**
Capacity (oz/annum):	**95,000**
Tonnage (capacity per annum):	**480,000**
Sustainable capital per annum:	**R176.1 million**
Acquired:	**100% from Harmony in March 2013**
Resources:	**82.7Mt @ 10.1g/t (26.8Moz)**
Reserves:	**27.5Mt @ 8.3g/t (7.3Moz)**
Head grade:	**5.7g/t**
Cash cost:	**USD1,682/oz**

EVANDER TAILINGS RETREATMENT PLANT

Employees: 5 | Contractors: 122 | Life-of-mine: 13 years

A tailings retreatment project that will exploit historically generated gold tailings deposited in the Kinross tailings storage facility (TSF) and surface sources.

Production (tonnes milled):	**2,182,358**
Produced (oz/annum):	**21,250**
Capacity (oz/annum):	**30,000**
Tonnage (capacity per annum):	**2.4 million**
Sustainable capital per annum:	**Nil**
Developed:	**Steady-state production commenced in 2015**
Resources:	**36.0Mt @ 0.29g/t (0.3Moz)**
Reserves:	**36.0Mt @ 0.29g/t (0.3Moz)**
Head grade:	**Tailings: 0.30g/t** **Surface feedstock: 1.7g/t**
Cash cost:	**USD738/oz**

ELIKHULU TAILINGS RETREATMENT PLANT[2]

Employees: 30 | Contractors: 1,769 | Life-of-mine: 13 years

A tailings retreatment project which will exploit historically generated gold tailings deposited in the Kinross, Leslie/Bracken and Winkelhaak TSFs.

Production (tonnes milled):	**12,000,000**
Produced (oz/annum):	**56,000 initially**
Capacity (oz/annum):	**56,000**
Tonnage (capacity per annum):	**12,000,000**
Project capital:	**R1.74 billion**
Developed:	**Steady-state production expected by October 2018** **Inaugural gold pour achieved on 16 August 2018**
Resources:	**173.7Mt @ 0.29g/t (1.7Moz)**
Reserves:	**154.6Mt @ 0.29g/t (1.5Moz)**
Head grade:	**Tailings: 0.29g/t**
All-in sustaining cost:	**USD650/oz**

[1] *Evander Mines' large-scale underground operations ceased on 31 May 2018. Mineral Reserves reported for Egoli and Rolspruit.*

[2] *Figures in the table are based on definitive feasibility study (November 2016). USD1:ZAR13.50 utilised in conversion.*

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	R2,016.7 million
Cash (utilised in)/generated from operating activities before dividend	(R53.2 million)
Debt facilities	R1 billion RCF R1 billion term loan facility for the Elikhulu plant R140.0 million in general banking facilities (GBF)

Manufactured capital

Reserves	Gold 11.22Moz
Resources	Gold 33.30Moz
Reinvestment in infrastructure	R1.6 billion

Human capital

Employees' skills and experience	2,069 employees
Skilled and experienced board	

Intellectual capital

- Mining and prospecting licences
- Key personnel for managing the Biological Oxidation (BIOX®) process
- Management and the board's combined expertise
- Networks and relationships
- Leadership, planning and control

Social and relationship capital

- Investing in our communities
- Stakeholder relations – unions, regulators and 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 in which we operate and maintain a legacy of environmentally responsible mining.

MINING ACTIVITIES

- **Barberton Mines and BTRP**
- **Evander Mines** – large-scale underground operations closed in May 2018
- **ETRP**
- **Elikhulu** – expected to be producing at steady state by October 2018
- **Phoenix Platinum** – effective disposal 7 November 2017

OTHER ACTIVITIES

- Growing the business through organic and acquisitive opportunities such as:
  - Elikhulu
  - Egoli
- Stakeholder engagement with shareholders, investors, employees, unions, regulators, communities, suppliers and customers

UPLIFTING COMMUNITIES

- Through corporate social investment (CSI) and local economic development
- Embracing best practice corporate governance

OUTPUTS

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

Financial capital

Revenues generated from continuing and discontinued operations	
– Gold	R2.69 billion
– Platinum group elements (PGEs)	R24.7 million
(Loss)/profit after taxation	(R1.56 billion)
Cash (utilised in)/generated from operating activities after dividend	(R202.1 million)
Dividends paid to shareholders (for 2017 financial year)	R185 million
Interest payments to debt funders	R90.2 million
Government taxes paid (excluding VAT)	R226.6 million

Manufactured capital

Gold production	160,444oz per annum

Human capital

Zero fatalities	
Skills development and training	R24.3 million
Employee remuneration	R1,035.0 million

Intellectual capital

- Mining and prospecting licences
- Maximised resource utilisation

Social and relationship capital

Corporate social investment and local development	R13.6 million
Stakeholder relations – unions, regulators and communities	Regular union meetings, appointment of a dedicated, fulltime community liaison officer at Barberton Mines

Natural capital

Energy consumption	1,397,695GJ
Water consumption	16,675m^3
Carbon emissions	0.12CO_2 e/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 in which we operate.

- Supporting South Africa's economy through the taxes paid and employment provided for 2,069 people during the current financial year
- Supporting entrepreneurs, other sectors and industries through our supply chain
- Supporting 31 students with fulltime bursaries in the fields of geology, mining engineering, mechanical engineering, actuarial science, finance, economics and mine surveying in the current financial year
- Investing in communities through the group's transformation trusts totalling R12.6 million for the current financial year – including gold mining operations and suppliers' contributions
- Producing precious metals in support of increased investor demand as they seek protection against economic and currency volatility
- Creating employment and skills development opportunities to communities through initiatives such as Umjindi Jewellery and the Sinqobile Life Skills Centre, LED/CSI projects leave a sustaining long-lasting impact on communities
- Limiting environmental degradation
- Minimising the occurrence of illegal mining
- Creating shareholder value through dividend distributions
- Benefiting communities through continually extending the life-of-mine through exploration
- Supporting South Africa's transformation goals
- Communities benefit from rehabilitation after mine closure

STAKEHOLDER VALUE

Using 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.

INVESTORS
R185 million
Total dividends paid

SUPPLIERS
R1.63 billion
Local procurement expenditure

GOVERNMENT
R226.6 million
Taxes paid (excluding VAT)

LOCAL COMMUNITIES
R13.6 million
CSI and local development

EMPLOYEES
R1,035.0 million
Salaries, wages and benefits paid

CHAIRMAN'S STATEMENT

Keith Spencer
Chairman

THE GROUP FACED UNPRECEDENTED CHALLENGES, WHICH INCLUDED FALLING GOLD PRICES, VOLATILE EXCHANGE RATES, OPERATIONAL CHALLENGES AT BOTH OUR BARBERTON AND EVANDER OPERATIONS AND A CAPRICIOUS MACRO AND POLITICAL CLIMATE FOR LABOUR AND COMMUNITY RELATIONS IN SOUTH AFRICA.

The financial year under review saw Pan African Resources further hone its stated strategy, which focuses on the four key pillars: profitability, sustainability, stakeholder returns and growth. The group faced unprecedented challenges, which included falling gold prices, volatile exchange rates, operational challenges at both our Barberton and Evander operations and a capricious macro and political climate for labour and community relations in South Africa. I am, however, pleased to report that your company has acted proactively and successfully dealt with these challenges, with the business restructured to deliver sustainable and profitable gold ounces.

Following the implementation of several critical initiatives, all of Pan African Resources' producing assets are today generating positive, free cash flows through the production of low-cost gold ounces. This includes our most recent organic growth project, Elikhulu, which was commissioned during September 2018, ahead of schedule and within its projected budget. Though our gold production for the 2018 financial year was lower than previous years, the restructuring implemented during the year has significantly decreased our cost base and improved efficiencies and stability across all our operations. We further have attractive opportunities to develop future projects within our existing portfolio, which will take us back onto the path of profitable production growth and expanded employment.

The remedial actions and cessation of Evander Mines' large-scale underground operations preoccupied a great deal of the board and management's attention during the year. With this exercise now largely completed, further improving our ongoing operations, our team can now employ even more leadership focus.

The Pan African Resources board must be continuously cognisant of several variables outside of its control. These include incoming mining regulations in the form of Mining Charter III, which will materially affect the future direction of the South African mining industry and groups that operate in this jurisdiction, as well as the impact of macroeconomic variables such as the ZAR/USD exchange rate and the US dollar price of gold. Given a great deal of uncertainty and volatility, Pan African Resources can only achieve sustainable growth by being competitive, not only in South African terms, but also when compared to global peers. Our long-life and low-cost tailings re-mining businesses are a testament to our ability to produce gold ounces safely at an attractive margin. We will continue our focus on lower-cost, higher-margin operations.

The board regularly reviews regulatory compliance and is satisfied that the group is materially compliant with relevant legislation and regulations. The board's review is supported by updates from its sub-committees and assessments from independent service providers. Compliance monitoring is a priority of the audit and risk committee and feedback is given to the board following each audit committee meeting.

The board challenges the prevailing industry conventions to ensure that Pan African Resources' strategy, which lays the foundation of our sustainability, is relevant and can be delivered on. As a smaller mining company, we have the advantage of having the ability to position ourselves more nimbly than larger mining groups, when it is strategically prudent or critical to do so.

We are pleased that Barberton Mines has concluded a multi-year wage agreement post year-end, which will assist with stability at the operation. This agreement demonstrates the constructive relationship between our managers, the unions and employees of group operations. Pan African Resources reaffirms its commitment to paying dividends to its shareholders, with a stated dividend policy of distributing 40% of free cash flow to its shareholders. Following a challenging year, the persistent low gold price, currency volatility, and considering the losses incurred by Evander Mines' underground operations and the associated costs of retrenchments, the board has resolved to forgo proposing a dividend for the 2018 financial year. Your company, however, continues to invest significant capital into its operations, to ensure future sustainability as a low-cost gold producer.

With the repositioning of Pan African Resources' business on a more sustainable basis, the prospect of future dividends has improved substantially, and the board aspires to reintroduce its sector-leading dividend in the near future. Our past track record should provide shareholders further comfort in this regard.

I thank our fellow board members for their continued dedication to our business and their insight during the current financial year. Further, a warm thanks to the executive management team and all employees, who continued to show commitment, perseverance and determination in a particularly challenging operating environment.

We look forward to the year ahead.

Keith Spencer
Chairman

19 September 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT

Cobus Loots
Chief executive officer

THE PAST FINANCIAL YEAR HAS BEEN THE MOST DIFFICULT AND CHALLENGING PERIOD FOR OUR GROUP SINCE I BECAME A DIRECTOR OF PAN AFRICAN RESOURCES IN 2009. THE IMPACT OF A DEPRECIATING ZAR GOLD PRICE WAS COMPOUNDED BY OPERATIONAL ISSUES AT BARBERTON MINES AND EVANDER MINES, AND TOOK PLACE IN A MARKET THAT WAS NEGATIVE ON MINING AND GOLD EQUITIES IN SOUTH AFRICA.

Pan African Resources was facing the makings of 'a perfect storm' in February 2018, with the rand having appreciated some 9.7% from 1 July 2017, and the ZAR gold price depreciating temporarily to almost R505,000/kg, a 7% fall from the R542,773/kg average prevailing during our 2017 financial year.

Over the past year, it became apparent that the headwinds affecting deep-level underground mining in South Africa could no longer be ignored. Uncertain regulations and legislation, a hostile operating environment, escalating costs and weak commodity prices, *inter alia*, conspired to threaten the existence of marginal operations and the groups operating these mines. Shareholders and other capital providers, disillusioned by past losses, are no longer willing to fund continued loss-making operations.

When a management team is confronted with circumstances that demand action, I believe it is important to analyse the situation carefully and honestly, and then work to identify, further develop and finally agree on remedial actions. It is critical that whatever actions are agreed on, are implemented quickly and, as far as possible, faultlessly.

During the 2018 financial year, our team dealt decisively with those issues threatening the future sustainability of the group. Further, we have positioned the group to be globally competitive, in terms of producing quality, low-cost and safe gold ounces going forward.

The key challenges and matters that required management's attention during the 2018 financial year are as follows:

Segment	Challenge/Opportunity	Management action	Status
Evander Mines' underground operations	Curtailment of the cash burn at Evander Mines' underground operations, particularly given the depressed ZAR gold price environment	The curtailment of large-scale underground mining operations at Evander Mines and the resultant retrenchment of 1,635 employees was difficult and regrettable, however, our group had no viable alternative. More detail on considerations in this regard and process followed is included in the operational and performance review on page 53	The retrenchment process was successfully concluded on 31 May 2018. The requirements of S189A of South African Labour Relations Act, 66 of 1995 were complied with
	Opportunity to mine the shaft pillar and perform reclamation work	The management team is currently reviewing and assessing options to access and mine Evander Mines' 8 Shaft pillar	The outcome of the assessment to mine the Evander Mines' 8 Shaft pillar will be communicated in the near future
Elikhulu	Construction of the Elikhulu plant – ensuring the plant is completed on schedule and within budget	Construction commenced in August 2017, with detailed planning and coordination to minimise potential delays and cost overruns	Elikhulu's inaugural gold pour was on 16 August 2018, within one year of inception of the construction. The plant was fully commissioned during September 2018. Construction work on the enlarged Kinross TSF continues
BTRP	Unexpected coarse fraction material encountered, resulting in reduced plant throughput and gold recoveries from the BTRP	Installation of a regrind mill to assist with material handling and improved recoveries from the Harper dump coarse fraction material. Process of design and construction was fast tracked, and completed in less than six months	The regrind mill was successfully commissioned in May 2018, and the BTRP is again performing in line with expectations
Fairview underground operations	Limited mining flexibility within the Fairview Main Reef Complex (MRC) orebody	Development of two high-grade mining platforms in the MRC orebody to improve mining flexibility. This development was completed during January 2018 Barberton Mines has increased its ongoing development rates in the 2019 financial year with the objective of establishing a third high-grade platform in the Fairview 11-block by the end of June 2019	The 358 and 272 high-grade mining platforms are currently in production with a commensurate increase in Barberton Mines' head grade in the second half of the 2018 financial year. These platforms will be available for the next two to three years, allowing sufficient time for development into new mining areas
	Fairview mining operation is restricted by the hoisting capacity of its 3 Decline, which is also used by employees to access workings below 42 Level and the high-grade 11-block of the MRC	The Fairview sub-vertical shaft project will improve ore handling efficiencies and significantly reduce the time taken by employees to access high-grade mining platforms. The sub-vertical shaft project is estimated to improve production by approximately 7,000oz to 10,000oz per annum	The R105.0 million project is scheduled for completion over the next two to three years
Further organic growth	Barberton Mines' Royal Sheba Project presents an opportunity to expand Barberton Mines' production profile and access low-cost near-surface mineable ounces over the short to medium term. We did not previously identify the opencast opportunity at Royal Sheba and are exploring similar targets within our mining right area	Engaged in a surface drilling campaign and appointed DRA Global to complete a feasibility to mine the Royal Sheba orebody as an opencast mining operation and then in future an underground operation	The drilling campaign has been completed with excellent results confirming the extension of the orebody to surface. We have updated the market on the prospectivity of Royal Sheba, and are now considering alternatives to expedite 'first gold' and a large steady-state operation
Labour relations	Barberton Mines' wage agreements expired at the end of the current reporting period	Engaged with representative unions in order to agree a multi-year agreement to the benefit of all stakeholders	Concluded a three-year wage agreement with Barberton Mines' representative unions

For further details of the group's mining operations, refer to the operational and performance review on page 48.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

The performance of your company during the current reporting period was credible under the circumstances, with 160,444oz of gold produced and sold, generating total revenues of R2.69 billion (including discontinued operations). Profits from continuing operations amounted to R202.0 million (2017: R700.6 million) or GBP11.5 million (2017: GBP40.7 million). Clearly, the challenges we faced during the period, which were well flagged to the market, resulted in a loss during the 2018 financial year. However, the company has a significantly more stable base from which to return to growth and has reduced the risks from macro events through sustainably producing low-cost and higher-margin gold ounces.

In terms of safety performances, significant progress was made over the past year with on-mine safety improvement campaigns contributing to these results. Further, Barberton Mines achieved a milestone of one million fatality-free shifts during June 2018. After the 2018 financial year-end, on 13 August 2018, Barberton Mines' Fairview operation also went on to achieve its one-million fatality-free shift target. To ensure continued safety improvements, the group will engage independent safety experts to review each of the mining operations' safety systems and controls. We are, however, firmly of the view that we cannot 'outsource' safety, and we work tirelessly to instil a sense of ownership for safety in each of our employees and managers.

The group experienced no fatalities in the 2018 financial year (2017: three fatalities). The group's lost-time injury frequency rate (LTIFR) remained stable at 3.73 (2017: 3.51), while the reportable injury frequency (RIFR) rate improved materially to 1.08 (2017: 1.53). In the next year, the group will work to further improve safety rates.

The disposal of Phoenix Platinum in the current financial year demonstrates the group's future focus on gold.

Pan African Resources reaffirms its commitment to paying dividends to its shareholders, with a stated dividend policy of distributing 40% of free cash flow to its shareholders. Following a challenging year, the persistent low gold price, currency volatility, and considering the losses incurred by Evander Mines' underground operations and the associated costs of retrenchments, the board has resolved to forgo proposing a dividend for the 2018 financial year.

During the current reporting period the group paid a dividend of R185.0 million or GBP10.0 million (2016: R300.0 million or GBP17.1 million) on 21 December 2017, relating to the 2017 financial year. This dividend equated to R0.08279 per share or 0.44561 pence per share (2016: R0.1544 per share or 0.87668 pence per share). With Pan African Resources' business being repositioned to secure sustainable low-cost, higher-margin production, the group's prospect of reintroducing dividends will substantially improve in the next year.

STRATEGY

Our strategy is underpinned by four pillars: profitable, sustainable, stakeholders and growth. Their key enablers are people, action and results.

As a business seeking sustainable growth, we continually look for value-accretive opportunities that meet our stringent investment criteria. Our strategic focus areas for the next year are:

Increase Barberton Mines' production

Ramping up development at Fairview is expected to restore Barberton Mines' production to approximately 100,000oz per annum on a sustainable basis. The new development platforms, supported by the sub-vertical shaft, will enhance mining flexibility and efficiencies and result in mining a more constant head grade.

With the recently implemented initiatives already having stabilised production output at the Fairview and the Barberton operations, we are now looking to the development of Royal Sheba to further reduce the cost of production from the Barberton Mines' complex.

Barberton Mines' Royal Sheba Project presents an opportunity to expand Barberton Mines' production profile on the short to medium term. The drilling campaign conducted during the year increased the Royal Sheba gold resource by 150%, 0.36Moz to 0.9Moz.

Limiting work stoppages is critical to ensuring stable production from Barberton Mines. I am pleased to report that post the 2018 financial year-end, the group entered into a three-year wage agreement with the National Union and Mineworkers (NUM) and United Association of South Africa (UASA), with a 6.5% and 5.5% increase, respectively.

Deliver Elikhulu to expectations and integrate Elikhulu and ETRP

Elikhulu, which is expected to produce some of the lowest-cost ounces in the South African gold mining industry, is critical to Evander Mines' return to profitability and delivering into the group's strategic repositioning. Tailings which were deposited over the past 70 years of mining activity, will be re-mined in line with industry best practices and consolidated into a single facility, which will mitigate environmental risks and make substantial surface areas available for other land uses, including housing and/or agriculture.

From December 2018, Elikhulu's processing capacity should increase to 1.2Mt per month by incorporating the existing ETRP throughput into Elikhulu's, thus leveraging plant efficiencies and benefiting from economies of scale.

The Elikhulu plant is expected to produce 57,000oz to 60,000oz during the 2019 financial year, at an all-in sustaining cost per ounce of approximately USD650/oz at the prevailing exchange rates.

Further future growth in gold

As previously announced on 2 May 2018, the group undertook to reassess the Egoli Project's original feasibility study as a standalone project, following cessation of the large-scale underground operations at Evander Mines. The feasibility study remains attractive with a pre-taxation net present value (NPV) of R1.04 billion and an internal rate of return (IRR) of 34%.

Disciplined capital allocation remains a priority in assessing any expansion programme or acquisition. We are a growth-orientated company. However, we balance this objective with our shareholders' aspiration for an attractive sector-leading dividend.

OUR OPERATING ENVIRONMENT

South Africa

Of the world's major gold producers, South Africa continues to be one of the most expensive countries in which to mine the metal as confirmed by GFMS, a London-based metals consultancy firm, which noted that the South African gold mining industry had the biggest rise in production costs in 2017.

Lower ZAR gold price impact

Year-on-year, the average value of gold in rand terms fell from R542,773/kg to R538,100/kg. The declining ZAR gold price amplified the impact of rising cost inflation on the group's margins and bottom line.

Rising trend of civil unrest

In South Africa, strikes, unrest and service-delivery protests are increasing due to a sense of disempowerment and lack of employment opportunities, compounded by the lack of investment and economic growth.

Frustrated with slow delivery from the public sector, protesters are increasingly demanding employment and procurement opportunities for local entrepreneurs from private sector operators. Although Pan African Resources is materially compliant with our legislative, social, labour and CSI obligations, mines are increasingly being expected to fulfil the government's responsibility of providing basic services to communities in addition to being employers. Inter-union rivalry is a compounding factor, with each competing for members and influence.

During the reporting period, production was significantly impacted by numerous community unrest stoppages, particularly in the Barberton area and its surrounding communities. In April 2018, Sheba Siding residents demanding jobs decided to block roads and stone the vehicles entering the Sheba mining operation. Despite this, most employees still made a concerted effort to report for work. Further production shifts were lost due to protected and unprotected strikes involving 1,900 workers who protested about living allowances and the dismissal of two union leaders. Barberton Mines lost 58 production days across the three operations due to these civil and labour disturbances.

Meanwhile, in October 2017, Elikhulu at Evander Mines experienced unrest from a lobby group thought to be seeking tenders from the project, but operating under the guise of a civic organisation. Following assaults on Evander Mines' employees, these protests disrupted operations for several days.

Mining companies, employees and the surrounding communities should ideally collaborate for the mutual benefit of all, and we have established various project teams to engage with stakeholders and establish more harmonious working relationships. We are seeing the impact of our intensified engagement, with very limited interruptions to operations since April 2018.

Shifting scenarios for mining

Across Africa we are seeing a political shift toward resource nationalism, with governments imposing new obligations, penalties and taxes on mining companies. At the same time, authorities are shifting certain of their functions and responsibilities onto the mines, resulting in further adverse cost consequences. Legislators across the continent need to engage with mining companies pragmatically, otherwise sorely required investment into the sector may be allocated elsewhere. Considering the large capital investment and long lead times typically associated with mining, regulatory certainty is key to the future success of the mining industry.

Government bodies, mining companies, regional communities and workforces need to agree on the significant value that gold mining contributes to national and local economies. These stakeholders should collaborate to extract optimum value from South African mining for the benefit of all.

The incoming Mining Charter III, which is still being negotiated, has prolonged regulatory uncertainty in South Africa's mining industry and delayed much-needed investment decisions. Other acts, such as the National Environmental Management Act (NEMA), also impact our mining operations and future expansions.

Illegal mining

Gold's intrinsic value and the growing unemployment, poverty and inequality in South Africa have contributed to an increase in illegal gold mining. PricewaterhouseCoopers Inc. (PwC) South Africa's Mine Report 2017 estimated the value of illegal mining to be billions of rand a year, or equivalent to about 430,000oz of gold per annum.

Organised crime syndicates are involved in illegal mining and it appears that terror groupings may also be tapping into this financial resource. Law enforcement authorities often lack the resources to suppress these activities and mine operators have no choice but to deploy security teams, with a concomitant increase in costs.

In the current reporting period, the group changed security contractors and we continue to engage and work with all stakeholders to minimise the impact of illegal mining.

OUR STRATEGY IS UNDERPINNED BY FOUR PILLARS: PROFITABLE, SUSTAINABLE, STAKEHOLDERS AND GROWTH. THEIR KEY ENABLERS ARE PEOPLE, ACTION AND RESULTS.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

Global

The World Gold Council is optimistic about the gold sector's prospects in calendar year 2018 – particularly as the global economy enters its tenth year of gradual recovery following the 2008 financial crisis.

Positive factors expected to affect the gold industry in 2018 include China's more sustainable economic growth trajectory, returning consumer demand and the Indian government's restructuring of its gold sector. Various initiatives around the world are bolstering domestic gold markets. These include a spot gold exchange in India and probable changes in Russia's taxation rules relating to gold.

Increased demand depends on factors such as possible US dollar weakness and falling share prices, as well as major demographic shifts and income growth in gold's largest markets – India and China. Demand from Asia for physical gold is expected to grow as other financial instruments lose their sparkle.

Political and economic risk levels across the world are intensifying, with dominant countries jockeying for political and trade influence. Political risk is historically positive for gold prices due to its safe-haven status in unpredictable times.

SUSTAINABILITY

Long-term economic sustainability

Sustainability goes beyond CSI projects, environmental studies and 'tick-box' exercises. The cornerstone of sustainability is a profitable long-term business. Without profits and cash flows, community or environmental initiatives are unsustainable. If the underlying value proposition of a business erodes to the extent that it is unsustainable, all other objectives and stakeholder aspirations will fall by the wayside.

Further, we are dependent on domestic and internal debt and equity markets for raising capital to invest in our operations. Unless we are attractive to these markets as an investment proposition and generate adequate cash flows with which to redeem debt, we will not be able to sustain or grow our operations.

Risk management is critical in mining and we have worked diligently at creating a culture of risk consciousness at all levels within our operations. This has contributed to a commendable safety record for the year under review. We continue to prioritise safety on a daily basis.

Operational risk management has also been emphasised, with a review of Barberton Mines' operations and the implementation of risk management programmes to ensure mining and processing risk is reduced to an acceptable level.

We are not aware of any legal proceedings or material conditions that may impact the company's ability to continue mining or exploration activities.

Our competitive advantage

Our organisational culture prioritises a set of values atypical of the hierarchical structure found in traditional mining companies. In this way, internal politics and bureaucracy are curtailed by fostering a unique mindset of frank, open debate and accountability. Decision-making and execution is well informed and fleet-footed to ensure optimal operational efficiency.

Operationally, a substantial portion of our production stems from relatively low-risk, long-life surface sources. While our tailings processing method is common, our execution is results-driven and we delegate authority to specific teams to empower them to achieve their operational objectives. Our BIOX® technology gives us a competitive edge to treat and recover the high-grade gold pyrite found in Barberton.

Geologically, our Barberton orebody is vastly distinct from any of the Wits basin operations and the Fairview Mine is one of the highest-grade orebodies in the world with a life-of-mine of approximately 20 years.

PAN AFRICAN RESOURCES HAS STARTED THE 2019 FINANCIAL YEAR WELL, AND WE ARE ON TRACK TO ACHIEVING OUR PRODUCTION GUIDANCE OF APPROXIMATELY 170,000oz FOR THE 2019 FINANCIAL YEAR. WE WILL CONTINUE TO FOCUS ON IMPROVING AND EXPANDING OUR PORTFOLIO, ON A SUSTAINABLE AND VALUE-ACCRETIVE BASIS, TO THE BENEFIT OF ALL STAKEHOLDERS.

Positively impacting our communities

Our mines engage in a range of development projects and community relations activities, which promote sustainable welfare within our local communities.

In partnership with the Adopt-a-School Foundation, Barberton Mines revamped a special-needs school in the Emjindini Township in August 2017. The Thembelihle Cerebral Palsy Care Centre was originally a wooden shack accommodating 30 young learners with severe disabilities. The centre was upgraded into a state-of-the-art facility, with classrooms, dormitories, ablution facilities, a dispensary, kitchen and dining facilities, offices and two flats for on-site staff.

Following the success of this initiative, Pan African Resources commenced a second Adopt-a-School initiative at Evander Mines. Additional information regarding our community engagements is disclosed in the sustainability review on page 79.

Environmental

Rehabilitation, closure and liabilities are fully funded via a dedicated trust and insurance products. Our mining operations are primarily underground, and our tailings projects actively clean up land surfaces. Elikhulu, for example, will free up significant portions of land for other uses. We are also lining the new extension of the Kinross dam to reduce the environmental impact of deposition.

Acid mine drainage doesn't occur at our mines due to the lack of sulphur in our orebodies and waterborne pollution is carefully monitored to ensure minimum impact.

The BTRP commissioned a cyanide detoxification plant in Barberton to reduce the long-term impact of the tailings deposition on the environment.

OUTLOOK AND PROSPECTS

Our priorities for the foreseeable future are linked to the four pillars underpinning our strategy. Elikhulu was fully commissioned during September 2018. Post commissioning, Pan African Resources is poised to produce approximately 91,000oz of gold a year from all the tailings operations at an all-in sustaining cost of below USD650/oz at the current prevailing exchange rates. This forecast excludes further tailing and surface sources processed in the old Kinross plant.

The stand-out highlight at financial year-end is that Pan African Resources emerged more robust and better positioned for the future from what was possibly our most challenging year. The emphasis is now on delivering to market expectations and demonstrating the group's sustainability and profitability.

APPRECIATION

I would like to thank my fellow board members for their guidance, support and insight during the past financial year. Further, a sincere thanks to the executive management team and all employees, who continued to show commitment and dedication during this challenging period.

Finally, to our stakeholders, thank you for your ongoing support of Pan African Resources. While times may be marked by turbulence and volatility, we believe the group, with its current strategic direction, is well positioned to flourish and maximise value for our shareholders and our other stakeholders in the year ahead and well into the future.

J. Loots

Cobus Loots
Chief executive officer

19 September 2018

STRATEGIC SCORECARD

Our strategic goals	Strategic initiatives	Strategic performance
What we would like to achieve	How we will achieve our goals	Our self-assessment as at 30 June 2018
PROFITABLE		
Attributable profitability	To improve profitability, earnings and cash flow generation at our operations, we are focusing on the following:	
Mining profit margin from gold operations	• Grade improvements and maintaining production levels through operational sustaining capital of R289.4 million (2017: R330.0 million) and development capital of R1.36 billion (2017: R283.1 million) • Improve cash flow generation with the commissioning of Elikhulu and recent cessation of large-scale mining at the high-cost Evander Mines underground operations • Investment in infrastructure improvements, such as the refrigeration plant installed and commissioned at Fairview in July 2017 for R39.4 million • The group is currently developing and establishing the underground sections for the Fairview sub-vertical shaft project • New mining projects, such as Royal Sheba and Egoli, to maintain and increase future gold production • Maintaining an optimal capital structure to reduce interest and related expenditure • Ongoing assessment of further internal growth and possible acquisitions	
Cost containment	• Reducing unit costs of production via increased gold production • Cost containment through securing a three-year wage deal at Barberton Mines (concluded after year-end) • Regular review of all material contracts and other expenses on a regular basis, with a well-established procurement function • Cessation of large-scale mining at Evander Mines' high-cost underground operations has assisted the group in repositioning as a low-cost producer • Review and reduction of corporate and other overheads, as well as a general culture of thriftiness	
Optimal grade/tonnage production profiles for operations and business plans	• Increased development rates at our mining operations to sustain the replacement of Fairview's high-grade platforms at Barberton Mines • Increased exploration on our current mining areas and incurred R3.0 million (2017: R14.2 million) on the Royal Sheba Project and infill drilling on the Fairview 11-block • Well-established Mineral Resource and Mineral Reserve function, with annual review of all resources and reserves. New technology and techniques employed to maximise the value of Reserves and Resources • New infrastructure and projects, such as the combination of Elikhulu and ETRP, to improve gold production profile and reduce costs	
SUSTAINABLE		
Optimising Mineral Reserves for sustainable life-of-mine production profile	• Implement earnings and cash flow-accretive growth with the focus on organic projects, such as Elikhulu and Royal Sheba • Well-established Mineral Resource and Mineral Reserve function, with annual review of all resources and reserves • Increased exploration and infill drilling to ensure longevity of our life-of-mines. The group incurred R19.1 million (2017: R22.3 million) in exploration expenditure	
Operating profit margins	• Operating margins have been impacted by the loss-making Evander Mines and the recent cessation of large-scale underground operations. Looking forward, the group has been repositioned as a low-cost gold producer following the commensurate improvement in future operating profit margins • New lower-cost projects, such as Elikhulu, to improve profit margins • Investments such as the BTRP regrind mill to improve margins	
All-in cash cost of production per kilogram	• The group limits cost inflation per kilogram at continuing operations. The continuing operations' all-in cost per kilogram was R463,145/kg (2017: R392,296/kg)	

Good progress Moderate progress No progress

Our strategic goals	Strategic initiatives	Strategic performance
What we would like to achieve	How we will achieve our goals	Our self-assessment as at 30 June 2018
Environmental compliance	• We continue to strive for and ensure compliance and zero-harm • Regular external reviews on closure liability provisions, with adequate funding to address closure • Operations work closely with regulators who conduct inspections and, when required, request corrective measures to be implemented • New projects, such as Elikhulu, to reduce environmental impact of operations	
Safety record and drive towards zero-harm	• Significant progress was made over the past year with on-mine safety improvement campaigns contributing to these results. Further, Barberton Mines achieved its milestone of one million fatality-free shifts during June 2018 • The group experienced no fatalities in the 2018 financial year (2017: three fatalities). The group's LTIFR remained stable at 3.73 (2017: 3.51), while the RIFR improved materially to1.08 (2017: 1.53)	
Sufficient working capital and liquidity for maintenance and growth	• The group's net debt increased in the current year, following the construction of Elikhulu and the recent cessation of large-scale mining at Evander Mines' underground operations • Looking forward, the group is repositioned as a low-cost gold producer with a reducing debt profile and headroom for growth • In the coming year, the group will seek to further optimise its capital structure	
Enabling company culture	• Clear articulation of group values and culture, with management emphasising these values	
Decentralised and effective management	• Decentralised management structures ensure improved decision-making and sustainability of mining operations • Consistent monitoring of performance of the operational teams, with emphasis on critical areas	
Engagement with local communities	• Pan African Resources has been impacted by community unrest and the group continues to engage with our mining communities • New structures implemented to improve relations and intensified ongoing engagement with communities	
Skills development and training	• The group's mining operations continue to focus on skills and development training and have spent R24.3 million (2017: R32.1 million)	
STAKEHOLDERS		
Ongoing engagement	The group continues to focus on improving and maintaining stakeholder communication and relationships. The following have been implemented to improve stakeholder engagement: • Improved communication with employees through regular meetings, feedback and a new text messaging system at Barberton Mines • Communities are more actively engaged with the implementation and appointment of specific structures and individuals at the operations, with the primary focus of working with our communities, making a difference to the lives of community members and addressing their expectations • Shareholders are updated regularly with operational updates • The group recently concluded a BEE restructure on 15 January 2018, resulting in a 21% BEE ownership on the respective mining operations via Pan African Resources SA Holdings Proprietary Limited (SA Holdco) • The employees own 5% of the mining operations through their employee share ownership schemes (ESOP) • All mining operations are based on the above BEE structures, with a 26% BEE ownership calculated for Barberton Mines and Evander Mines • The mining operations' social and labour plan (SLP) commitments are monitored and the Department of Mineral Resources (DMR) regularly reviews compliance • Mining Charter compliance is also regularly reviewed, with engagement around proposed amendments to regulation closely monitored	

STRATEGIC SCORECARD continued

Good progress Moderate progress No progress

Our strategic goals	Strategic initiatives	Strategic performance
What we would like to achieve	How we will achieve our goals	Our self-assessment as at 30 June 2018
Return on shareholder funds	• The group's shareholder returns were impacted by a lower gold price environment and the cessation of large-scale mining at Evander Mines' underground operations • Looking forward, an improved performance is expected following the repositioning of the group as a low-cost gold producer • The group has an established track record of attractive shareholder returns, with any new project required to meet and exceed hurdle rates of return	
Dividend track record	• The group has a history and strong track record of dividend payments and will endeavour to reinstate the dividend, following the measures implemented to cease large-scale mining at Evander Mines' high-cost underground operation and the resultant retrenchment of 1,635 employees • The group's prospect of reintroducing dividends will substantially improve in the next year	
Safety record	• The group had an improved safety performance across all operations, with zero fatalities during the current reporting period • Barberton Mines achieved one million fatality-free shifts in June 2018 • Barberton Mines' Fairview operation achieved one million fatality-free shifts during August 2018	
Union engagement and relationships	• The group continuously engages with its employees and, post the 2018 financial year-end, concluded a three-year wage deal at Barberton Mines with no recent material industrial action incidents	
Wage increases and appropriate remuneration policies	• The group ensures all employees are remunerated appropriately at the various levels. The group further benchmarks remuneration relative to other mining houses	
Contributions to revenue authorities	• The group contributed R222.6 million (2017: R338.9 million), excluding VAT, to revenue authorities. The reduced contributions are predominantly due to income taxes which declined to R11.8 million (2017: R105.7 million) and are linked to the group's profitability, which was impacted by the low ZAR gold price environment and the cessation of large-scale mining at Evander Mines' underground operations	
CSI/LED spend	• The group maintains contributions to CSI/LED projects as required by legislation. The group spent R13.6 million (2017: R24.3 million) on CSI/LED projects • The group incurred R1.1 million on retraining Evander Mines' employees, following the retrenchment exercise on 31 May 2018	
GROWTH		
Organic growth (achieved within existing infrastructure)	• The group is fortunate to have numerous organic growth projects. The group is currently focusing on Elikhulu, Egoli and Royal Sheba to improve its production profile over the short and medium term	
Acquisitive growth (achieved outside of existing infrastructure)	• The board is conscious of the requirement of our stakeholders for value creation and all capital allocation decisions are subject to rigorous analysis and predefined risk-adjusted return parameters to ensure this objective is fulfilled. The group continuously assesses potential opportunities to grow via value-accretive acquisitions	
Replacement of Mineral Reserve projects for depleted projects	• The group continues to ensure the appropriate allocation of sustaining capital to replace Mineral Reserves mined and sustain the life-of-mines of continuing operations • The group has recently undertaken a surface drilling campaign at Royal Sheba, which is further discussed in the abridged MR&MR on page 60	

MEDIUM-TERM
ASPIRATION
220,000oz
BY 2021

ANNUAL
TARGET
170,000oz
PER ANNUM

OPERATING ENVIRONMENT

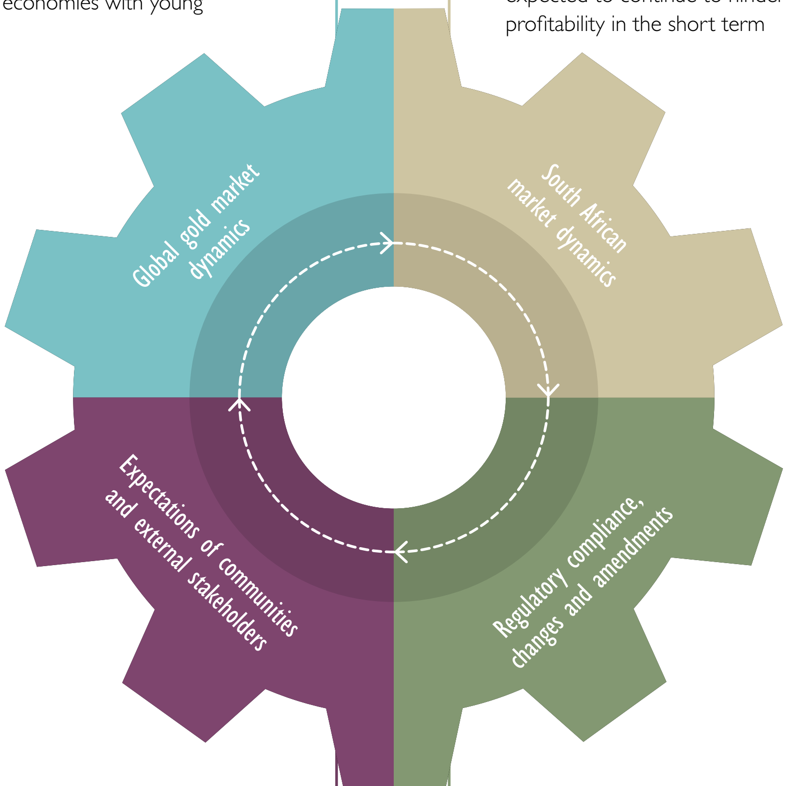
for the year ended 30 June 2018

GLOBAL MARKET CONDITIONS APPEAR SOUNDER IN 2018

- A weaker US dollar and inflation reduced the gold price over the period under review
- Political and economic risk levels have increased across the world
- Gold's safe-haven status supports its price in uncertain times
- Prospects for gold demand are positive for 2018, particularly in developing economies with young investment markets

STRONG RAND ERODING SOUTH AFRICAN GOLD MINES' MARGINS

- While the strengthening of South Africa's rand against the dollar in recent months has been widely welcomed by many, it has somewhat dampened the outlook for exporters and mining firms reliant on a weakening currency to offset inflationary pressures
- The resultant decline in the ZAR gold price, which has exacerbated the impact of high production costs, is expected to continue to hinder gold gains and erode profitability in the short term



GOLD PRODUCTION IS CURRENTLY CONSTRAINED BY SOCIO-POLITICAL CHALLENGES

- South Africa has an unemployment rate in excess of 25%, providing fertile ground for social unrest
- Strikes, unrest and protests are increasing due to general dissatisfaction with service delivery, political manoeuvring and chronic unemployment
- Mining groups are under pressure to meet community demands for employment and infrastructure
- Illegal mining is on the rise

EVOLVING REGULATORY LANDSCAPE CREATES UNCERTAINTY

- The mining industry in South Africa is subject to extensive legislation and regulations
- Amendments to the MPRDA have introduced some onerous requirements, with enhanced sanctions for non-compliance
- A revised Mining Charter was published by the DMR on 15 June 2018
- Uncertainties around the legitimacy and feasibility of these amendments run the risk of increased investor dissonance

Refer to chief executive officer's statement on page 12 for more detail.

RISKS, OPPORTUNITIES AND MATERIAL ISSUES

PAN AFRICAN RESOURCES PRESENTLY OPERATES IN SOUTH AFRICA'S MATURE AND HIGH-RISK GOLD MINING SECTOR, WHICH IS CHARACTERISED BY DIMINISHING OREBODIES AND, IN RECENT YEARS, HAS BEEN HEAVILY IMPACTED BY MACROECONOMIC AND SOCIETAL PRESSURES.

To remain profitable and sustainable, Pan African Resources thoroughly evaluates all actual and potential risks that may impact stakeholders or threaten the group's viability. Risks are prioritised, assessed for their probability of occurring and their potential impacts. Simultaneously, we also consider the opportunities that may arise for such risks. Risks deemed serious enough are mitigated by contingency plans for swift responses.

The nature and potential severity of the group's risks – as re-evaluated from year to year – also inform Pan African Resources' ongoing strategy. Though the group has a formal risk management function that reports to the financial director, consistent with the group's risk management culture, managing risk is regarded as the responsibility of everyone in the group.

RISK MANAGEMENT APPROACH

Pan African Resources' risk management philosophy and appetite is set and overseen by the board. Risk appetite levels are aligned with board-approved strategic objectives, with risk appetite levels adjusted according to changing internal and external scenarios.

Pan African Resources' risk is managed with the objective of optimising, within our risk appetites, our ability to create value in the short, medium and long term. For ease of understanding, the group aggregates its identified risks into four categories.

Macroeconomic	Financial	Operational	Strategic
Mainly beyond the group's control and is increasingly volatile, though we manage or mitigate as proactively as we can	Managed and monitored proactively through a centralised treasury, capital allocation discipline, statement of financial position, gearing levels, access to funding and adherence to risk management and internal control policies	Hands-on management through approved processes and ongoing monitoring of performance against targets and benchmarks	Impacting the group's ability to execute strategy and deliver against strategic objectives

Factors impacting value creation	Material issue	Principal risk
Macroeconomic	• Managing our evolving regulatory environment, alongside volatile commodity and currency prices	• Regulatory and legal • Financial
Financial	• Financial sustainability in a challenging economy with political and macroeconomic volatility	• Financial • Operational • Regulatory and legal
Operational	• Operating in a safe and healthy environment, supported by continuous engagement with stakeholders affecting operations • Respecting the natural environment	• Safety • Operational • Environment
Strategic	• Extracting reserves and resources in a responsible manner • Attracting and retaining key talent • Operating in a challenging environment with increasing domestic political risk • Ensuring longevity of operations	• Operational • Financial • Regulatory and legal • Reputational – social licence to operate

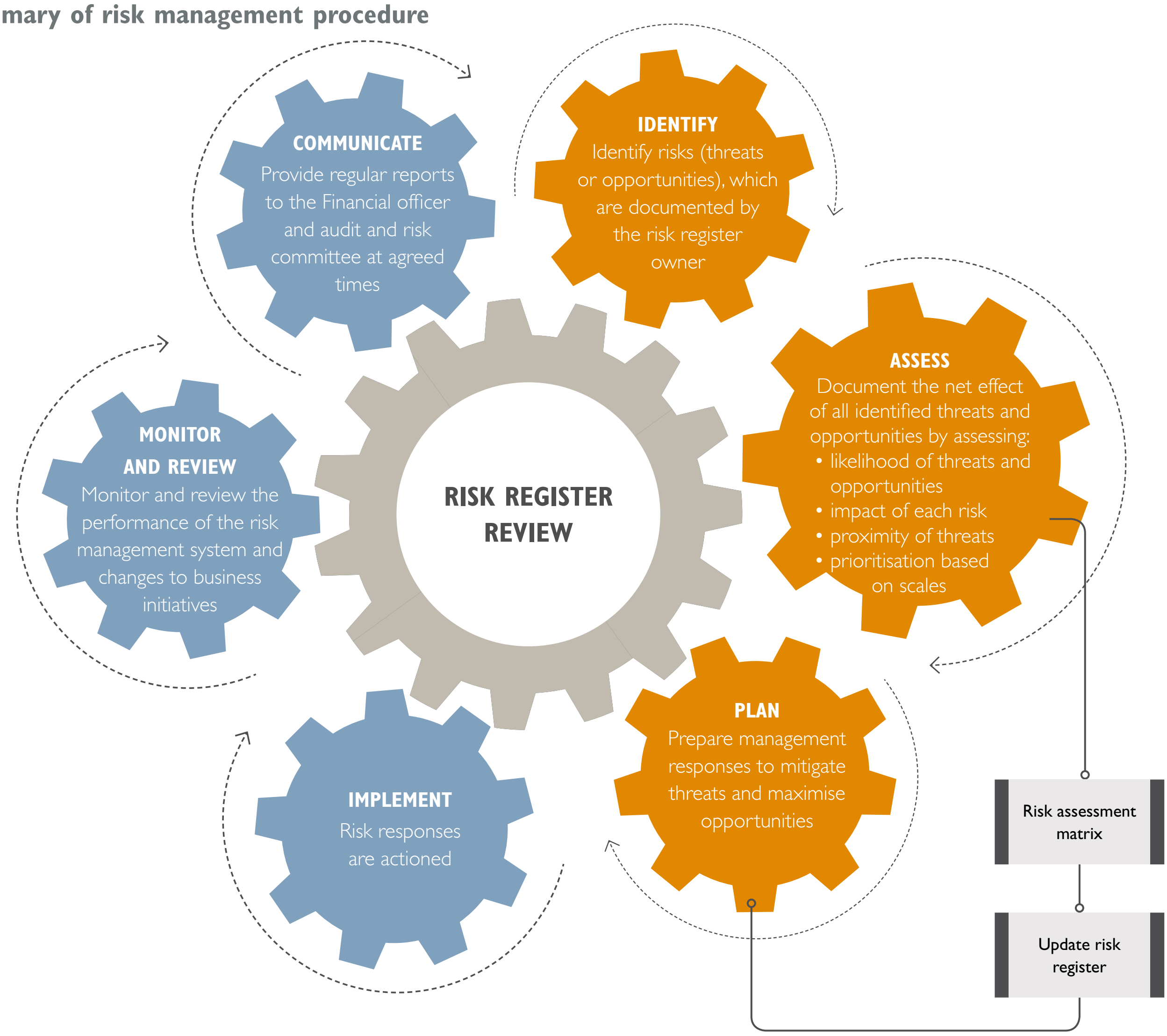
RISK MANAGEMENT PROCESS

The group's risk management process is guided and informed by the external environment (macroeconomic), specific regulatory requirements and its internal environment (financial, operational and strategic), all of which continually enlighten the group's strategy. Day-to-day risk compliance and implementation is the responsibility of operational management and the executive and operations committees at the corporate office. The board and audit committee provide oversight of the risk management process.

Identified risks are benchmarked against its listed peers to ascertain if these risks are industry-wide and to provide comfort to the board that an industry-specific risk is not excluded.

The group's risk management system is based on a systemic process for reviewing Pan African Resources' internal and external risks. This risk management process consists of the following main elements:

Summary of risk management procedure



QUARTERLY board risk governance	MONTHLY management risk governance	ONGOING operations risk management
◗ Board ◗ Audit ◗ SHEQC ◗ Social and ethics	◗ Exco and Opsco	◗ Operations management committees ◗ Risk coordinators ◗ Risk matrix per operation

RISK, OPPORTUNITIES AND MATERIAL ISSUES continued

Board risk governance

The board is responsible for oversight of the group's risk management approach and is guided by the audit committee, its own internal risk assessments and regular reviews of the risk reports from each operation. A formal safety, health, environment, quality and community (SHEQC) committee informs the board on safety, health and environmental aspects. Each year the board reviews the group's risk appetite to ensure it remains relevant to the group's strategy as circumstances change. The board also ensures the appropriate risk management programmes are in place and monitors the implementation of risk-mitigating strategies against key risk indicators.

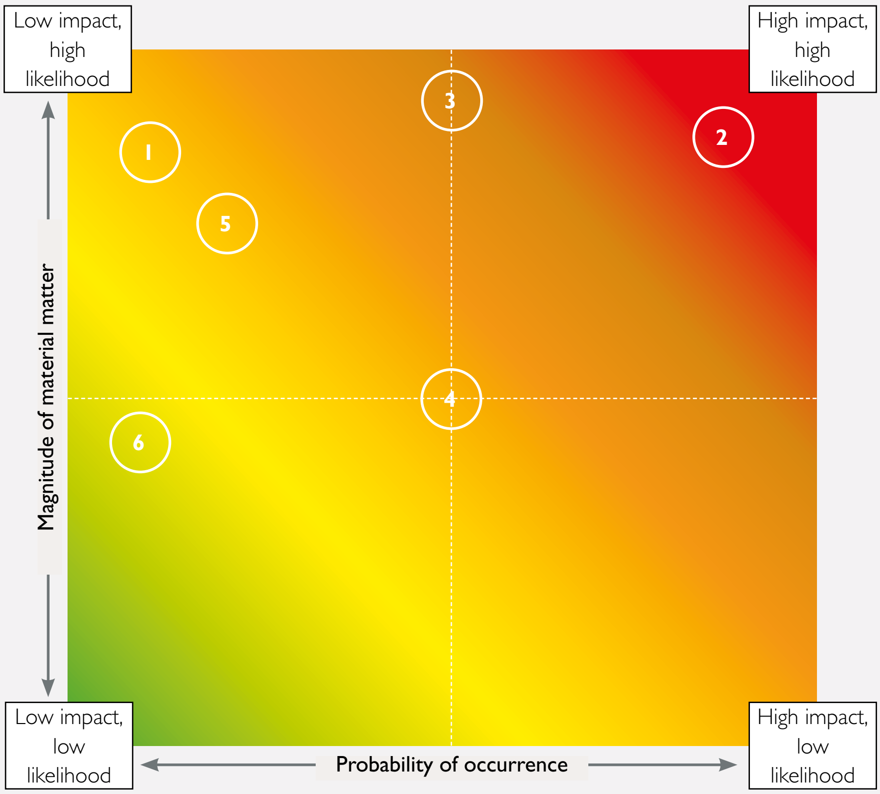
To ensure that risks are monitored daily and amended as necessary, each risk is assigned to a risk owner. Risks and their respective risk owners are recorded in the group's risk register.

PRINCIPAL IDENTIFIED RISKS

The heat map alongside depicts the group's top risks in order of priority, along with their comparative risk rankings. The table on page 25 describes each principal risk, how it is mitigated and how it is aligned to the group's strategic pillars.

Top 6 risks

1. Safety (2017: 1)
2. Regulatory and legal (2017: 3)
3. Operational (2017: 2)
4. Financial (2017: 4)
5. Reputational – social licence to operate (2017: 5)
6. Environmental (2017: 6)



FAST FACTS

2017 MINING CONTRIBUTION SUMMARY:

- Direct contribution of mining to gross domestic product (GDP): R312 billion
- Mining GDP growth rate: 3.7%
- Mining contribution as % of total GDP: 6.8%
- Direct contribution of mining to fixed investment: R93.4 billion
- Total primary mineral sales: R424 billion
- Royalties paid: R5.8 billion
- Taxes paid: R16 billion

PRINCIPAL RISKS AND MITIGATION

Substantially achieved | Moderate progress | Not achieved

Principal risk	Risk rating	Nature of risk	Controls in place to mitigate the risk	Link to strategy	Self-assessment on progress during 2018
Macroeconomic					
Regulatory and legal	2	Uncertainty surrounding mining and environmental legislation	• Maintaining flexibility around empowerment shareholding structures • Strengthening the group's empowerment credentials through a BEE restructure concluded on 15 January 2018 • Broad-based employee share ownership programme in place at operational level • Monitoring changing legislation to ensure compliance • Incentives linked to the achievement of objectives and value creation • Enterprise development funding • Community development spend • Training and development of own candidates through structured training plans • Cultivating good working relationships with regulators and with representatives of the national or local government	• Profitable • Sustainable • Stakeholder	
		Regulatory compliance	• Policies, standards and procedures in place to ensure compliance • Regular compliance review by advisers and sponsors • Register of all mining titles • Compliance with water-use licence guidelines • Outsourced legal, taxation and internal audit functions • Continuous engagement with and reviews by regulators on compliance • Independent reviews on compliance undertaken from time to time • Regular meetings with municipalities, trade unions and the DMR		
		Not adhering to anti-bribery and anti-corruption legislation	• Anti-bribery and anti-corruption policies in place • A culture of zero-tolerance towards corruption • Ongoing training and awareness • Focus on oversight and segregation of duties • Specific internal controls to mitigate bribery risk • Independent internal and external audit functions		
Financial					
Financial	4	Poor capital allocation decisions	• Capital allocation is based on stringent investment criteria and subject to board oversight • Ensuring the required skills and experience in place for decision-making	• Profitable • Sustainable • Growth	
		Weak cash flow generation and excessive debt levels	• Daily monitoring of working capital availability and monthly review of capital expenditure, cash flow generation and group debt levels • Continuous focus on improvement of operational margins in a low ZAR gold price environment • Standby facilities to bridge working capital deficits • RCF of R1 billion in place • Elikhulu term loan facility of R1 billion in place • GBFs of R140 million in place		

RISK, OPPORTUNITIES AND MATERIAL ISSUES continued

Principal risk	Risk rating	Nature of risk	Controls in place to mitigate the risk	Link to strategy	Self-assessment on progress during 2018
Financial continued					
Financial continued	4	Financial risk	• Selective hedging and monitoring of currency, liquidity, commodity and interest rate exposures within board-approved risk limits and financial risk management policy	• Profitable • Sustainable • Growth	
		Sovereign credit rating downgrades	• Strong financial position with US dollar gold revenue resulting in a rand hedge in the event of a ratings downgrade • Rand-denominated debt		
		Volatile commodity and currency 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 to maximise margins and remain a low-cost producer		
		Financial cybercrime	• Robust internal controls • Fidelity insurance cover • Internal audit reviews with the use of additional data analytic reviews to identify potential trends and relationships • Cybercrime insurance cover in place for 2019		
Operational					
Safety	1	Mine accidents	• Legal compliance, standards and procedures in place, plan task observation and regular audits conducted • Ongoing examination of workplace conditions with independent audits planned for the 2019 financial year • Monthly and quarterly inspections by safety department and quarterly risk and rock engineering reviews • Fall-of-ground committee in place • Senior and experienced safety managers at operations • Independent oversight by regulators	• Sustainable • Stakeholder	
		Ambient working conditions	• Installation of a refrigeration plant at Fairview Mine significantly reducing ambient temperatures • Improvement of ventilation conditions using various methods • Ongoing monitoring of working conditions • Ventilation audits conducted		
		Onerous logistic challenges in responding to emergency trauma situations	• Emergency service providers at operations and emergency training in place		

 Substantially achieved  Moderate progress  Not achieved

Principal risk	Risk rating	Nature of risk	Controls in place to mitigate the risk	Link to strategy	Self-assessment on progress during 2018
Operational continued					
Safety continued	I	Illegal miners pose a risk to employees and contractors above- and underground and on surface	• Strict access control into the respective areas of the operations • Security actions, including proactive approach by on-mine security • Application of regular reviews of on-mine security contractor's performance • Ongoing involvement of police and regulatory bodies • Proactively acting on verified informant information to limit and impede the actions of illegal miners	• Sustainable • Stakeholder	
		Risk of a safety incident or DMR 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 • Proactive relationship with regulator		
		Legislative breaches	• Ongoing training, audits, reviews and monitoring of compliance, including independent reviews		
		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 antiretroviral treatment • Insurance and disability schemes in place		

RISK, OPPORTUNITIES AND MATERIAL ISSUES continued

Principal risk	Risk rating	Nature of risk	Controls in place to mitigate the risk	Link to strategy	Self-assessment on progress during 2018
Operational continued					
Operational	3	Strike actions	• Proactive, strong relationships with representative unions • Recognition agreements • Proactively negotiating for multi-year wage agreements within the group • Appropriate remuneration practices • Compliance with all relevant South African labour legislation including the Mining Charter and implementation of SLPs	• Profitable • Stakeholder • Growth	
		Challenging operating environment with complicated infrastructure	• People, systems and procedures in place to ensure successful continuing operations • Cessation of aged and loss-making mining operations such as Evander Mines' underground operations • Active management of engineering risk registers for all operations • Independent audits to identify areas of risk • Scheduling of operations to take account of constraints • Performance monitoring systems instituted • Planned routine maintenance contracts • Refurbishment, major overhaul and capital 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 and infrastructure management • Power management and load monitoring • Production performance monitoring systems implemented	• Profitable • Stakeholder • Growth	

FAST FACTS

- Mining is South Africa's third largest business sector after agriculture and manufacturing, contributing almost 10% to the country's GDP
- The South African mining industry underpins:
  – approximately 500,000 direct jobs, supporting 4.5 million dependants
  – annual employee earnings of over R126 billion

Substantially achieved | Moderate progress | Not achieved

Principal risk	Risk rating	Nature of risk	Controls in place to mitigate the risk	Link to strategy	Self-assessment on progress during 2018
Operational continued					
Environmental	6	Risk of environmental damage	• Environmental management plans in place • Rehabilitation funds in place to minimise and mitigate the environmental effects of mining • Transfer of rehabilitation funds from a trust structure to an insurance product for better compliance with future environment and DMR requirements • Pollution control and water catchment dams • Continuous training on and monitoring of environmental damage detection systems, such as scavenger boreholes and pumping • Compliance with water-use licence guidelines and requirements • 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 briquettes from alternative sources and continued engagement with the principal supplier to ensure a sustainable supply • De-cyanidation plant installed at the BTRP • The Kinross TSF extension has been lined with a class C liner to reduce the impact of the reagents on the environment when Elikhulu begins re-mining and deposition	• Sustainable • Stakeholder	
		Ventilation requirements are constrained with limited capacity to supply required volumes	• Monitoring of ventilation systems and upgrading, where necessary • Ventilation audits conducted • New refrigeration plant installed at Barberton Mines to assist cooling and ventilation at Fairview		
Strategic					
Operational	3	Declining resource and reserve base	• Strategies in place to identify value-enhancing organic and acquisitive growth opportunities, such as Elikhulu, Egoli, Royal Sheba, New Consort and a sub-vertical shaft at Fairview • Continued investment in further exploration and reserve generation in the Barberton area	• Profitable • Sustainable • Stakeholders • Growth	
		Geological reporting of quality and quantity of reserves	• Conducted an independent geological review and mine optimisation study		
		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		

RISK, OPPORTUNITIES AND MATERIAL ISSUES continued

Substantially achieved   Moderate progress   Not achieved

Principal risk	Risk rating	Nature of risk	Controls in place to mitigate the risk	Link to strategy	Self-assessment on progress during 2018
Strategic continued					
Operational continued	3	Skills shortage	• Apprenticeships and learnerships in place • Bursary programme in place for tertiary students • Ongoing market research conducted on availability of scarce category skills • Comprehensive training, including job-based skills training	• Profitable • Sustainable • Stakeholders • Growth	
Financial	4	Inability to integrate project or acquisitions	• Extensive change management experience from prior transactions • Project management skills in place, complemented with external expertise • Elikhulu construction is managed through an owners' team and the Engineering Procurement and Construction DRA team	• Sustainable • Growth	
Reputational – social licence to operate	5	Underperforming market expectations	• Regular market communication • Monitoring operational performance relative to analyst forecasts • Ensuring the group's production guidance is communicated to the shareholders with regular updates provided • Ensuring the market is updated in relation to Elikhulu's construction schedule and budget	• Sustainable • Stakeholders • Growth	
		Stakeholder expectations	• Regular communication with unions • Ongoing communication with communities • CSI and LED programmes in place across operations • Compliance with listing and regulatory requirements	• Sustainable • Stakeholders	

IDENTIFYING OPPORTUNITIES

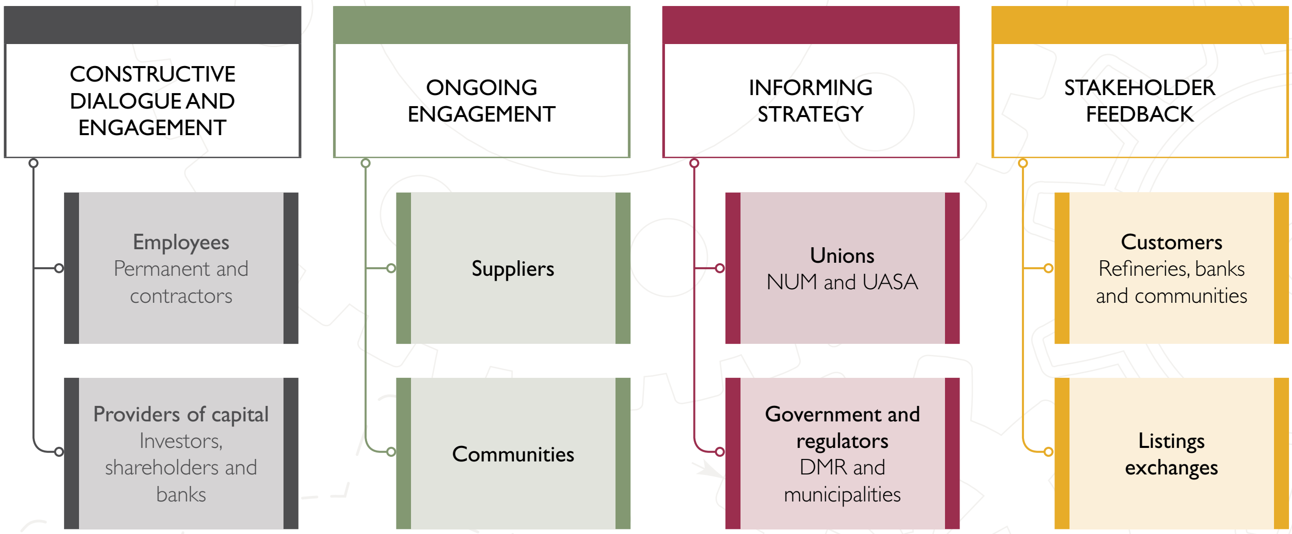
Opportunities can arise because of a specific set of circumstances, as well as through various business activities driven by the group's strategy. A key differentiating factor of Pan African Resources is its ability to identify opportunities that may arise and swiftly assess whether the group is able to capitalise on them and manage the associated risks. Examples of opportunities the group has identified and capitalised on include:

Opportunity	More information
Disposing of Phoenix Platinum	Discontinued operation, financial director's review, page 40
Initiating the construction of Elikhulu	Operational reviews, Elikhulu, page 56
Fairview sub-vertical shaft	Operational reviews, Barberton Mines, page 48
Royal Sheba	Operational reviews, Barberton Mines, page 48
New Consort exploration	Operational reviews, Barberton Mines, page 48
Egoli Project	Operational reviews, Evander Mines, page 52

STAKEHOLDER ENGAGEMENT, VALUE CREATION AND DISTRIBUTION

PAN AFRICAN RESOURCES' STAKEHOLDERS ARE INTEGRAL TO THE GROUP'S GROWTH, VALUE CREATION AND SUSTAINABILITY. THEY HAVE BEEN IDENTIFIED AS ONE OF OUR FOUR KEY STRATEGIC PILLARS WHICH INCLUDE: PROFITABLE, SUSTAINABLE, STAKEHOLDERS AND GROWTH. STAKEHOLDER FEEDBACK AND CONCERNS ARE CAREFULLY CONSIDERED WHEN REVIEWING AND REFINING STRATEGY, WHICH FOSTERS REALISTIC PERCEPTIONS BY AND EXPECTATIONS FROM OUR STAKEHOLDERS IN RELATION TO OUR BUSINESS, DECISIONS AND PERFORMANCE.

OUR KEY STAKEHOLDERS



STAKEHOLDER ENGAGEMENT APPROACH

Stakeholder engagement is important to the group as it fosters transparent communication channels to share information and proactively resolve concerns, while at the same time balancing the expectations of shareholders and other stakeholders. It is essential in shaping our strategy, better managing risks, identifying opportunities and managing our reputation.

Stakeholder engagement takes place centrally at our corporate office and at all operations. The chief executive officer assumes responsibility at corporate office level and is supported by the financial director as they engage with investors and analysts.

The executive: human resources engages with labour unions and employees, and operational management engages with the DMR on health and safety issues. At an operational level, stakeholder engagement is the responsibility of the general and human resources managers. The board also engages with shareholders at the annual general meeting (AGM) and on an *ad hoc* basis, when required.

Concerns raised operationally are governed by the management committee and at board level. The SHEQC committee oversees stakeholder concerns.

STAKEHOLDER ENGAGEMENT, VALUE CREATION AND DISTRIBUTION continued

DETERMINING AND PRIORITISING OUR KEY STAKEHOLDERS

The group's operations impact various stakeholder groups, some more materially than others, depending on the nature of the engagement.

In determining and prioritising our stakeholders we consider, *inter alia,* the following factors:

- How the stakeholder impacts our business from a strategic and reputational perspective
- The risk we are exposed to should the group not actively engage with the stakeholder
- The opportunities realised in actively engaging with the stakeholder
- What impact the stakeholder has on our operational performance
- How the stakeholder informs our material issues
- Corporate and social responsibility towards specific stakeholders.

STAKEHOLDERS' KEY CONCERNS

The table below shows the key concerns raised by stakeholders during the year under review and how Pan African Resources responded to each concern:

Key concern	Stakeholders impacted	Pan African Resources' response	Reference to further input
Meeting expectations on Elikhulu	• Employees • Providers of capital – debt and equity	• DRA Global was appointed as the group's construction partner, with construction beginning in August 2017 • Elikhulu's inaugural gold pour was on 16 August 2018, within one year of construction beginning • Elikhulu was fully commissioned during September 2018	page 56
Cessation of Evander Mines' high-cost, large-scale underground operations	• Employees • Unions • Providers of capital – debt and equity	• Cessation of large-scale underground operations at Evander Mines	page 53
Repositioning of the group as a higher-margin and lower-risk gold producer	• Employees • Government and regulatory body – DMR • Providers of capital – debt and equity	Repositioning of the group included the following initiatives undertaken: • Construction of Elikhulu plant, which will produce some of the lowest-cost ounces in the South African mining industry • From December 2018, Elikhulu's processing capacity will increase to 1.2Mt per month by incorporating the existing ETRP throughput into Elikhulu's • Ramping up development at Fairview is expected to restore Barberton Mines' production to approximately 100,000oz per annum on a sustainable basis • Cessation of large-scale mining at Evander Mines' underground operations • Commenced a drilling programme and feasibility study on Royal Sheba, with a focus on increasing production from the Barberton Mines complex • Investment in and successful installation of the BTRP regrind mill to improve margins and production	page 48 page 56
1,635 employees were retrenched at Evander Mines	• Employees • Unions • Providers of capital – debt and equity	• Retrenched employees were offered reskilling opportunities and a number of these employees have been retrained and re-employed at Elikhulu. Environmental rehabilitation of the mine will provide further employment opportunities • The group spent R1.1 million on retraining Evander Mines' employees following the retrenchment exercise	page 80

The table below provides a high-level overview of the nature, frequency and responsibility for stakeholder engagement and what matters to stakeholders:

Stakeholder	What matters to stakeholder	Nature of engagement	How feedback informs strategy	Responsibility
Providers of capital	• Safe mining • Return on investment • Financial performance • Operational performance • Union relationships • Accreditations and regulatory compliance • Resources and reserves reporting • Sustainability of the business • Environmental compliance	• 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	• Poll results and feedback from presentations and one-on-one meetings discussed at executive management level	• Chief executive officer • Financial director • Other senior executives
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 • Future Forum meetings	• Discussed at operational, executive and board level	• Operational human resource managers • Group executive human resources • Group SHEQC manager • Other senior executives
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 • CSI • Environmental conservation/protection	• Community meetings and forums • Media	• Discussed at the SHEQC committee executive 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 and regulators	• Transformation • Mining Charter compliance • Job creation • Safe mining • Profitable mining	• Regular and frequent communication with Departments: DMR, Labour, Water Affairs, Education and Public Works • Local municipalities' independent development plans	• Discussed at executive management and board level	• General managers • Chief executive officer • Other senior executives
Customers	• Quality • Timeous delivery • Price • Volume	• One-on-one meetings with the refinery	• Discussed at executive management and board level	• General managers • Metallurgical managers
Listings exchanges	• Compliance with Listings Requirements	• Sponsor (JSE) and nominated advisor (AIM) review and oversight • Panel reviews of reported information	• Discussed at board and executive director level	• Chief executive officer • Financial director • Other senior executives

PLACER MINING

GOLD PANNING | ALLUVIAL GOLD MINING
THE OLDEST METHOD OF GOLD MINING

Placer mining involves mining alluvial streambed deposits for minerals. It is used to sift out valuable metals from sediments in rivers, beach sands and other environments. This method supplied most of the ancient world's gold, dating as far back as the Roman Empire.

An area well protected from the flow of water is an ideal location to find gold. Gold, often found in streambeds owing to its density, is commonly deposited as one of the following:

1 **RESIDUAL DEPOSIT**

Residual deposits are pieces of the lode that have broken away from an outcrop (rock formation) due to chemical and physical weathering. These deposits have not yet moved or been washed away from the lode and usually lie directly at the site of the lode.

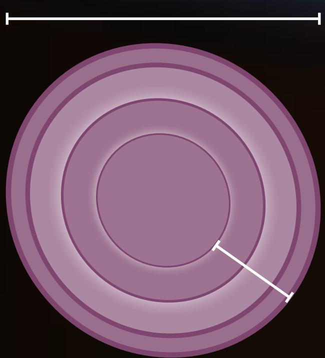
2 **ELUVIAL DEPOSIT**

Eluvial deposits are pieces of ore and gold that have eroded from a lode and have been moved away by forces of nature, but have not yet been deposited into a streambed by running water. This is the most common type of placer gold.

3 **BENCH DEPOSIT**

Bench deposits are created when accumulations of gold reach a streambed. Usually found on higher slopes that drain into valleys, streambeds (benches) can be situated far from other water sources and are sometimes found on mountaintops. Today, many placer miners focus their activities on bench deposits.

Gold pans typically span 32cm to 43cm in diameter.



Made from metal or high-impact, durable plastic.

The sides of the pan sit at a 30° to 40° angle.

Among South Africa's most famous gold nugget discoveries are:

Breda nugget | 214oz | 2kg

Discovered in 1876 by Michael van Breda, one of the pioneer diggers on the New Caledonia goldfield, the nugget was found on a steep hill within the Columbia Reef, just above Blyde River. He and his partner, Macauley, are considered two of the luckiest diggers in Pilgrim's Rest. In two hours, they uncovered gold weighing 3.6kg.

STRATEGIC REPORT:

PERFORMANCE REVIEW

World examples of alluvial placer mining deposits:

- Witwatersrand Basin, South Africa
  - A three-billion-year-old alluvial sedimentary basin that contains at least 70 ore minerals
- Klondike, Yukon and Alaska (Klondike Gold Rush)
  - Gold nuggets were found in running water, making them alluvial placer mining deposits.

213oz

£750

Reward nugget | 213oz | GBP750

This nugget was found by George Russell and his partner, Isaac Lilley. The Reward nugget brought these two lucky Pilgrim's Rest diggers GBP750 when sold.

123oz

Voortrekker nugget | 123oz

Alois Nellmapius, one of South African commercial history's shadiest characters, discovered the Voortrekker nugget in a Pilgrim's Rest valley claim in May 1875.

GOLD PANNING IS NOW A SPORT

Last year, South Africa's gold panning team won three bronze, six silver and four gold medals at the World Gold Panning Championships in Spain.

FINANCIAL DIRECTOR'S REVIEW

Deon Louw
Financial director

PAN AFRICAN RESOURCES IS COMMITTED TO CREATING VALUE FOR ALL STAKEHOLDERS ON A SUSTAINABLE BASIS. FOR SHAREHOLDERS, VALUE IS DERIVED FROM CAPITAL APPRECIATION IN THE COMPANY'S SHARE PRICE AND DISTRIBUTIONS IN THE FORM OF DIVIDENDS AND SHARE BUYBACKS. VALUE IS CREATED BY SUPPORTING SOUTH AFRICA'S ECONOMY THROUGH TAXES PAID, EMPLOYMENT AND INVESTMENT IN COMMUNITIES.

KEY FEATURES FOR THE GROUP

- The group paid a dividend of R185 million during December 2017 for the 2017 financial year
- The group reclassified Evander Mines' large-scale underground operations as a discontinued operation in the current-year and prior-year comparatives
- The profit after taxation from the group's continuing operations was R202.0 million (2017: R700.6 million), resulting in the continuing operations' EPS decreasing to 11.16 cents per share (2017: 44.78 cents per share)
- The loss from discontinued operations increased to R1.76 billion (2017: R390.7 million) following impairment charges recognised upon cessation of large-scale mining at Evander Mines' underground operations
- The group's profit after taxation decreased significantly following cessation of large-scale underground operations at Evander Mines and the resultant retrenchment costs of R161.0 million and impairments costs of R1.78 billion
- Total all-in sustaining cost per kilogram -Ⓐ- (continuing and discontinued) increased in rand terms to R561,468/kg (2017: R514,435/kg), largely due to the high costs associated with the discontinued large-scale underground operations at Evander Mines
- Continuing all-in sustaining costs per kilogram increased in rand terms to R434,572/kg (2017: R372,718/kg). The group remains focused on reducing Barberton Mines' underground mining costs, by increasing ongoing development and exposing additional platforms to mine
- Elikhulu was commissioned during September 2018, ahead of schedule and within its projected budget, with R1.43 billion incurred on the construction of the plant at 30 June 2018
- Net debt -Ⓐ- increased to R1.62 billion (2017: R67.6 million), as the group's debt facilities were drawn on to fund Elikhulu's capital expenditure and the settlement of Evander Mines' retrenchment costs
- The group disposed of 130 million Pan African Resources shares held by PAR Gold and raised R149.4 million in proceeds, which was used for general corporate and liquidity purposes and to fund the expansion of Elikhulu's processing capacity to 1.2 million tonnes per month to provide capacity for the ETRP's throughput.

** Refer to -Ⓐ- APMs on pages 231 and 232.*

CHALLENGES

- Volatile and low ZAR gold price environment during the second half of the financial year
- Cost pressures in excess of general inflation, compounded by the retrenchment costs following the cessation of large-scale underground operations at Evander Mines
- Regulatory uncertainty pertaining to amended mining and environmental legislation
- Evolving political, labour and community landscape.

OPPORTUNITIES

- Expansion of Barberton Mines' production profile through the Royal Sheba Project to access relatively near-term production ounces
- Construction of the Elikhulu plant, which will produce some of the lowest-cost ounces in the South African mining industry
- Expansion of Elikhulu's processing capacity by incorporating the existing ETRP throughput, thus leveraging plant efficiencies and benefiting from economies of scale
- The cessation of the loss-making Evander Mines' large-scale underground operations.

OPERATING ENVIRONMENT

The South African gold mining environment experienced a volatile and depressed gold price environment, with the ZAR/USD exchange rate strengthening during the year under review from ZAR13.59:1 to ZAR12.86:1, and only marginal relief from the gold price increasing from USD1,242/oz to USD1,301/oz. The movement in these drivers resulted in the ZAR gold price declining from R542,773/kg at 30 June 2017 to R538,100/kg at 30 June 2018, which resulted in margin compression, as the rand-denominated cost base increased in line with South African mining inflation. Key economic drivers that impact on production costs and the cost of capital goods are tabled on the following pages 38 to 43.

FINANCIAL DIRECTOR'S REVIEW continued

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

Consolidated			Consolidated	
Audited June 2018 GBP million	Audited June 2017 GBP million		Unaudited June 2017 R million	Unaudited June 2018 R million
		ASSETS		
192.8	224.7	Property, plant and equipment and mineral rights	3,810.7	**3,488.3**
–	0.1	Other intangible assets	1.2	**0.6**
6.2	0.8	Deferred taxation	12.9	**112.3**
0.6	0.7	Long-term inventory	11.6	**10.3**
1.3	2.5	Long-term receivables	43.0	**24.0**
21.0	21.0	Goodwill	303.5	**303.5**
3.1	7.5	Investments	127.6	**56.7**
20.1	18.9	Rehabilitation fund	320.6	**364.3**
245.1	276.2		4,631.1	**4,360.0**
		Current assets		
2.7	5.1	Inventories	85.6	**48.9**
0.7	1.1	Current taxation asset	18.1	**12.5**
15.8	13.7	Trade and other receivables	233.1	**285.8**
0.2	–	Financial instruments assets	–	**4.0**
0.7	9.4	Cash and cash equivalents	160.2	**12.6**
20.1	29.3		497.0	**363.8**
–	5.6	Assets held for sale	95.2	**–**
265.2	311.1	Total assets	5,223.3	**4,723.8**
		EQUITY AND LIABILITIES		
		Capital and reserves		
22.3	22.3	Share capital	318.8	**318.8**
144.6	145.4	Share premium	2,261.4	**2,247.4**
(42.8)	(36.8)	Translation reserve	–	**–**
1.7	1.2	Share option reserve	17.2	**24.6**
30.0	131.3	Retained earnings	1,867.0	**161.4**
(10.7)	(10.7)	Realisation of equity reserve	(140.6)	**(140.6)**
(15.6)	(25.4)	Treasury capital reserve	(548.6)	**(385.2)**
(10.7)	(10.7)	Merger reserve	(154.7)	**(154.7)**
(3.0)	–	Other reserves	–	**(55.0)**
115.8	216.6	Equity attributable to owners of the parent	3,620.5	**2,016.7**
		Non-current liabilities		
15.1	11.7	Long-term provisions	197.7	**273.4**
86.5	12.3	Long-term liabilities	208.4	**1,565.0**
14.3	38.9	Deferred taxation	660.5	**259.5**
115.9	62.9		1,066.6	**2,097.9**
		Current liabilities		
27.7	27.1	Trade and other payables	458.9	**505.2**
5.2	4.1	Current portion of long-term liabilities	70.3	**93.5**
0.6	–	Current taxation liability	0.8	**10.5**
33.5	31.2		530.0	**609.2**
–	0.4	Liabilities directly associated with assets held for sale	6.2	**–**
265.2	311.1	**Total equity and liabilities**	5,223.3	**4,723.8**

Assets

Property, plant and equipment and mineral rights
Capital expenditure for the year amounted to R1,650.2 million (2017: R613.1 million) less depreciation charge of R191.3 million (2017: R181.0 million) less impairment charge of R1,781.1 million (2017: R100.9 million).

Deferred taxation asset has increased to R112.3 million (2017: R12.9 million) as a result of:
- an increase in assessed losses following the cessation of large-scale mining at Evander Mines' underground operations
- an increase in unredeemed capital expenditure following the capital expenditure incurred on the Elikhulu plant.

Long-term receivables have decreased to R24.0 million (2017: R43.0 million) as a result of the deferred consideration receivable from MC Mining being classified as a current asset at year-end.

Investments have decreased to R56.7 million (2017: R127.6 million) following a decline in the fair value of shares held in MC Mining.

Inventory has decreased to R48.9 million (2017: R85.6 million) predominantly due the cessation of large-scale mining at Evander Mines' underground operations which has resulted in:
- a decline in gold inventory of R17.4 million
- an increase in the provision for obsolete stock of R16.6 million.

Trade and other receivables have increased to R285.8 million (2017: R233.1 million) as a result of:
- an increase in the VAT receivable year-on-year due to an increase in refunds resulting from Elikhulu's construction
- reclassification of a portion of the deferred consideration, included in long-term receivables, to current receivables in the current reporting period.

Cash has decreased to R12.6 million (2017: R160.2 million) as the group invested heavily in Elikhulu's construction and the retrenchment costs paid following the cessation of Evander Mines' large-scale underground operations.

Equity

Equity has declined to R2,016.7 million (R3,620.5) as a result of:
- a decrease in the group's retained earnings by R1,705.5 resulting from a loss after taxation of R1,556.7 million (2017: profit R309.9 million) and a net dividend of R148.9 million (2017: R232.6 million)
- a fair value loss adjustment through other comprehensive income of R55.0 million (2017: R6.3 million).

Liabilities

Long-term provisions have increased to R273.4 million (2017: R197.7 million), primarily as a result of the rehabilitation obligations brought forward following the cessation of large-scale mining at Evander Mines' underground operations and a resultant increase in the rehabilitation footprint associated with the Elikhulu plant's construction.

Long-term liabilities increased to R1,565.0 million (2017: R208.4 million) as a result of:
- the non-current portion of the revolving credit facility increasing to R778.0 million (2017: R180.5 million)
- the non-current portion of the Elikhulu term loan facility increasing to R770.0 million (2017: nil).

The deferred taxation liability decreased to R259.5 million (2017: R660.5 million) due to the impairment of Evander Mines' property, plant and equipment, resulting in a reduced taxation base and commensurate reduced deferred taxation liability.

Trade and other payables increased to R505.0 million (2017: R458.9 million) due to an increase in accruals that relate to:
- the construction of the Elikhulu plant
- the construction of the regrind mill at Barberton Mines.

FINANCIAL DIRECTOR'S REVIEW continued

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2018

Consolidated			Consolidated	
Re-presented[1] Audited June 2018 GBP million	Audited June 2017 GBP million		Unaudited June 2017 R million	Re-presented[1] Unaudited June 2018 R million
		Continuing operations		
108.5	125.1	Gold sales	2,158.2	**1,873.9**
(2.0)	(1.0)	Realisation costs	(17.5)	**(34.6)**
106.5	124.1	**On-mine revenue**	2,140.7	**1,839.3**
(77.7)	(75.4)	Gold cost of production	(1,301.4)	**(1,342.1)**
(4.9)	(5.5)	Mining depreciation and amortisation	(94.9)	**(85.1)**
23.9	43.2	**Mining profit**	744.4	**412.1**
(4.2)	(0.3)	Other expenses	(4.1)	**(74.0)**
–	0.2	Profit on disposal of investment	4.6	**–**
–	5.4	Profit on disposal of subsidiary	91.3	**–**
(8.2)	–	Impairments	–	**(136.6)**
(0.4)	(1.1)	Royalty costs	(19.2)	**(7.2)**
11.1	47.4	**Net income before finance income and finance costs**	817.0	**194.3**
1.5	0.3	Finance income	4.4	**25.7**
(3.2)	(2.8)	Finance costs	(48.4)	**(54.3)**
9.4	44.9	**Profit before taxation**	773.0	**165.7**
2.1	(4.3)	Taxation	(72.4)	**36.3**
11.5	40.6	**Profit after taxation from continuing operations**	700.6	**202.0**
		Discontinued operations		
(104.8)	(22.7)	Loss from discontinued operations	(390.7)	**(1,758.9)**
(93.3)	17.9	**(Loss)/profit after taxation**	309.9	**(1,556.9)**
(5.15)	1.14	Earnings per share	19.81	**(86.03)**
(5.15)	1.14	Diluted earnings per share	19.80	**(86.03)**
1,809.7	1,564.3	Weighted average number of shares in issue	1,564.3	**1,809.7**
1,809.7	1,565.1	Diluted number of shares in issue	1,565.1	**1,809.7**

[1] *The prior year figures have been re-presented to exclude discontinued operations (refer tonote 14).*

Taxation charge

The taxation charge of the group's continuing operations decreased to a credit of R36.3 million (2017: R72.5 million) due to an increase in the deferred taxation credit of R63.6 million (2017: R7.9 million) because of the reduction in the long-term taxation rate to 19.2% from 23.1% for the Evander Mines surface operations.

Discontinued operations

In the current reporting period the group's discontinued operations comprised:

- Phoenix Platinum
- Evander Mines' large-scale underground operations.

In the prior reporting period the group's discontinued operations comprised:

- Phoenix Platinum
- Uitkomst Colliery.

Phoenix Platinum, under discontinued operations, recorded a loss of R6.9 million in the current reporting period, for the period 1 July 2017 to 6 November 2017. This loss comprised R2.0 million in operational losses and a R4.9 million loss on asset held for sale.

Due to the cessation of large-scale mining at Evander Mines' underground operations, the financial results from this operation have been classified as a discontinued operation in the current reporting period.

Losses from discontinued operations have increased to R1.76 billion (2017: R390.7 million), which include an impairment charge of R1.78 billion and retrenchment costs of R161.0 million for the Evander Mines underground operations.

Gold sales

Gold sales from continuing operations declined year-on-year by 13.2%, as a result of a 0.9% decline in the average ZAR gold price received by the group and a decline of 12.6% in gold sold by continuing operations to 111,879oz (2017: 127,981oz).

Revenue from Evander Mines' large-scale underground operations of R811.4 million (2017: R767.2 million) has been disclosed in discontinued operations due to the cessation of large-scale mining at this operation.

Gold cost of production

The group's gold cost of production from continuing operations increased by 4.4% due to the following:

- Salaries and wages (represents 38.9% of the total gold cost of production) increased by 7.6% to R535.1 million (2017: R497.1 million)
- Mining and processing costs (represents 33.7% of the total gold cost of production) decreased by 6.7% to R463.3 million (2017: R496.3 million)
- Electricity costs (represents 9.6% of the total gold cost of production) increased by 8.3% to R132.5 million (2017: R122.3 million). The increase is higher than the National Energy Regulator of South Africa's approved average national increase of 5.2% from 1 April 2018 because of higher electricity consumption associated with the surface re-mining operation and Barberton Mines' new refrigeration plant installed at Fairview during July 2017
- Engineering and technical costs (represents 6.7% of total gold cost of production) increased by 13.0% to R92.7 million (2017: R82.0 million).

Cash costs per kilogram for continuing operations have increased by 19.6% to R387,194/kg (2017: R323,692/kg) due to the 12.6% decrease in gold sold and the 4.4% increase in production costs from continuing operations.

All-in sustaining costs per kilogram for continuing operations have increased by 16.6% to R434,572/kg (2017: R372,718/kg).

All-in costs per kilogram for continuing operations have increased by 18.1% to R463,145/kg (2017: R393,296/kg).

Mining depreciation and amortisation

The group's mining depreciation and amortisation costs decreased by 10.2% to R85.1 million (2017: R94.9 million). The depreciation charge is based on the available units of production over the life of the operations and the depreciation charge reduced proportionately with the decrease in production.

Other expenses

Other expenses increased to R74.0 million (2017: R4.1 million). The increase in other expenses is due to the group realising a pre-taxation gain of R94.7 million on the mark-to-market fair value adjustment of a derivative instrument concluded in the prior reporting period to mitigate gold price risk.

Profit on disposal of investment

In the prior reporting period, the group recognised a profit of R4.6 million following the disposal of a listed investment.

Profit on disposal of subsidiary

In the prior reporting period, the group recognised a profit of R91.3 million following the disposal of Uitkomst Colliery.

Continuing operations – impairment

An impairment charge of R136.6 million for continuing operations (2017: nil) was recognised on the Kinross plant, following the cessation of large-scale mining at Evander Mines' underground operations and the consequential impact on the continuing surface operations (ETRP and surface sources).

Royalty costs

Royalty costs decreased to R7.2 million (2017: R19.2 million), consistent with the decrease in revenue and gold production.

Finance income and costs

Finance income increased to R25.7 million (2017: R4.4 million), following an increase in interest earned on the group's rehabilitation funds. Finance costs increased to R54.3 million (2017: R48.4 million) due to an increase in group debt during the current reporting period.

Earnings per share

The combined operations' EPS in ZAR decreased to a loss of 86.03 cents per share (2017: earnings 19.81 cents per share). The combined operations' HEPS Ⓐ in rand decreased to 12.66 cents per share (2017: 20.17 cents per share).

The EPS and HEPS Ⓐ are calculated by applying the group's weighted average number of shares in issue to the attributable and headline earnings Ⓐ. The weighted average number of shares in issue increased by 15.7% to 1,809.7 million shares (2017: 1,564.3 million shares). The increase in shares was attributed to the additional 291.5 million shares issued in the equity raise concluded on 12 April 2017 for the equity tranche of Elikhulu, and the disposal of 130 million shares held by PAR Gold on 30 May 2018.

* *Refer to Ⓐ APMs on page 232.*

FINANCIAL DIRECTOR'S REVIEW continued

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

Consolidated			Consolidated	
Audited June 2018 GBP million	Audited June 2017 GBP million	Contributions	Unaudited June 2017 R million	Re-presented[1] Unaudited June 2018 R million
(3.3)	16.5	Net cash (utilised in)/generated from operations after taxation, royalties and finance costs	281.0	(53.2)
(8.2)	(13.3)	Dividends paid net of PAR Gold's reciprocal dividend	(232.6)	(148.9)
(11.5)	3.2	Net cash (utilised in)/generated from operating activities	48.4	(202.1)
		Investing activities		
(92.7)	(35.5)	Additions to property, plant and equipment and mineral rights	(612.7)	(1,601.4)
(1.5)	–	Rehabilitation fund contributions	–	(26.2)
–	(0.1)	Additions to other intangible assets	(0.4)	(0.3)
(0.4)	(1.2)	Increase in long-term loans receivable	(20.0)	(6.5)
4.8	1.4	Proceeds from disposal of investment	23.4	89.0
–	0.4	Proceeds on disposals of property, plant and equipment	7.0	–
–	6.6	Proceeds from disposal of subsidiary, net of cash	111.7	–
(89.8)	(28.4)	Net cash utilised in investing activities	(491.0)	(1,545.4)
		Financing activities		
90.0	47.8	Proceeds from borrowings	817.0	1,535.0
(5.8)	(54.0)	Borrowings repaid	(915.0)	(100.0)
8.9	–	Proceeds from sale of treasury shares	–	149.4
–	40.8	Shares issued	696.0	–
–	(1.4)	Share issue costs	(24.0)	–
0.9	(1.4)	Proceeds/(settlement) of financial instruments	(22.9)	15.5
94.0	31.8	Net cash generated from financing activities	551.1	1,599.9
(7.3)	6.6	Net (decrease)/increase in cash and cash equivalents	108.5	(147.6)
9.4	2.7	Cash and cash equivalents at the beginning of the year	52.6	160.2
–	(0.1)	Cash and cash equivalents of discontinued operations	(0.9)	–
(1.4)	0.2	Effect of foreign exchange rate changes	–	–
0.7	9.4	Cash and cash equivalents at the end of the year	160.2	12.6

[1] *The cash-settled share option costs have been re-presented in net cash (utilised in)/generated from operating activities from net cash generated from financing activities in the current and prior reporting period.*

OUR FOCUS FOR THE 2019 FINANCIAL YEAR IS CASH FLOW GENERATION, COST CONTAINMENT FROM OUR EXISTING OPERATIONS AND A REDUCTION IN OUR NET DEBT POSITION.

Net cash (utilised in)/generated from operating activities

Cash (utilised in)/generated from operations decreased by R250.5 million to a deficit of R202.1 million (2017: R48.4 million) due to the lower gold production, Evander Mines' operational losses and retrenchment costs of R161.0 million.

The 2017 financial year dividend payment (net of PAR Gold reciprocal dividends) of R148.9 million (2016: R232.6 million) was paid on 21 December 2017.

Net cash used in investing activities

The cash outflows from investing activities increased to R1,545.4 million (2017: R491.0 million), largely due to:

- capital expenditure incurred of R1,601.4 million (2017: R612.7 million)
- contributions to the rehabilitation trust of R26.2 million (2017: nil)
- proceeds from the sale of Phoenix Platinum of R89.0 million (2017: R142.1 million proceeds from the disposal of investments, subsidiaries and property, plant and equipment).

Net cash generated from financing activities

Net cash inflows from financing activities increased to R1,599.9 million (2017: R551.1 million), largely due to the utilisation of the group's debt facilities to fund operational and project capital expenditure, offset by proceeds of R149.8 million (2017: nil) on the disposal of Pan African Resources shares held by PAR Gold.

Economic drivers	2018	2017	%
Gold price			
USD gold price received	**USD1,301/oz**	USD1,242/oz	4.8
ZAR gold price received	**R538,100/kg**	R542,773/kg	(0.9)
Exchange rates			
USD/ZAR exchange rate (average)	**12.86:1**	13.59:1	(5.4)
USD/ZAR exchange rate (closing)	**13.71:1**	13.04:1	5.2
GBP/ZAR exchange rate (average)	**17.27:1**	17.25:1	0.1
GBP/ZAR exchange rate (closing)	**18.09:1**	16.96:1	6.7
South African inflation and interest rates			
CPI (%)	**4.6**	5.1	(9.8)
PPI (%)	**5.9**	4.0	47.5
Interest rates			
JIBAR (%)	**6.7**	7.1	5.6

Gold price determines the price received for gold sold.

Exchange rates determines the value received in ZAR for gold and ultimately the group's revenue.

South African inflation and interest rates impacts the rate of increase in the group's operating costs, the most significant of which is employee costs, followed by electricity costs.

Interest rates determines the cost of debt finance and the return on surplus cash.

FINANCIAL DIRECTOR'S REVIEW continued

FINANCIAL RISK MANAGEMENT

The group manages its financial risk, liquidity and solvency 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 specific operational risks, capital investments and transactional flows and limits hedging to short-dated hedges and a maximum of 25% of the group's annual production, unless additional exposure is specifically approved by the board.

The group is exposed to a number of macroeconomic risks, of which the ZAR gold price is one of the major risks that impact directly on the group's financial results. To manage this risk during periods of peak debt, a number of zero-cost cost-collar derivative structures have been entered into to reduce the negative cash flow impact of a declining ZAR gold price. At 30 June 2018, the group had the following four open derivative positions:

Term	oz	Remaining oz	Put option R/kg	Call option R/kg
1 January 2018 – 31 December 2018	4,500	2,500	550,000	631,018
1 July 2018 – 31 December 2018	10,000	10,000	550,000	598,000
1 July 2018 – 31 December 2018	10,000	10,000	560,000	605,500
1 July 2018 – 31 December 2018	5,000	5,000	560,000	606,671

These derivatives underpin an average gold price of R555,455/kg and the group participates in gold price moves to an average price of R605,305/kg.

Net debt

Total debt facilities utilised at 30 June 2018 increased to R1.64 billion (2017: R227.8 million), and cash holdings declined to R12.6 million (2017: R160.2 million), resulting in an increase in net debt to R1.62 billion (2017: R67.6 million). The increase in net debt was predominantly as a result of the R1.26 billion capital expenditure incurred on Elikhulu and Evander Mines' retrenchment costs of R161.0 million.

Summary of long-term debt facilities:

	RCF		Evander Mines gold loan		Elikhulu term loan facility		Total	
	30 June 2018 R million	30 June 2017 R million	30 June 2018 R million	30 June 2017 R million	30 June 2018 R million	30 June 2017 R million	30 June 2018 R million	30 June 2017 R million
Non-current portion	778.0	180.5	–	–	770.0	–	1,548.0	180.5
Current portion	88.2	20.7	–	26.6	–	–	88.2	47.3
Total	866.2	201.2	–	26.6	770.0	–	1,636.2	227.8

The covenants of the group's term facilities (RCF and Elikhulu term loan facility) are summarised below:

	Measurement	30 June 2018	30 June 2017	Description
Net debt to equity ratio	Must be less than 1:1	0.78	0.02	Increased due to Elikhulu's capital expenditure
Net-debt to adjusted EBITDA ratio	Must be less than 2.5:1	3.73	0.08	This covenant's testing commences in December 2019
Interest cover ratio[1]	Must be greater than 4 times	4.61	19.32	This covenant's testing will commence in December 2018 at a level of 2.3 times, whereafter it will increase to 4 times
Debt service cover ratio[2]	Must be greater than 1.3 times	3.84	9.11	Decreased as a result of a higher interest expense incurred relative to the adjusted EBITDA as a result of the increased debt associated with Elikhulu

[1] *Interest cover ratio (total finance costs from interest-bearing facilities to adjusted EBITDA).*

[2] *Debt service cover ratio (free cash flow, refer to page 197, for total finance costs from interest bearing facilities).*

As a consequence of costs associated with the cessation of Evander Mines' large-scale underground operations, the weak ZAR gold price, exacerbated by below-budget production at Barberton Mines, the group's forecast cash flow was below that budgeted for covenant compliance, resulting in the group renegotiating its covenants with the consortium of South African banks. The interest cover ratio was accordingly reduced to 2.3 times until December 2018 whereafter it will increase to 4 times and the net debt to adjusted EBITDA ratio has been deferred and testing will commence in December 2019. Consequently, there has been an increase in the interest rate as noted below. The amortisation profile of the RCF has been amended as follows:

Amortisation profile	30 June 2018 R million	31 Dec 2018 R million	30 June 2019 R million	31 Dec 2019 R million	30 June 2020 R million
Original	**100**	100	100	100	600
Revised	–	–	133	133	733

The group's financial covenants exclude once-off and extraordinary events and are calculated on the basis of the group's continuing operations only. At 30 June 2018, the group was compliant with all its financial covenants.

Revolving credit facility

The group's existing R1 billion RCF facility is provided by a consortium of South African banks and has a tenure of five years, effective from June 2015. The facility bears interest at JIBAR plus a margin of 3% (2017: 2.5%) and provides Pan African Resources with access to a long-term flexible debt facility to fund its working capital requirements. The increased interest rate is as a result of the increased risk.

Working capital and debt management

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

Capital allocation discipline

The board is conscious of the aspirations of our stakeholders for value creation. As a result, all capital allocation decisions are subject to rigorous analysis and predefined risk-adjusted return parameters to ensure this objective is fulfilled. Of paramount importance in all such capital allocation decisions is the group's ability to successfully execute on investment opportunities and realise the required risk-adjusted return over the investment horizon. The attractive returns currently being earned on the capital invested in the BTRP and the ETRP bear testimony to our success in this regard.

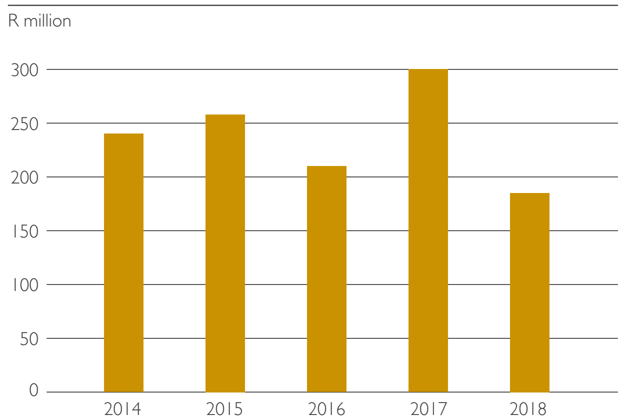
Our investment criterion is to earn a minimum return of 15% per annum, after adjusting for project-specific and sovereign risks. Further, to ensure our returns are robust, we endeavour to invest only in projects that fall into the lower half of the cost curve and where the execution risk is within our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

DIVIDEND POLICY

Pan African Resources aspires to pay a regular dividend to its shareholders. In balancing this cash return to shareholders with the group's strategy of generic and acquisitive growth, Pan African Resources believes a target payout ratio of 40% of net cash generated from operating activities – after allowing for the cash flow impact of sustaining capital, contractual debt repayments and 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 position, future prospects, satisfactory solvency and liquidity assessments and other factors deemed relevant at the time. The board also allows itself flexibility to deviate from the above policy, when deemed appropriate.

Refer to the chief executive officer's statement on page 14.

DIVIDEND PAYMENT



GOING CONCERN

Refer to the directors' report on page 133 where going concern has been further discussed.

LOOKING AHEAD

Our focus for the 2019 financial year is cash flow generation, cost containment from our existing operations and a reduction in our net debt position. Post the cessation of Evander Mines' large-scale underground operations, the group has been repositioned as a low-cost operation with robust cash generation, which enables the group to pursue organic growth opportunities in the short to medium term.

Deon Louw
Financial director

19 September 2018

FIVE-YEAR REVIEW

	Unit	2018	2017	2016	2015	2014
Operating performance						
Gold mining tonnes milled	(t)	**509,955**	507,699	676,664	908,958	948,149
Gold tailings processed	(t)	**3,551,280**	3,143,414	2,801,021	1,618,794	815,736
Gold head grade – mining operations	(g/t)	**7.7**	7.8	7.7	5.4	5.8
Gold head grade – tailings operations	(g/t)	**0.6**	0.9	0.9	1.0	1.6
Gold sold	(oz)	**160,444**	173,285	204,928	175,857	188,179
Gold spot price received	(USD/oz)	**1,301**	1,242	1,164	1,212	1,303
Total gold mining cash costs Ⓐ	(USD/oz)	**1,162**	986	725	949	897
Coal sold	(t)	**–**	670,210	136,102	–	–
PGE sold	(oz)	**2,541**[1]	8,709	8,339	10,245	7,204

[1] *PGE sold up to the date of disposal of Phoenix Platinum (7 November 2017).*

	2018		2017		2016		2015		2014	
	R million	GBP million	R million	GBP million	R million	GBP million	R million	GBP million	R million	GBP million
Statement of comprehensive income										
Continuing operations										
Revenue	**1,873.9**	**108.5**	2,158.2	125.1	3,460.1	161.3	2,539.4	141.1	2,608.8	154.6
Cost of production	**(1,342.1)**	**(77.7)**	(1,301.4)	(75.4)	(2,155.5)	(100.5)	(1,987.4)	(110.4)	(1,795.9)	(106.4)
Mining profit	**412.0**	**23.9**	744.4	43.2	1,066.6	23.3	353.4	19.6	637.8	37.8
Total operations										
Adjusted EBITDA Ⓐ	**416.0**	**24.2**	816.0	47.3	963.5	44.9	512.1	28.4	745.5	44.2
Impairment costs	**(1,781.1)**	**(106.3)**	(100.9)	(6.0)	–	–	(1.0)	(0.1)	–	–
(Loss)/profit after taxation	**(1,556.9)**	**(93.3)**	309.9	17.9	547.0	25.5	210.2	11.7	452.1	26.8
Headline earnings Ⓐ	**229.1**	**13.3**	315.6	18.3	547.1	25.5	213.6	11.9	452.0	26.8
Dividends paid	**(185.0)**	**(10.0)**	(300.0)	(17.1)	(210)	(9.7)	(258.0)	(14.9)	(240.3)	(14.7)
Statement of financial position										
Non-current assets	**4,359.9**	**245.2**	4,631.2	276.2	4,450.9	230.7	4,147.1	220.1	3,941.5	223.4
Current assets[1]	**363.8**	**20.1**	497.0	29.3	434.2	21.9	332.3	17.2	423.4	23.5
Assets held for sale	**–**	**–**	95.2	5.6	1.3	0.1	–	–	–	–
Total equity	**2,016.7**	**115.7**	3,620.5	216.6	2,874.4	151.0	2,738.5	147.2	2,788.4	159.4
Non-current liabilities	**2,097.9**	**116.0**	1,066.7	62.9	1,372.4	69.5	1,309.5	67.9	1,144.1	63.5
Current liabilities	**609.1**	**33.7**	530.0	31.3	639.6	32.2	431.4	22.4	432.4	24.0
Liabilities directly associated with assets held for sale	**–**	**–**	6.2	0.4	–	–	–	–	–	–
Cash flows										
Net cash (utilised by)/generated from operating activities	**(202.1)**	**(11.4)**	48.4	3.2	581.4	28.5	95.7	5.4	360.3	22.2
Capital expenditure	**1,601.7**	**92.7**	613.1	35.5	302.0	14.1	352.0	19.6	363.0	21.5
Net movement in cash and cash equivalents	**(147.6)**	**(7.3)**	108.5	6.6	(11.7)	(1.5)	(36.9)	(1.7)	29.6	1.7

* *Refer to Ⓐ APMs on page 231 and 232.*

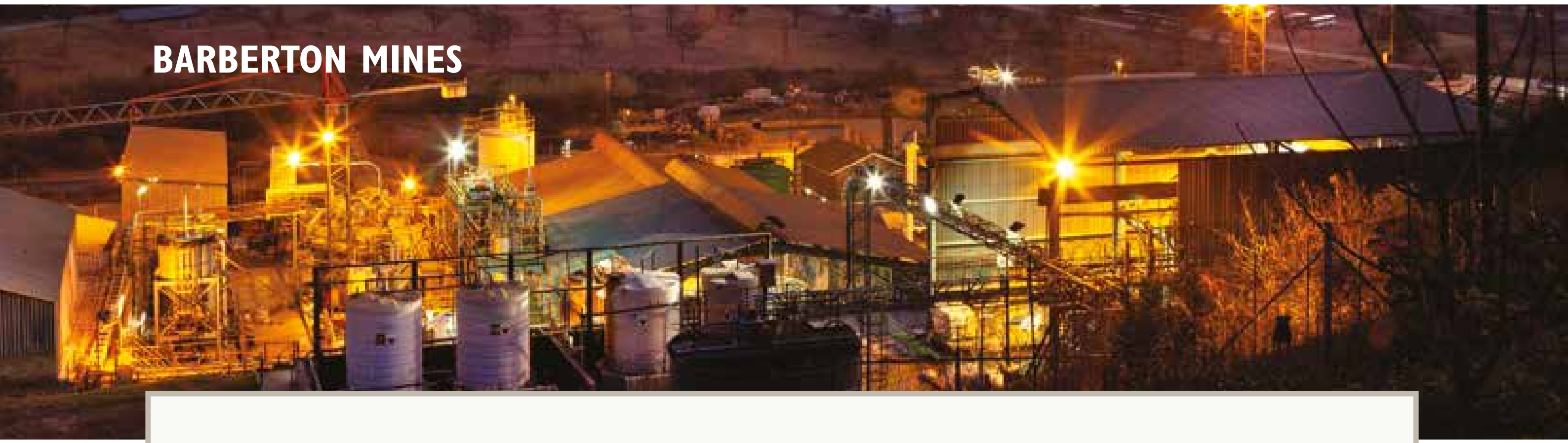
		2018		2017		2016		2015		2014	
	Unit	ZAR	GBP	ZAR	GBP	ZAR	GBP	ZAR	GBP	ZAR	GBP
Key ratios											
Return on shareholders' funds	(%)	**(77.2)**	**(80.6)**	8.6	8.3	19.0	16.9	7.7	7.9	16.2	16.8
Net debt Ⓐ :equity ratio	(Ratio)	**0.81**	**0.78**	0.02	0.02	0.11	0.10	0.12	0.11	0.04	0.04
Net debt Ⓐ : adjusted EBITDA Ⓐ	(Ratio)	**3.90**	**3.73**	0.08	0.08	0.38	0.34	0.63	0.58	0.14	0.13
Interest cover	(Ratio)	**(4.61)**	**(4.61)**	(19.3)	(19.3)	26.0	24.8	7.3	7.2	38.9	37.9
Debt service cover	(Ratio)	**3.84**	**3.84**	9.11	9.11	–	–	–	–	–	–
Current ratio[2]	(Ratio)	**0.6**	**0.6**	0.9	0.9	0.7	0.7	0.8	0.8	1.0	1.0
Statistics											
Shares in issue (millions)	(Number)	**2,234.7**		2,234.7		1,943.2		1,831.5		1,830.0	
Weighted average number of shares in issue (millions)	(Number)	**1,809.7**		1,564.3		1,811.4		1,830.4		1,827.2	
Earnings per share	(Cents/pence)	**(86.03)**	**(5.15)**	19.81	1.14	30.20	1.41	11.48	0.64	24.74	1.47
Headline earnings per share (HEPS) Ⓐ	(Cents/pence)	**12.66**	**0.73**	20.17	1.17	30.20	1.41	11.67	0.65	24.74	1.47
Net asset value (NAV) Ⓐ	(Cents/pence)	**104.58**	**5.8**	201.33	12.04	190.75	10.02	149.52	8.04	152.37	8.71
Dividends per share (DPS)	(Cents/pence)	**8.28**	**0.45**	15.44	0.88	11.47	0.53	14.10	0.82	13.15	0.81
Dividend yield Ⓐ	(%)	**4.2**	**4.0**	5.0	4.9	5.1	4.3	6.3	6.7	5.6	5.7
Price earnings[3]	(Ratio)	**(1.6)**	**(1.4)**	11.9	12.0	12.4	13.5	15.7	14.9	10.8	9.7
Volume of shares traded (millions)	(Number)	**952.1**	**639.1**	623.7	932.6	650.7	461.6	573.2	527.9	435.5	199.8
Volume traded as percentage of number issue	(%)	**42.6**	**28.6**	32.1	46.6	33.5	25.5	31.3	28.8	23.8	10.9
Number of transactions	(Number)	**5,824**	**19,082**	16,217	34,020	35,926	20,784	29,855	21,221	28,498	11,496
Value of shares traded (millions)	(Number)	**1,702.8**	**70.6**	1,920.1	164.5	1,540.6	58.2	1,266.7	64.3	1,029.6	28.3
Traded prices – last sale in year	(Cents/pence)	**135.0**	**7.1**	236.0	13.7	375.0	19.0	180.0	9.5	267	14.3
– high	(Cents/pence)	**285.0**	**15.8**	469.0	24.3	400.0	19.0	278.0	15.5	294	16.8
– low	(Cents/pence)	**105.0**	**6.6**	224.0	13.8	122.0	6.3	180.0	9.5	186	11.8
– average price per share traded	(Cents/pence)	**197.0**	**11.2**	308.3	17.8	224.6	12.4	222.3	12.2	236.0	14.2

[1] *Current assets at 30 June 2016 excluded non-current assets held for sale of R1.3 million (GBP0.1 million).*

[2] *Current ratio (current assets to current liabilities).*

[3] *Price earnings (dividend per share to average price per share traded).*

OPERATIONAL AND PERFORMANCE REVIEW



BARBERTON MINES

SALIENT FEATURES

- Produced at an all-in sustaining cost of R464,690/kg (2017: R411,762/kg)
- Proud to report a zero-fatality year and an excellent safety record
- Developed a second high-grade platform at the Fairview Mine's 11-block Main Reef Complex (MRC) orebody to assist with consistent monthly grades and tonnage profiles
- The life-of-mine of Fairview's 11-block is 20 years with indications that the orebody extends even further at depth
- In May 2018, completed the decline development between Fairview 64 Level and 66 Level, which reduced hauling distances and shortened the travel time for miners to the working faces
- In July 2017, commissioned a refrigeration plant to cool the working environment in Fairview Mine's high-grade down-dip extension. This plant pumps 62m^2/s of refrigerated air to Fairview Mine's lowest sections and significantly enhances working conditions for the miners
- In April 2018, commissioned the BTRP regrind mill, enabling the BTRP to deliver into its 11 year life-of-mine and maintain its status as a long-life low-cost producer.

THE BARBERTON GREENSTONE BELT IS ONE OF SOUTH AFRICA'S ORIGINAL MAJOR GOLD DISCOVERIES AND IS STILL BEING MINED AT EXCELLENT GRADES AFTER MORE THAN 130 YEARS OF GOLD EXTRACTION.

Jan Thirion
General manager

OVERVIEW

The Barberton Greenstone Belt is one of South Africa's original major gold discoveries and is still being mined at excellent grades after more than 130 years of gold extraction. These geological diverse operations require careful management and astute allocation of intellectual, financial and labour resources.

The Barberton Mines operation has various components, including three working underground mines, the BIOX® gold processing plant and the BTRP. Fairview Mine produces approximately 45% of the combined gold, Sheba Mine and New Consort Mine produce 25% and 10%, respectively, and the BTRP contributes 19% of Barberton Mines' gold production.

Barberton Mines' underground mining operations utilise semi-mechanised cut and fill through up-dip or breast mining. Approximately 15% of gold production is recovered annually by sweeping and vamping worked-out areas and high-grade pillars.

As Barberton Mines is relatively distant from major urban centres and resources, the operation has become adept at developing its own engineering solutions for maintenance and equipment customisation. This in-house problem-solving capacity is instrumental in enabling continued efficient operations at Barberton Mines.

SALES AND PRODUCTION

Underground mining

Underground tonnes milled reduced to 237,831t (2017: 246,915t), while the head grade increased to 10.3g/t (2017: 9.8g/t). As a result of the increased head grade, gold sales increased to 73,125oz (2017: 71,763oz).

Underground mining rand cash cost per kilogram increased by 4.6% to R435,368/kg (2017: R416,356/kg), while underground mining US dollar cash costs per ounce increased by 10.5% to USD1,053/oz (2017: USD953/oz).

A second high-grade mining platform was established in the MRC orebody during January 2018. This has dramatically improved mining flexibility.

Barberton Mines has increased its ongoing development rates in the 2019 financial year with the objective of establishing a third high-grade platform in the Fairview 11-block by the end of June 2019.

The Fairview sub-vertical shaft development is ongoing and excavation of the shaft will commence as soon as sufficient mining flexibility has been established to sustain production levels during the raise-boring phase of the project. The sub-vertical shaft will become the primary route for transporting miners and equipment to the working areas. This will enable the Fairview Mine's 3 Decline to be used exclusively for rock hoisting, thereby increasing the productivity of the Fairview mining operation.

BTRP

BTRP gold production reduced to 17,504oz (2017: 26,745oz) due to the re-mining operation moving to the lower-grade and coarser Harper dump, following depletion of the Bramber dump, and the head grade reducing from 2.3g/t to 1.4g/t. Tonnes processed increased to 858,967t (2017: 821,691t).

The increase in tonnes processed and decline in gold sold to the market from BTRP has resulted in a 73% increase in the BTRP's rand cash cost to R285,593/kg (2017: R165,088/kg). US dollar cash costs per ounce increased to USD691/oz (2017: USD378/oz).

BTRP regrind mill was completed on schedule in May 2018. This regrind mill was designed to reduce the coarseness of the tailings material and ensures that the BTRP remains one of South Africa's lowest-cost gold producers.

BARBERTON MINES HAVE INCREASED THEIR ONGOING DEVELOPMENT RATES IN THE 2019 FINANCIAL YEAR.

OPERATIONAL AND PERFORMANCE REVIEW continued

BARBERTON MINES continued

COST OF PRODUCTION

Barberton Mines' cost of production increased by 7.4% to R1,145.7 million (2017: R1,066.7 million). Major drivers of the increased costs are a 12.3% increase in engineering and technical costs due to unplanned repairs and maintenance, as well as a 14.2% increase in the BTRP processing costs, mainly related to increased reagent consumption associated with cyanide detoxification. Electricity costs increased by 9.1% due to the commissioning of the Fairview Mine's refrigeration plant.

CAPITAL EXPENDITURE

Total capital expenditure at Barberton Mines increased by 8.7% to R210.4 million (2017: R193.5 million). This total included sustaining capital expenditure of R111.0 million (2017: R16.5 million) and expansion capital expenditure of R99.4 million (2017: R77.0 million). The majority of expansion capital expenditure for the current year R69.1 million relates to the installation of the BTRP regrind mill.

CHALLENGES

Gold sold from Barberton Mines decreased by 8.0% to 90,629oz (2017:98,508oz) due to surface sources gold production declining to 17,504oz (2017: 26,745oz) per annum.

Gold production was adversely impacted by operational disruptions from pressure groups, community unrest and unprotected strike action at the mine, which resulted in 58 lost production days. Barberton Mines have significantly increased their community engagement efforts during the current reporting period and operational disruptions have decreased as a result of these efforts.

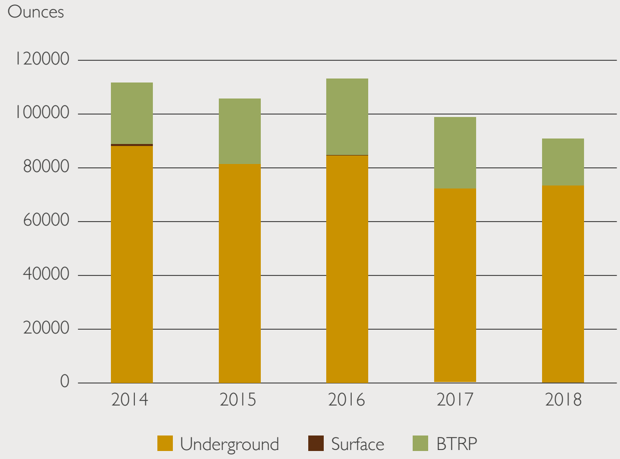
LOOKING AHEAD

Mining and BTRP production targets are planned to maintain a constant monthly grade/tonnage profile and gold production. Over the years, Barberton Mines have established a consistent track record of delivery based on strict cost controls and cash flow generation.

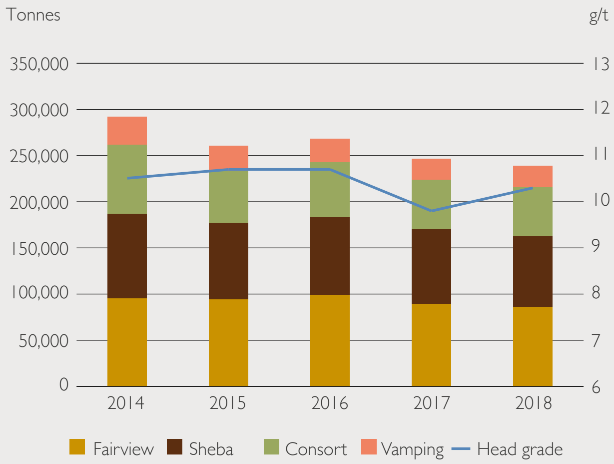
Increased development rates to establish an additional platform in Fairview's 11-block and commissioning the Fairview Mine's sub-vertical shaft is essential to further improve mining flexibility, and increase productive time at working faces and hoisting capacity. The BTRP regrind mill commissioned during May 2018 also enables the BTRP to sustain its tailings production profile from the Harper TSF.

A dynamic exploration drilling programme is underway at Fairview Mine to increase minable areas. Various other possible near-surface mining prospects within the Barberton Mines mining right have been identified subsequent to the positive results of the concept study on Royal Sheba Mine. Further exploration within the Barberton Mines' mining right is planned for the next financial year.

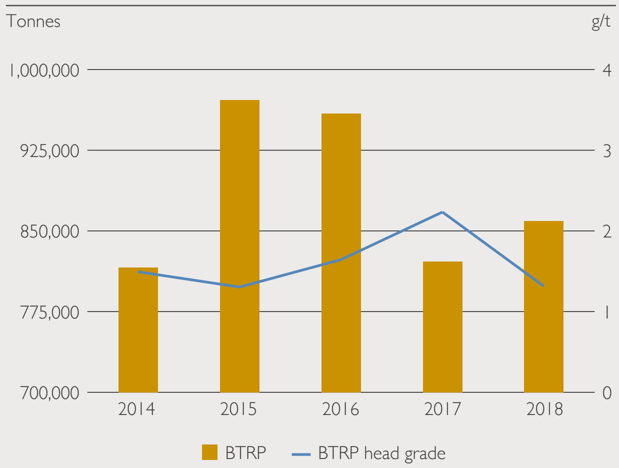
GOLD SOLD



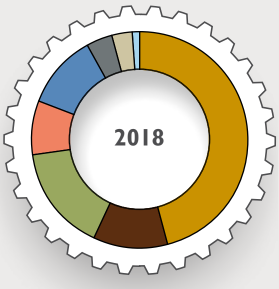
PRODUCTION STATISTICS – MINING AND SURFACE



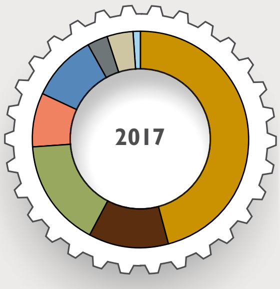
PRODUCTION STATISTICS – BTRP



CASH COST BREAKDOWN (INCLUDING BTRP) – OPERATING COSTS

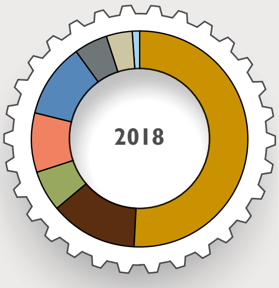


- **46%** Salaries and wages
- **11%** Mining costs
- **16%** Processing costs
- **8%** Engineering and technical services costs
- **11%** Electricity costs
- **4%** Security costs
- **3%** Administration and other costs
- **1%** Off-mine costs

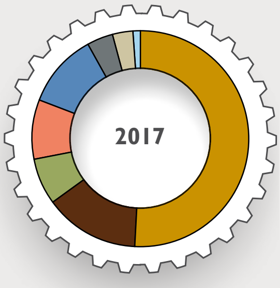


- **46%** Salaries and wages
- **12%** Mining costs
- **16%** Processing costs
- **8%** Engineering and technical services costs
- **10%** Electricity costs
- **3%** Security costs
- **4%** Administration and other costs
- **1%** Off-mine costs

CASH COST BREAKDOWN (EXCLUDING BTRP) – UNDERGROUND OPERATING COSTS



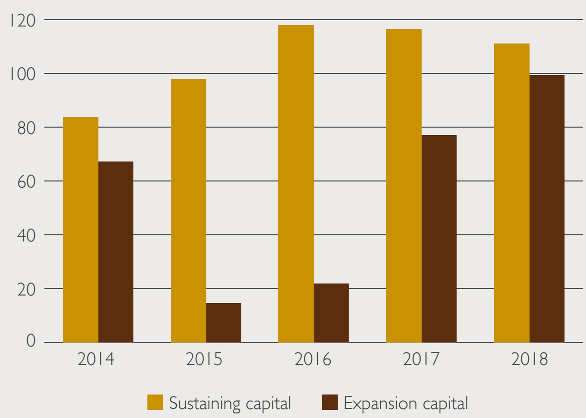
- **51%** Salaries and wages
- **13%** Mining costs
- **6%** Processing costs
- **9%** Engineering and technical services costs
- **11%** Electricity costs
- **5%** Security costs
- **4%** Administration and other costs
- **1%** Off-mine costs



- **51%** Salaries and wages
- **14%** Mining costs
- **7%** Processing costs
- **9%** Engineering and technical services costs
- **11%** Electricity costs
- **4%** Security costs
- **3%** Administration and other costs
- **1%** Off-mine costs

CAPITAL EXPENDITURE

R million



OPERATIONAL AND PERFORMANCE REVIEW continued

EVANDER MINES

SALIENT FEATURES

- The Evander mining complex recorded another zero-fatality year
- Gold sold from surface tailings decreased to 21,250oz (2017: 29,473oz)
- Gold sold from underground mining increased to 48,565oz (2017: 45,304oz)
- The curtailment of large-scale underground mining operations at Evander Mines, and resultant retrenchment of 1,635 of our employees, was difficult and regrettable, however, our group had no viable alternative.

Evander Mines

- **Evander Mines** (discontinued operation effective 31 May 2018) — Underground mining was suspended in May 2018 due to uneconomic operational and infrastructure costs
- **ETRP** — Extracting gold from the historical CIL plant tailings that were stored in three tailings storage facilities in the vicinity
- **Elikhulu** — This considerably larger tailings plant will combine with the current ETRP to process higher tonnages per annum

EVANDER MINES' UNDERGROUND OPERATIONS EXPLOITED THE KIMBERLEY REEF TYPICAL OF THE AREA, USING CONVENTIONAL SCRAPER-MINING AND RAIL-BOUND EQUIPMENT.

Lazarus Motshwaiwa
General manager

OVERVIEW

Evander Mines' underground operations exploited the Kimberley Reef typical of the area, using conventional scraper-mining and rail-bound equipment with some trackless mechanised development. With 8 Shaft extending to a depth of 2.5km, travel time to the mining face was in excess of an hour via underground infrastructure comprising a lift, locomotive and two chairlifts. Run-of-mine ore and waste was transported from the rock face along a series of locomotive haulages, 11 conveyors and a vertical shaft to the bottom of 7 Shaft, from where it was hoisted to surface. The gold is extracted at the Kinross plant using a carbon-in-leach (CIL) process.

CESSATION OF EVANDER MINES' LARGE-SCALE UNDERGROUND OPERATIONS

Despite various interventions to increase Evander Mines' current underground operations production and reduce costs, the underground operations continued to be financially unsustainable. An internal and external review of the existing Evander Mines underground operations concluded that there was no realistic prospect of mining on a sustainable basis from this operation in the current weak ZAR gold price environment and also when other internal and external factors were considered. Besides the volatile ZAR gold price, the decision to cease mining was impacted by the persistent and material infrastructure failures, which adversely impacted the sustainability of underground mining. The outcome of the appraisal process was regrettably the cessation of large-scale underground operations at Evander Mines and the retrenchment of affected employees with effect from 31 May 2018. The decision to cease large-scale underground operations at 8 Shaft was difficult, given South Africa's socio-economic realities and the impact on the miners and their families. Retrenched employees were offered reskilling opportunities, which is continuing, and we have retrained and re-employed a number of these employees into Elikhulu. Environmental rehabilitation of the mine will provide further employment opportunities.

SALES AND PRODUCTION

Evander Mines' gold sold in the year under review decreased by 6.6% to 69,815oz (2017: 74,777oz) due to a reduction in surface feed stock tonnages available for treatment.

Underground mining

The head grade remained constant at 5.7g/t (2017: 5.7g/t), and gold sold from underground operations increased by 7.2% to 48,565oz (2017: 45,304oz). Underground tonnes milled increased by 4.3% to 272,124t (2017: 260,784t).

Underground mining rand cash cost per kilogram decreased by 5.2% to R695,246/kg (2017: R733,664/kg), while US dollar cash costs per ounce increased by 0.1% to USD1,682/oz (2017: USD1,679/oz).

ETRP

ETRP and associated surface production decreased by 27.9% to 21,250oz (2017: 29,473oz), predominantly due to a 30.1% reduction in surface feed stock tonnages available for treatment. The 2017 financial year also benefited from additional throughput capacity during the 55-day stoppage of underground mining.

The ETRP's rand cash cost per kilogram amounted to R305,108/kg (2017: R242,049/kg), equating to a US dollar cash cost per ounce of USD738/oz (2017: USD554/oz).

COST OF PRODUCTION

The total cost of production (including off-mine costs) decreased by 0.3% to R1,251.9 million (2017: R1,255.7 million). Primary cost drivers were:

- 7.4% decline in labour cost due to the reduction in the labour complement
- 24.8% decline in mining cost due to the cessation of mining
- 41.6% increase in engineering and technical cost due to the increased maintenance on shaft infrastructure.

OPERATIONAL AND PERFORMANCE REVIEW continued

EVANDER MINES continued

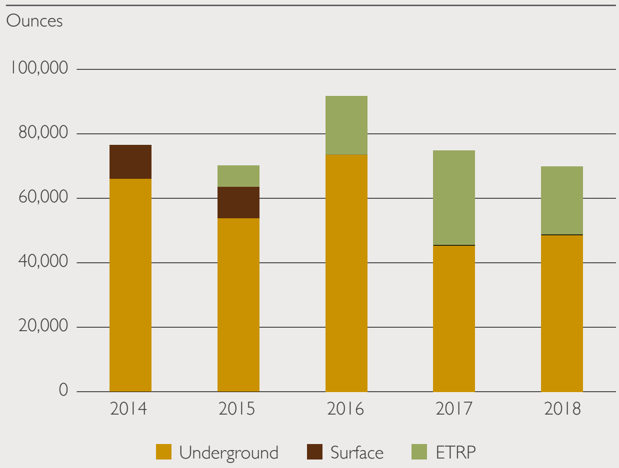
CAPITAL EXPENDITURE

In this reporting period, Pan African Resources invested capital of R1,437.6 million (2017: R397.7 million) into the Evander mining complex, of which maintenance capital expenditure was R127.8 million (2017: R118.6 million) and development capital expenditure cost was R53.7 million (2017: R103.6 million). The group had invested R1,256.1 million on the development of Elikhulu. For the current reporting period, with a total of 1,431.6 million invested at the end of 30 June 2018.

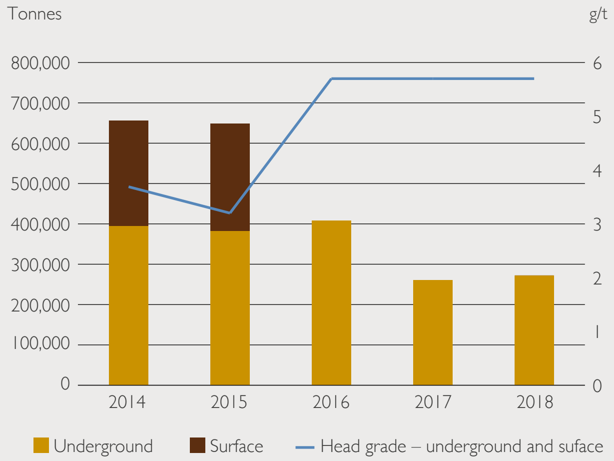
LOOKING AHEAD

- Continue with the consolidation of ETRP's throughput into Elikhulu's processing capacity and full ramp-up of production at Elikhulu
- Continue to process third-party surface sources through the Kinross plant
- Assess the merits of the Egoli Project as a future mining development
- Assess the viability of mining Evander Mines' 8 Shaft pillar.

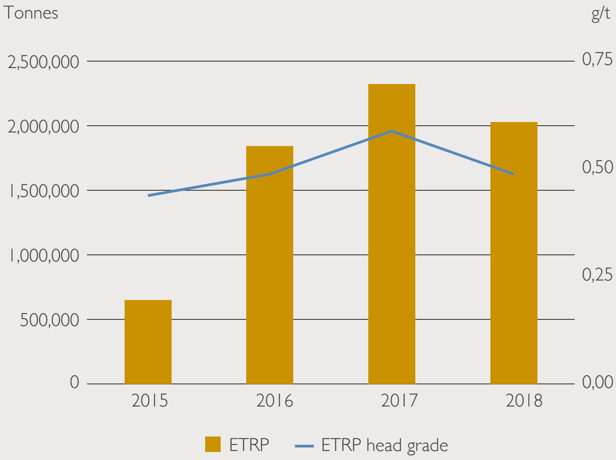
GOLD SOLD – UNDERGROUND AND SURFACE SOURCES



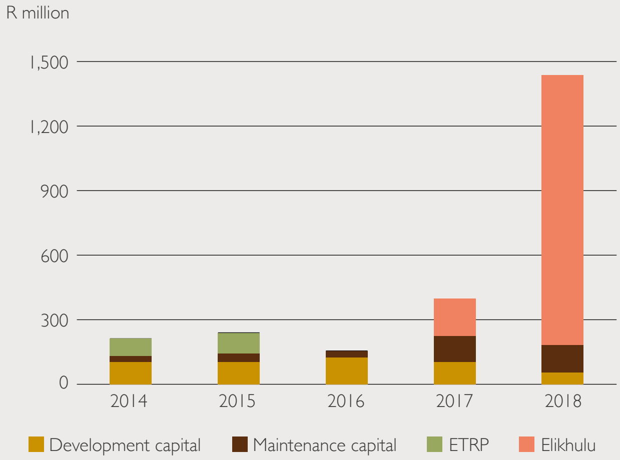
PRODUCTION STATISTICS – UNDERGROUND AND SURFACE



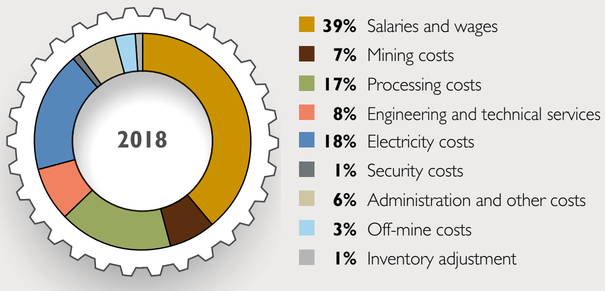
PRODUCTION STATISTICS – ETRP

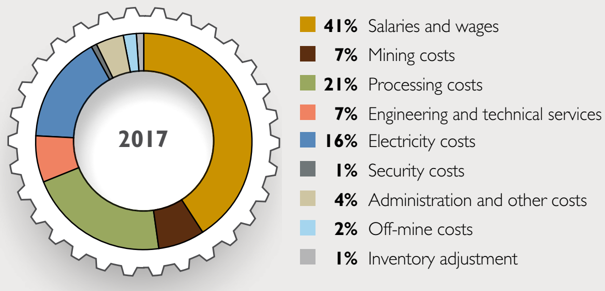


CAPITAL EXPENDITURE

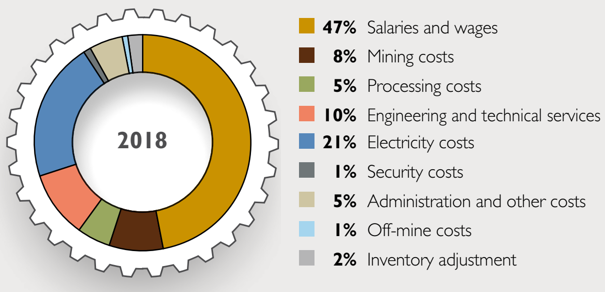


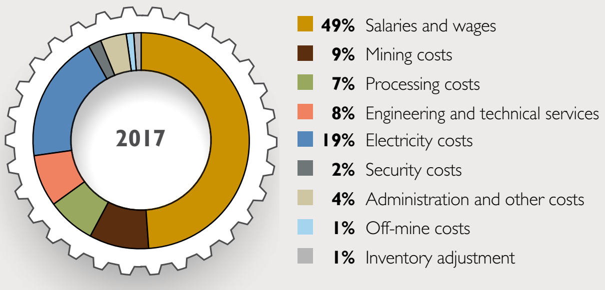
CASH COST BREAKDOWN (INCLUDING ETRP) – OPERATING COSTS





CASH COST BREAKDOWN (EXCLUDING ETRP) – UNDERGROUND OPERATING COSTS





OPERATIONAL AND PERFORMANCE REVIEW continued

ELIKHULU

SALIENT FEATURES

- Construction of the R1.74 billion Elikhulu tailings retreatment plant commenced in August 2017
- Elikhulu's inaugural gold pour occurred on 16 August 2018
- The plant is scheduled to be producing at steady state by October 2018
- Elikhulu has been awarded a 20-year water-use licence and environmental authorisation as per the National Environmental Management Act
- Elikhulu will produce approximately 70,000oz per annum once the ETRP is incorporated into the plant.

OVERVIEW

The enlarged Elikhulu plant is projected to produce more than 70,000oz of gold per annum. Cost of production is forecast at below USD650/oz at prevailing exchange rates. The plant is scheduled to be producing at steady state by October 2018.

SAFETY

Elikhulu construction recorded 291,153 working man hours, with an LTIFR of 4.38.

CAPITAL EXPENDITURE

Pan African Resources approved expenditure of R1.74 billion on Elikhulu, financed through a share capital raise and a dedicated term facility provided by a consortium of South African banks. The group has invested R1,431.6 million on the development of Elikhulu up to 30 June 2018.

COMMUNITY ENGAGEMENTS

The community steering committee, established by the project team to represent Evander Mines and all the relevant community stakeholders, continues to engage with the Evander community to address grievances and concerns. Community protests from time to time resulted in the loss of several construction days at Elikhulu.

Management and the project team managed to timeously defuse all issues with stakeholders to prevent material delays on the project's timeline. The team is also focused on maintaining regular communication with the community on the project's progress and how the community can continue to remain involved.

At the peak of construction, Elikhulu had 1,769 construction personnel on site and R162.0 million was spent on preferential procurement in favour of community contractors for services rendered to 30 June 2018. Elikhulu is expected to create approximately 350 fulltime jobs at steady-state production.

The Evander Mines Transformation Trust (EMTT) has collected R4.7 million from suppliers involved in the construction of Elikhulu and will begin engaging with the community to invest these proceeds in beneficial LED projects in the new financial year.

LOOKING AHEAD

Elikhulu had its inaugural gold pour on 16 August 2018 and it is planned to produce approximately 56,000oz per annum for the initial eight years, and 45,000oz per annum in the remaining years, at an average all-in sustaining cost of less than USD650/oz at the prevailing exchange rates. Elikhulu's processing capacity will increase to 1.2 million tonnes per month by incorporating the existing ETRP throughput into Elikhulu's processing capacity.

The Kinross tailings will be processed initially, followed by the Leslie/Bracken and Winkelhaak tailings, with the processed tailings consolidated into a single enlarged Kinross facility which reduces Evander Mines' environmental footprint.

With the cessation of Evander Mines' large-scale underground operations, the Elikhulu tailings project should generate low-cost and cash-flow-positive gold production from this operation.

THE GEOLOGY OF THE BARBERTON MAKHONJWA MOUNTAIN LAND

BARBERTON GREENSTONE BELT

The Barberton Makhonjwa Mountains represent the best-preserved succession of volcanic and sedimentary rock dating back 3.5 billion years to the earliest continent formations and primitive life conditions on earth. Scientists refer to this volcanic crust as the Barberton Greenstone Belt.

Greenstone belts are characterised by deformed volcanic and sedimentary strata, acquiring their name from the presence of green metamorphic minerals contained in the rock. The Barberton Greenstone Belt is known in particular for its gold mineralisation and komatiites, an unusual kind of ultramafic rock named after the Komati River that runs through the belt.

In 1967, one of earth's first life forms was discovered here. The bacterial microfossil, *Archaeosphaeroides barbertonensis,* is believed to be 3.1 billion years old. This area is the only place on earth where the early development of the earth's crust and evolution of life can be studied.

The Makhonjwa mountain range is also referred to as the 'Genesis of Life' for its remarkable geological phenomenae, stretching from Jeppe's Reef to Oshoek and from Shiyalongubo Dam to Queen's River.

Evidence of the first colossal meteor impact on record is shown in these magnificent mountains.

Barberton Mines are hosted within the rocks of the Barberton Supergroup.

The Barberton Supergroup comprises:

- **Onverwacht Group – ultramafic and mafic submarine volcanics**
- **Fig Tree Group – turbiditic grewacke sandstones and shales**
- **Moodies group – shallow-water clastics.**

Mountain altitudes range from 600 to 1,800 metres (2,000 to 5,900 feet) above sea level.

Gold was discovered in the region more than 120 years ago. These gold deposits are the oldest recognised gold ores on earth.

The Barberton Greenstone Belt covers an area of 120km by 60km, with 80% in Mpumalanga and the rest of the mountain land in Swaziland.

Despite scientists travelling from all around the world to regularly test and study this area, the tectonic evolution of the Barberton Greenstone Belt causes much debate in geological circles.

OPERATIONAL PRODUCTION

GOLD OPERATIONS

			Underground operations			Tailings operations				Total operations		
	Year ended 30 June	Units	Barberton Mines	Evander Mines	Total	BTRP	ETRP	Elikhulu	Tailings total	Barberton Mines total	Evander Mines total	Group total
Tonnes milled – underground	2018	(t)	237,831	272,124	509,955	–	–	–	–	237,831	272,124	509,955
	2017	(t)	246,915	260,784	507,699	–	–	–	–	246,915	260,784	507,699
Tonnes processed – tailings	2018	(t)	–	–	–	858,967	1,855,249	–	2,714,216	858,967	1,855,249	2,714,216
	2017	(t)	–	–	–	821,691	1,854,113	–	2,675,804	821,691	1,854,113	2,675,804
Tonnes processed – surface feedstock	2018	(t)	–	–	–	–	327,109	–	327,109	–	327,109	327,109
	2017	(t)	–	–	–	–	467,610	–	467,610	–	467,610	467,610
Tonnes processed – total tailings and surface feedstock	2018	(t)	–	–	–	858,967	2,182,358	–	3,041,325	858,967	2,182,358	3,041,325
	2017	(t)	–	–	–	821,691	2,321,723	–	3,143,414	821,691	2,321,723	3,143,414
Tonnes milled and processed – total	2018	(t)	237,831	272,124	509,955	858,967	2,182,358	–	3,041,325	1,096,798	2,454,482	3,551,280
	2017	(t)	246,915	260,784	507,699	821,691	2,321,723	–	3,143,414	1,068,606	2,582,507	3,651,113
Head grade – underground	2018	(g/t)	10.3	5.7	7.8	–	–	–	–	10.3	5.7	7.8
	2017	(g/t)	9.8	5.7	7.7	–	–	–	–	9.8	5.7	7.7
Head grade – total underground and surface	2018	(g/t)	10.3	5.7	7.8	–	–	–	–	10.3	5.7	7.8
	2017	(g/t)	9.8	5.7	7.7	–	–	–	–	9.8	5.7	7.7
Head grade – tailings	2018	(g/t)	–	–	–	1.4	0.3	–	0.6	1.4	0.3	0.6
	2017	(g/t)	–	–	–	2.3	0.3	–	0.9	2.3	0.3	0.9
Head grade – surface feedstock	2018	(g/t)	–	–	–	–	1.7	–	1.7	–	1.7	1.7
	2017	(g/t)	–	–	–	–	1.9	–	1.9	–	1.9	1.9
Head grade – total tailings and surface feedstock	2018	(g/t)	–	–	–	1.4	0.5	–	0.8	1.4	0.5	0.8
	2017	(g/t)	–	–	–	2.3	0.6	–	1.1	2.3	0.6	1.1
Head grade – total	2018	(g/t)	10.3	5.7	7.8	1.4	0.5	–	0.8	3.3	1.1	1.8
	2017	(g/t)	9.8	5.7	7.7	2.3	0.6	–	1.1	4.0	1.2	2.0
Recovered grade	2018	(g/t)	9.6	5.6	7.4	0.6	0.3	–	0.4	2.6	0.9	1.4
	2017	(g/t)	9.0	5.4	7.2	1.0	0.4	–	0.6	2.9	0.9	1.5
Overall recovery – underground operations	2018	(%)	93	98	95	–	–	–	–	93	98	95
	2017	(%)	92	94	93	–	–	–	–	92	94	93
Overall recovery – tailings operations	2018	(%)	–	–	–	46	39	–	44	46	39	44
	2017	(%)	–	–	–	44	41	–	44	44	41	44
Gold production – underground operations	2018	(oz)	73,125	48,565	121,690	–	–	–	–	73,125	48,565	121,690
	2017	(oz)	71,763	45,304	117,067	–	–	–	–	71,763	45,304	117,067
Gold production – tailings operations	2018	(oz)	–	–	–	17,504	7,128	–	24,632	17,504	7,128	24,632
	2017	(oz)	–	–	–	26,745	8,113	–	34,858	26,745	8,113	34,858
Gold production – surface feedstock	2018	(oz)	–	–	–	–	14,122		14,122	–	14,122	14,122
	2017	(oz)	–	–	–	–	21,360	–	21,360	–	21,360	21,360
Gold sold	2018	(oz)	73,125	48,565	121,690	17,504	21,250	–	38,754	90,629	69,815	160,444
	2017	(oz)	71,763	45,304	117,067	26,745	29,473	–	56,218	98,508	74,777	173,285
Average ZAR gold price received	2018	(ZAR/kg)	534,288	537,161	535,434	535,055	555,870	–	546,469	534,436	542,856	538,100
	2017	(ZAR/kg)	550,028	544,433	544,495	542,761	522,418	–	532,096	548,055	535,815	542,773
Average USD gold price received	2018	(USD/oz)	1,292	1,299	1,295	1,294	1,344	–	1,322	1,293	1,299	1,301
	2017	(USD/oz)	1,259	1,226	1,246	1,242	1,227	–	1,218	1,254	1,226	1,242

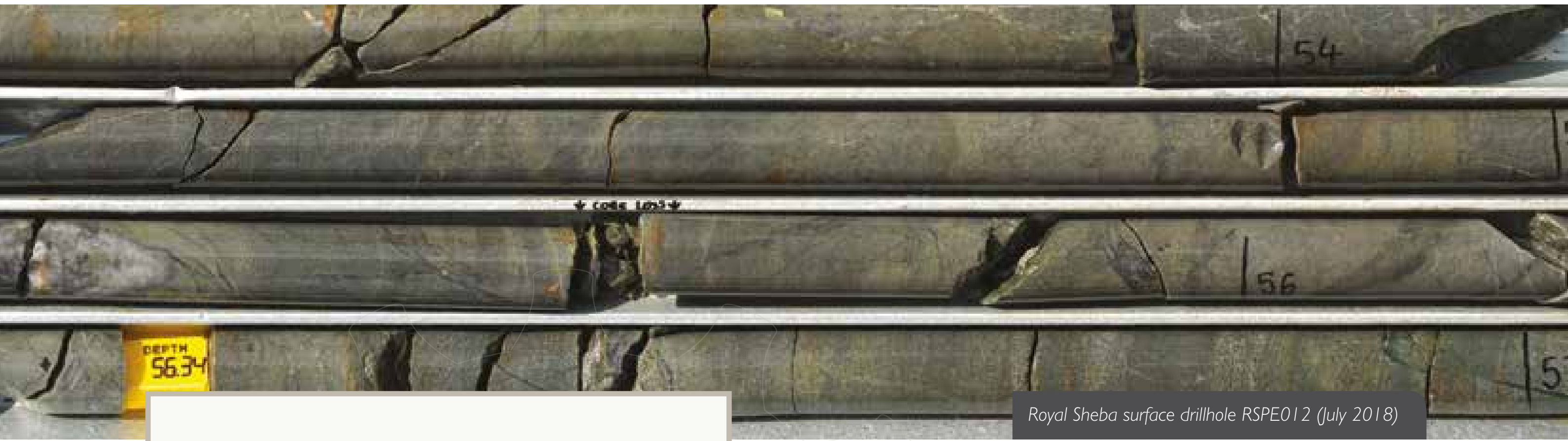
			Underground operations			Tailings operations				Total operations		
	Year ended 30 June	Units	Barberton Mines	Evander Mines	Total	BTRP	ETRP	Elikhulu	Tailings total	Barberton Mines total	Evander Mines total	Group total
ZAR cash cost	**2018**	**(ZAR/kg)**	**435,368**	**695,246**	**539,082**	**285,593**	**305,108**	**–**	**296,294**	**406,441**	**576,497**	**480,439**
	2017	(ZAR/kg)	416,356	733,664	539,148	165,088	242,049	–	205,439	348,127	539,850	430,863
ZAR all-in sustaining costs	**2018**	**(ZAR/kg)**	**507,130**	**853,797**	**645,481**	**287,390**	**306,120**	**–**	**297,661**	**464,690**	**687,098**	**561,468**
	2017	(ZAR/kg)	501,330	914,841	661,351	171,480	242,260	–	208,590	411,762	649,683	514,435
ZAR all-in cost[1]	**2018**	**(ZAR/kg)**	**513,553**	**963,882**	**693,274**	**443,188**	**306,120**	**–**	**368,029**	**499,963**	**763,675**	**614,713**
	2017	(ZAR/kg)	526,053	959,976	693,974	198,830	242,260	–	221,600	437,199	677,024	540,693
USD cash cost	**2018**	**(USD/oz)**	**1,053**	**1,682**	**1,304**	**691**	**738**	**–**	**717**	**983**	**1,394**	**1,162**
	2017	(USD/oz)	953	1,679	1,234	378	554	–	470	797	1,236	986
USD all-in sustaining cost	**2018**	**(USD/oz)**	**1,227**	**2,065**	**1,561**	**695**	**740**	**–**	**720**	**1,124**	**1,662**	**1,358**
	2017	(USD/oz)	1,147	2,094	1,514	392	554	–	477	942	1,487	1,177
USD all-in cost[1]	**2018**	**(USD/oz)**	**1,242**	**2,331**	**1,677**	**1,072**	**740**	**–**	**890**	**1,209**	**1,847**	**1,487**
	2017	(USD/oz)	1,204	2,197	1,588	455	554	–	507	1,001	1,549	1,237
ZAR cash cost per tonne[2]	**2018**	**(ZAR/t)**	**4,163**	**3,859**	**4,001**	**181**	**92**	**–**	**117**	**1,045**	**510**	**675**
	2017	(ZAR/t)	3,764	3,964	3,866	167	96	–	114	998	486	636
Capital expenditure	**2018**	**(R million)**	**125.0**	**181.5**	**306.5**	**85.4**	**–**	**1,256.1**	**1,341.5**	**210.4**	**1,437.6**	**1,648.0**
	2017	(R million)	167.1	222.2	389.3	26.4	–	175.5	201.9	193.5	397.7	591.2
Revenue	**2018**	**(R million)**	**1,215.2**	**811.4**	**2,026.6**	**291.3**	**367.4**	**–**	**658.7**	**1,506.5**	**1,178.8**	**2,685.3**
	2017	(R million)	1,227.7	767.2	1,994.9	451.5	478.9	–	930.4	1,679.2	1,246.1	2,925.3
Cost of production	**2018**	**(R million)**	**990.2**	**1,050.2**	**2,040.4**	**155.5**	**201.7**	**–**	**357.2**	**1,145.7**	**1,251.9**	**2,397.6**
	2017	(R million)	929.3	1,033.7	1,963.0	137.4	222.0	–	359.4	1,066.7	1,255.7	2,322.4
All-in sustainable cost of production	**2018**	**(R million)**	**1,153.4**	**1,289.7**	**2,443.1**	**156.5**	**202.3**	**–**	**358.8**	**1,309.9**	**1,492.0**	**2,801.9**
	2017	(R million)	1,119.0	1,289.0	2,408.0	142.7	222.2	–	364.9	1,261.7	1,511.2	2,772.9
All-in cost of production	**2018**	**(R million)**	**1,168.0**	**1,456.0**	**2,624.0**	**241.3**	**202.3**	**–**	**443.6**	**1,409.3**	**1,658.3**	**3,067.6**
	2017	(R million)	1,174.2	1,352.6	2,526.8	165.4	222.2	–	387.6	1,339.6	1,574.8	2,914.4
Adjusted EBITDA[3]	**2018**	**(R million)**	**247.0**	**(270.0)**	**(23.0)**	**94.6**	**150.6**	**–**	**245.2**	**341.6**	**(119.4)**	**222.2**
	2017	(R million)	408.6	(334.0)	74.6	267.6	276.4	–	544.0	676.2	(57.6)	618.6
Average exchange rate	**2018**	**ZAR/USD)**	**12.86**	**12.86**	**12.86**	**12.86**	**12.86**	**12.86**	**12.86**	**12.86**	**12.86**	**12.86**
	2017	(ZAR/USD)	13.59	13.59	13.59	13.59	13.59	13.59	13.59	13.6	13.59	13.59

[1] *Excludes Elikhulu capital expenditure.*

[2] *Split between ETRP and surface feedstock cost per tonne is R41.21/t and R382.77/t respectively, averaging at R92.40/t.*

[3] *Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments, discontinued operations and profit/(loss) on disposal of investments.*

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT



Royal Sheba surface drillhole RSPE012 (July 2018)

SCOPE OF REPORT

This abridged version of the Pan African Resources MR&MR conforms to the standards determined by the SAMREC Code and forms part of Pan African Resources' integrated annual report, including the annual financial statements for the year ended 30 June 2018. The MR&MR should be read in conjunction with the unabridged Mineral Resource and Mineral Reserves report available on our website at http://www.panafricanresources.com/mineral-resource-mineral-reserve/.

The Mineral Resource component is inclusive of Mineral Reserves, unless otherwise stated. Information in this report is presented by operation, mine or project. The tables and graphs utilised to illustrate developments across the operations of Pan African Resources include:

- Mineral Resource tables
- Mineral Reserve modifying factors
- Mineral Reserve tables
- an annual comparison of the Mineral Resource and Mineral Reserve estimates
- development sampling results and Mineral Reserve projects
- appointed competent persons.

MATTERS DISCUSSED IN DETAIL IN THIS ABRIDGED VERSION INCLUDE REGIONAL GEOLOGY, LOCATION, EXPLORATION DRILLING AND ORGANIC MINERAL RESERVE PROJECTS.

Rounding of numbers in this report may result in minor computational discrepancies.

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 (2016 edition), which sets out internationally recognised procedures and standards for the reporting of 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, Oil and Gas Companies of the LSE.

PAN AFRICAN RESOURCES' REPORTING IN COMPLIANCE WITH THE SAMREC CODE

To meet the requirement of the 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 orebody. In determining the Mineral Resource cut-off grade, Pan African Resources uses a gold price of R600,000/kg. At our underground mines, the optimal cut-off is defined as the lowest grade at which an orebody can be mined, such that the total profits, under a specified set of mining parameters, are maximised. The Mineral Resources optimiser tool that was accordingly developed in-house was applied to the Mineral Resource inventory and evaluates each block of the orebody based on its financial viability.

The optimiser programme requires the following inputs to convert Mineral Resources to Mineral Reserves and optimise the economic cut-off grade:

- the database inventory of all Mineral Resource blocks
- an assumed gold price – R525,000/kg
- planned production rates for each mine
- mine call factor (MCF)
- plant recovery factors
- planned cash operating costs.

The Mineral Reserve represents that portion of the Measured and Indicated Mineral Resource above an economic cut-off in the life-of-mine plan and has been estimated after considering all 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 design and engineering, rock engineering, metallurgy, financial management, human resources management and environmental management.

PAN AFRICAN RESOURCES USES THE INTERNATIONALLY RECOGNISED PROCEDURES AND STANDARDS OF THE SAMREC CODE.

Hendrik Pretorius
Group project geologist

The competent person for Pan African Resources, Hendrik Pretorius, the group project geologist, signs off the MR&MR for the group. He is a member of the South African Council for Scientific Professions (400051/11), as well as a member in good standing of the Geological Society of South Africa. Hendrik has 15 years of experience in economic geology and mineral resource management (MRM). He holds a BSc (Hons) degree in Geology from the University of Johannesburg as well as a Graduate Diploma in Engineering from the University of the Witwatersrand. He is based at The Firs Office Building, 2nd Floor, Office 204, corner Cradock and Biermann Avenues, Rosebank, Johannesburg, South Africa.

Hendrik is supported by key personnel and task experts for each discipline. Key personnel and their relevant experience are listed in the table below:

Name	Designation	Operation	Professional registration and affiliations	Relevant experience
Bert van den Berg	Group mining engineer	Group	Mine Managers Association of South Africa, The South African Institute of Mining and Metallurgy	>15 years
Barry Naicker	Group mineral resource and reserve manager	Group	SACNASP (400234/10)	>17 years
Roelf le Roux	Mineral resource manager	Barberton Mines	Not registered	>30 years
Ronnie Fraser	Chief surveyor	Barberton Mines	Institute of Mine Surveyors South Africa	>45 years
Walter Seymore	Ore reserve manager	Evander Mines	Not registered	>20 years
Thomas Obiri-Yeboah	Consulting senior mining engineer	DRA Global	ECSA (20100340)	>26 years

Mineral Resources and Mineral Reserves risks include:

Low Medium High

Type of risk	Risk	Mitigating action	Level of risk
Financial	Volatile commodity and currency prices	• A conservative ZAR gold price was utilised to calculate the modifying factors in comparison to the current prevailing ZAR gold prices	
	Cost inflation	• Successfully concluded a three-year wage deal at Barberton Mines • Cessation of the Evander Mines' underground operations will result in a reduction in the group's all-in sustaining cost per kilogram, while the low-cost and low-risk tailings operations such as the BTRP, ETRP and Elikhulu will further assist the group in reducing the all-in sustaining cost per kilogram	
Legal	Mining right legal tenure	• Barberton Mines have submitted their mining right renewal applications on 23 August 2018. The mining right renewal application is for a period of 30 years	

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

Low Medium High

Type of risk	Risk	Mitigating action	Level of risk
Operational	Modifying factors	• Modifying factors as defined in the Mineral Reserve Conversion are based on actual modifying factors over the preceding three years • The group's mining operations have consistently exploited the same orebodies with the same infrastructure over the past three years	
	Limited mining flexibility within the Fairview MRC orebody	• Development of two high-grade mining platforms in the MRC orebody to improve mining flexibility. This development was completed during January 2018 • Barberton Mines has increased its ongoing development rates in the 2019 financial year with the objective of establishing a third high-grade platform in the Fairview 11-block by the end of June 2019 • The Fairview sub-vertical shaft project will improve ore handling efficiencies and significantly reduce the time taken by employees to access high-grade mining platforms. The sub-vertical shaft project is estimated to improve production by approximately 7,000oz to 10,000oz per annum	

GOLD

The relationship between Mineral Resources and Mineral Reserves presenting Pan African Resources' attributable gold resources and reserves as at 30 June 2018 is tabled below:

Mineral inventory

RESOURCES	
Total	33.3Moz Au
Inferred	10.2Moz Au
Indicated	20.1Moz Au
Measured	10.2Moz Au

RESERVES	
Total	11.2Moz Au
Probable	0.9Moz Au
Proved	10.2Moz Au

The company divested of its PGE business during 2017. The sale of Phoenix Platinum was finalised on 7 November 2017, therefore no PGE resources and reserves were reported in the current year.

During the reporting period, Pan African Resources' Mineral Reserve remained consistent at 11.2Moz. This realisation is post the depletion of 0.16Moz as mined in 2017/2018 and Evander Mines' 8 Shaft underground Mineral Reserve exclusion of 1.09Moz.

Relative to the mined ounces and the exclusion of Mineral Reserves from Evander's 8 Shaft, the group demonstrated its capacity for replacing mined ounces. Apart from replacing mined ounces, Pan African Resources is also actively developing sustainable projects, namely Royal Sheba and Egoli, which are all presently at advanced project status. The Elikhulu plant was commissioned after year-end, in September 2018, with its inaugural gold pour having occurred on 16 August 2018.

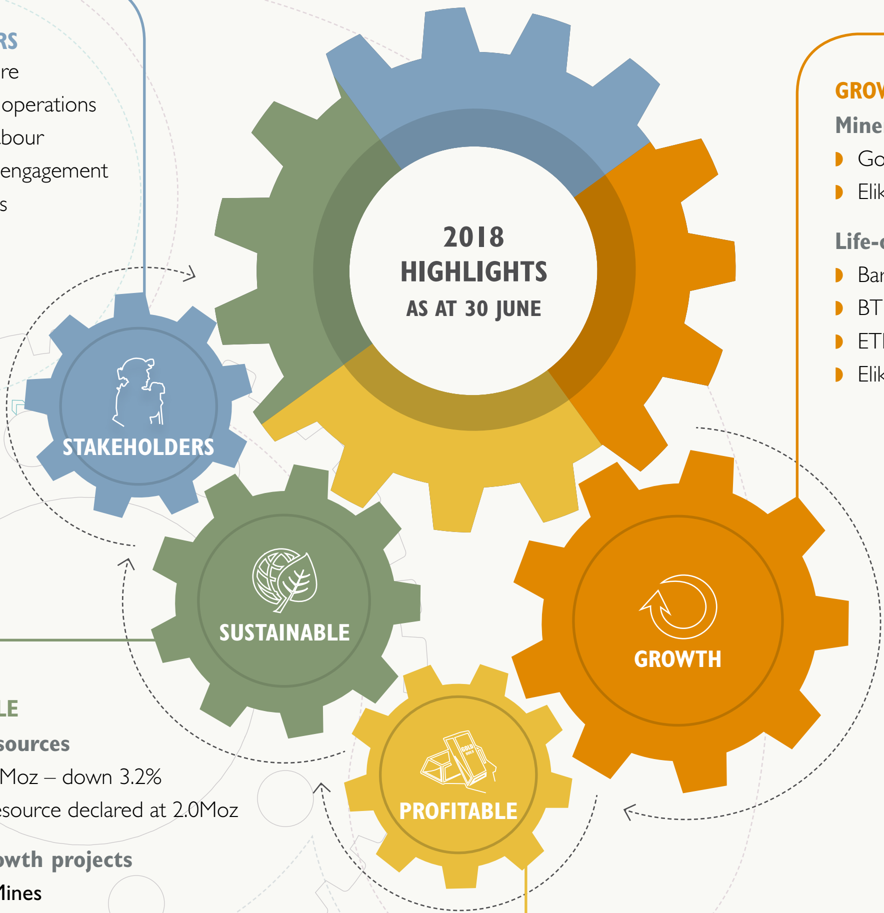
In order to better align Barberton Mines' life-of-mine to the term of its mining rights we submitted to the South African Department of Mineral Resources, on 23 August 2018, a renewal application to extend the operation's mining rights for a further 30 years to August 2048.

HIGHLIGHTS

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

STAKEHOLDERS

- Mineral tenure
- Longevity in operations
- Organised labour
- Stakeholder engagement
- Communities



GROWTH

Mineral Reserves

- Gold consistent – 11.2Moz
- Elikhulu 2.0Moz

Life-of-mine

- Barberton Mines – 20 years
- BTRP – 11 years
- ETRP – 13 years
- Elikhulu – 13 years

SUSTAINABLE

Mineral Resources

- Gold 33.3Moz – down 3.2%
- Elikhulu resource declared at 2.0Moz

Organic growth projects

Barberton Mines

- Fairview sub-vertical shaft project – MRC orebody
- Royal Sheba orebody

Evander Mines

- Egoli Project
- Elikhulu soil resource

Brownfield projects

Barberton Mines

- New Consort near surface
- Sheba ZK orebody extension
- Sheba Hills
- Ulundi Syncline

Evander Mines

- Rolspruit
- Poplar
- Evander South

PROFITABLE

High-grade/low-cost producer

- Barberton Mines – 10.3g/t
- BTRP – 1.4g/t
- ETRP – 0.3g/t
- Elikhulu – 0.3g/t

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

OUR STRATEGY

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 and cash flows in a margin-accretive manner, and by capturing the full precious metals mining value chain by focusing on:

- low-cost base
- growth in Mineral Reserve base and profitable production
- positive impact on earnings in a sustainable manner
- maximising recovered grade and production tonnes
- high margins.

We encourage an entrepreneurial culture that fosters consistent value accretion for stakeholders by first identifying and then executing into opportunities within our business and operations. This culture further contributes to sourcing new investments, organically or acquisitively, thereby bolstering our portfolio of mining assets.

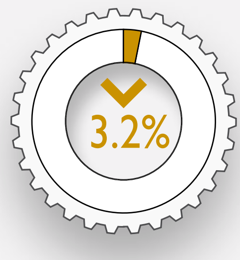
The group's position on Mineral Resources and Mineral Reserves, which underpins the enterprise value of Pan African Resources, is presented below.

GOLD

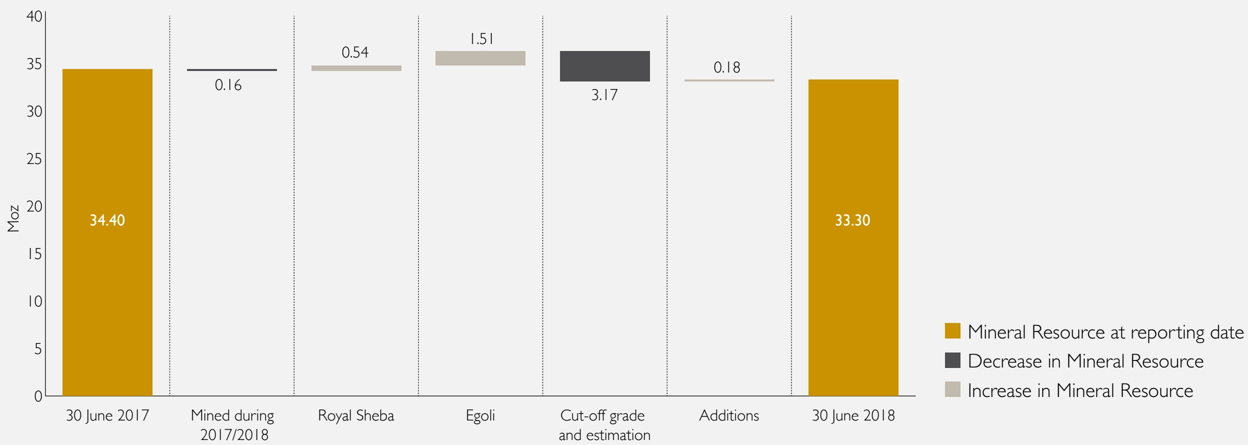
GROUP MINERAL RESOURCES

The total Mineral Resources for the group decreased from 34.4Moz in June 2017 to 33.3Moz in June 2018 – a gross annual decline of 1.1Moz, or 3.2%.

			Contained gold		
As at 30 June 2018	Category	Mt	Grade g/t	Tonnes gold	Moz
Mineral Resources	Measured	55.5	1.65	91.8	2.95
	Indicated	219.0	2.86	625.5	20.10
	Inferred	56.6	5.62	318.2	10.24
Total		331.2	3.13	1,035.5	33.30



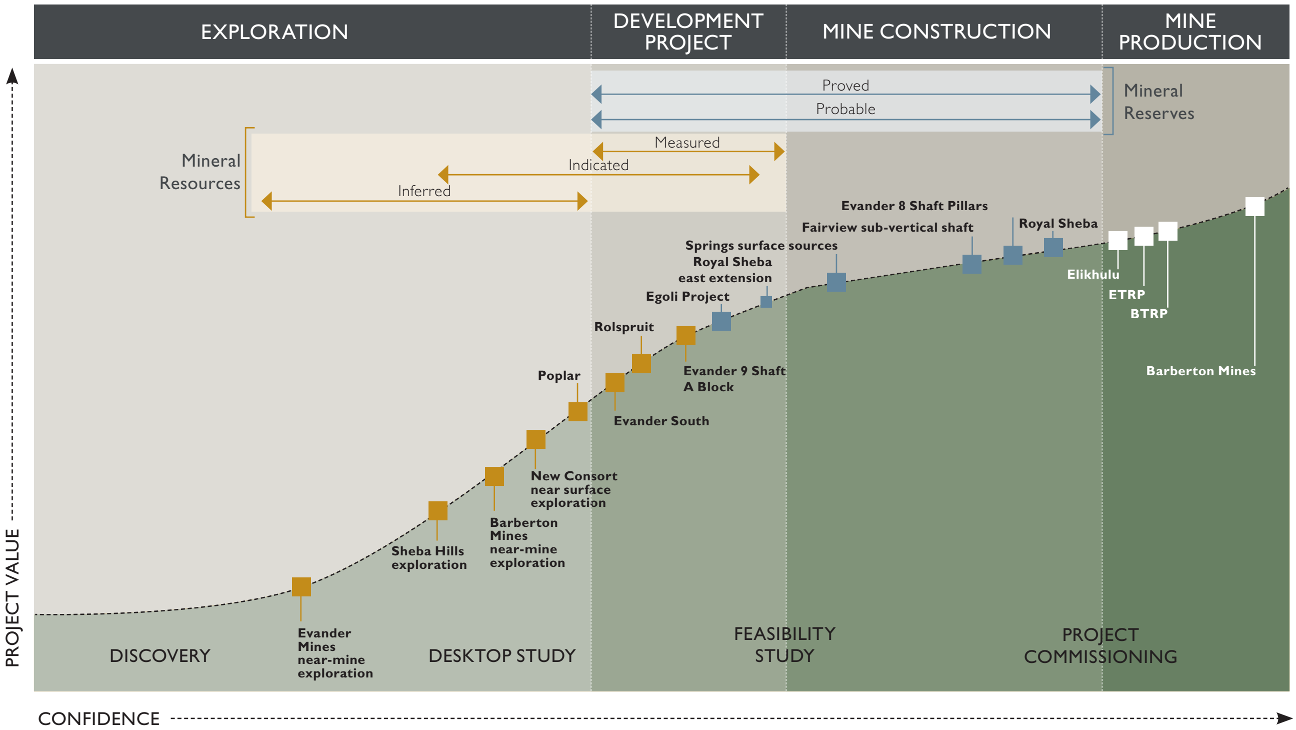
Resource reconciliation – Gold ounce



VALUE CREATION

The group strategy is based on global best practice in MRM to dynamically explore and develop projects that will become the next generation's long-term businesses.

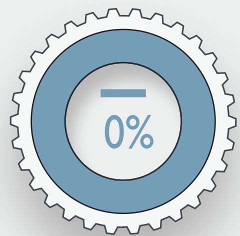
The evolution of a project from initial sample testing to commissioning involves a series of study stages commencing with exploratory work and terminating with feasibility studies, in order to obtain investment approval followed by project implementation. The graph below demonstrates the group's mineral assets within the value chain and how value is created through projects such as the BTRP, ETRP, Elikhulu and now Royal Sheba.



GROUP MINERAL RESERVES

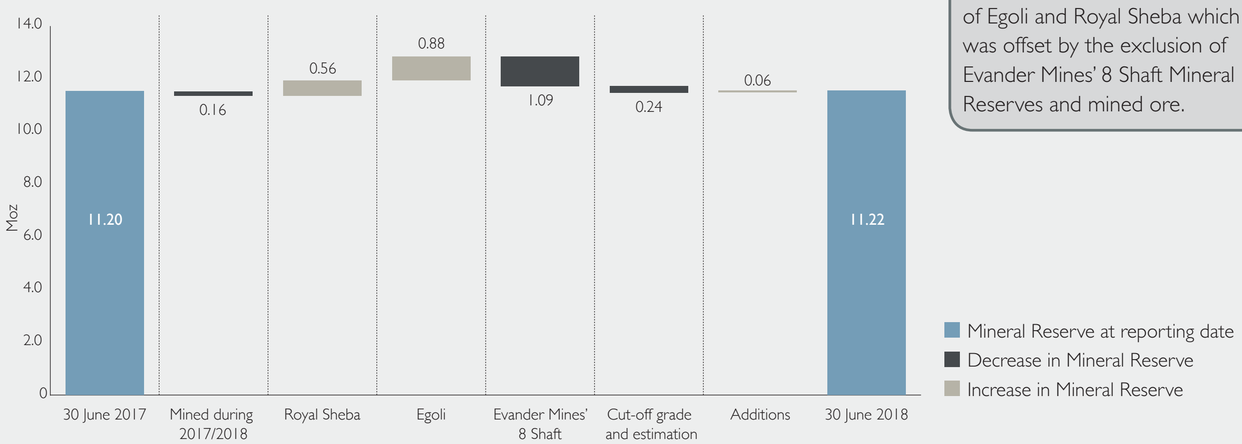
Pan African Resources' Mineral Reserves remained constant at 11.2Moz over the reporting period.

As at 30 June 2018	Category	Mt	Contained gold Grade g/t	Contained gold Tonnes gold	Contained gold Moz
Mineral Reserves	Proved	48.4	0.63	30.5	0.98
	Probable	190.7	1.67	317.9	10.23
Total		239.1	1.46	348.4	11.22



Mineral Reserves remained constant due to the conversion of Egoli and Royal Sheba which was offset by the exclusion of Evander Mines' 8 Shaft Mineral Reserves and mined ore.

Reserve reconciliation – Gold ounce



ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

MINING VALUE CHAIN

GROUP MINERAL RESOURCE TABULATION

At 30 June 2018

	Mt	g/t	Moz
Measured	55.5	1.65	2.95
Indicated	219.0	2.86	20.10
Inferred	56.6	5.62	10.24
Total	331.2	3.13	33.30

GROUP MINERAL RESERVE TABULATION

At 30 June 2018

	Mt	g/t	Moz
Proved	48.4	0.63	0.98
Probable	190.1	1.67	10.23
Total	239.1	1.46	11.22

METRES DRILLED

- Barberton Mines 11,651 metres @ R8.9 million
- Evander Mines 1,832 metres @ R2.0 million

METRES DEVELOPED

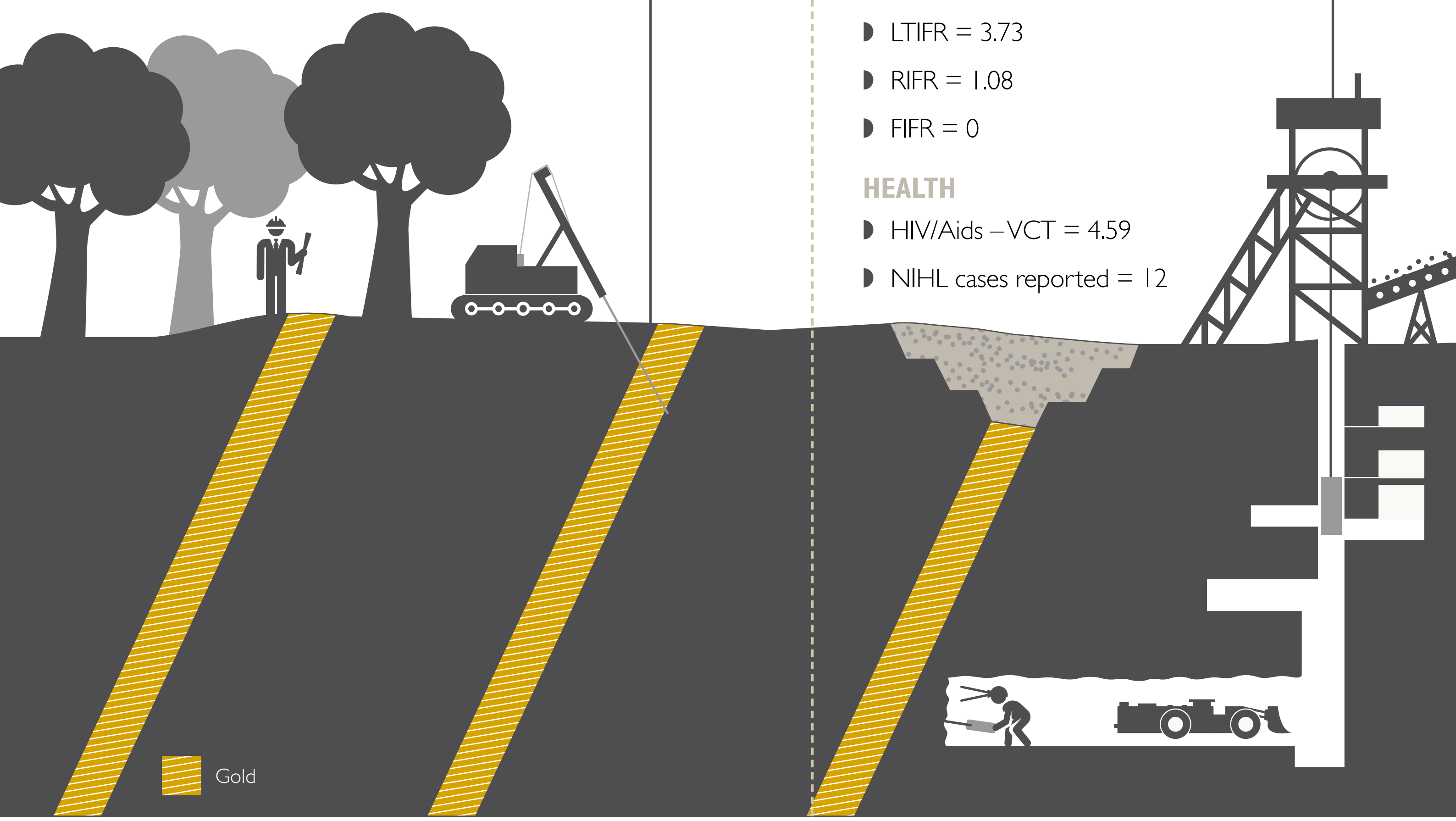
- Barberton Mines 1,532 metres @ 4.89g/t
- Evander Mines 298 metres @ 28.86g/t

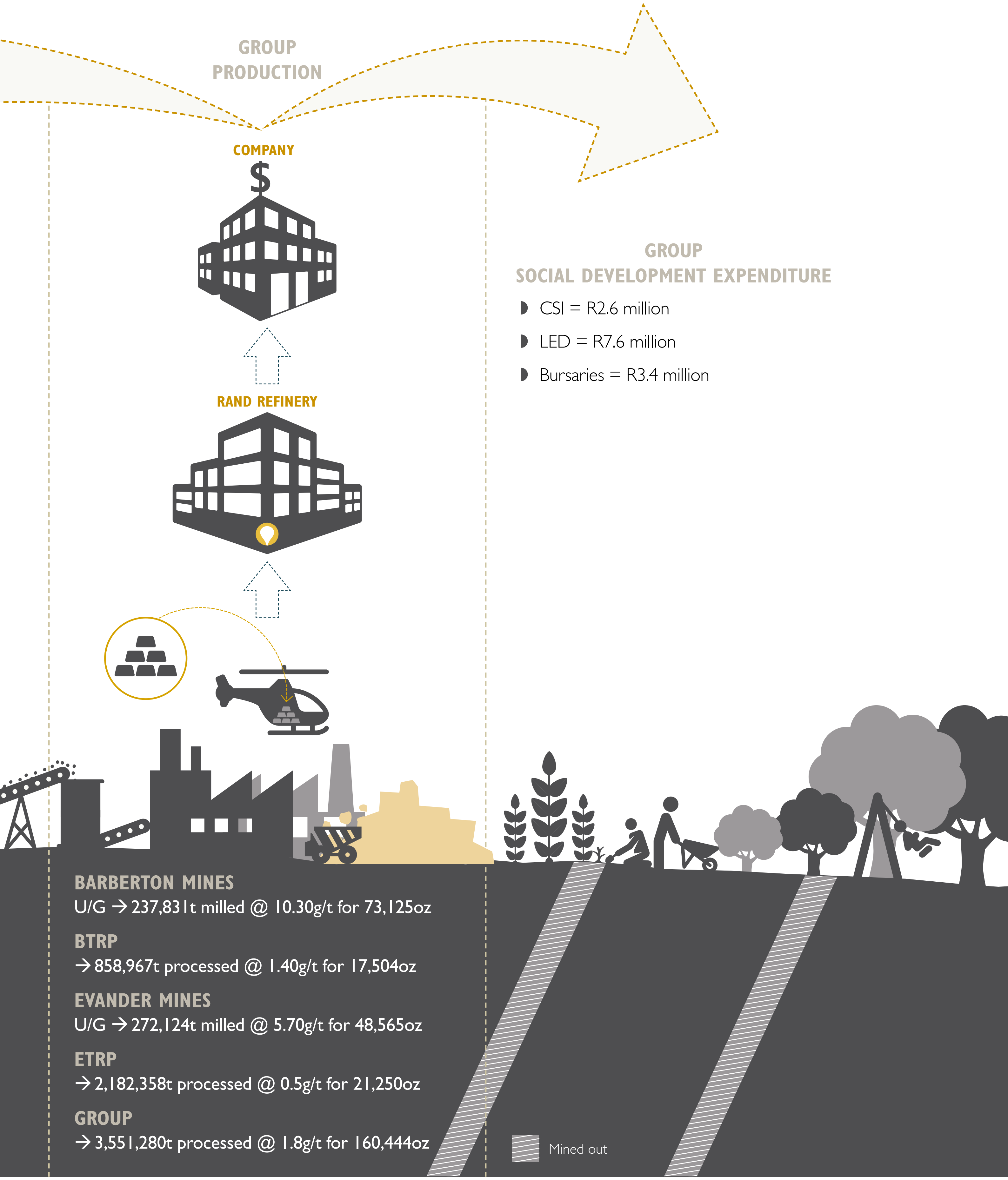
SAFETY

- TRIFR = 12.71
- LTIFR = 3.73
- RIFR = 1.08
- FIFR = 0

HEALTH

- HIV/Aids – VCT = 4.59
- NIHL cases reported = 12




GROUP PRODUCTION
COMPANY
RAND REFINERY
BARBERTON MINES
U/G → 237,831t milled @ 10.30g/t for 73,125oz
BTRP
→ 858,967t processed @ 1.40g/t for 17,504oz
EVANDER MINES
U/G → 272,124t milled @ 5.70g/t for 48,565oz
ETRP
→ 2,182,358t processed @ 0.5g/t for 21,250oz
GROUP
→ 3,551,280t processed @ 1.8g/t for 160,444oz
GROUP SOCIAL DEVELOPMENT EXPENDITURE
CSI = R2.6 million
LED = R7.6 million
Bursaries = R3.4 million
Mined out

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

GROUP ORGANIC GROWTH

The operations' robust life-of-mine plans support the group's business. Current exploration drilling and initiatives to access and develop our orebodies were aggressively pursued during the year. The strategy of converting Mineral Resources to Mineral Reserves was progressed by moving organic projects further up the mining value chain closer towards feasibility or production stages. The tables below reflect the progress of near-mine growth projects that have contributed ounces to Mineral Resources for the year.

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 R million
Barberton Mines	11,651	196	207	83	13	8.9
Evander Mines[1]	1,832	63	2,908	63	0.29	2.0

[1] *Excludes any underground drillholes from Evander Mines' 8 Shaft.*

ACCESSING THE OREBODY: ON-REEF DEVELOPMENT

Operation	Total on-reef development metres	Average grade g/t
Barberton Mines	1,532	4.89
Evander Mines	298	28.86

DEVELOPING THE OREBODY: CAPITAL ORE RESERVE PROJECTS – BARBERTON MINES

Project	2018 metres	2017 metres	2016 metres	Ounces in current resources targeted oz
Sheba – pillar development	488.1	450	540	10,101
Sheba – Edwin Bray to Thomas and Joe's Luck area	7.6	8	27	18,701
Fairview – 11 Level Royal Reef	–	–	Equipping	826
Fairview – 1 Shaft one reserve opening	–	71	131	16,547
Fairview – 3 Shaft deepening	177.7	171	64	96,922
Fairview – (64 – 68) Level	531.9	451	581	1,065,736
New Consort – (33 – 45) PC	74.8	265	387	10,000
New Consort – Main Maiden Reef (MMR) pillar development	–	8	–	66,309
New Consort – 3 Shaft	–	–	17	5,969
Royal Sheba	373.1	143	189	719,189
Sheba Western Cross	–	4	133	26,752

GROWTH PROJECTS

ELIKHULU

Elikhulu entails establishing tailings retreatment facilities and infrastructure at Evander Mines, owned and operated by Pan African Resources, to retreat gold plant tailings at a rate of 1Mt per month. This is in addition to the existing production from the ETRP which will continue to operate independently of Elikhulu until December 2018, whereafter the ETRP will be incorporated into Elikhulu, which will ensure more efficient recoveries of gold for the next 13 years. The three existing TSFs will be reclaimed in the following order: Kinross, Leslie/Bracken and Winkelhaak. Post their processing, these TSFs will be consolidated into a single enlarged Kinross facility, thus reducing Evander Mines' environmental footprint and associated environmental impact.

Elikhulu is expected to yield approximately 56,000oz of gold per annum for its initial eight years of production while treating the Kinross and Leslie TSFs. Thereafter, while processing the Winkelhaak TSF, production is expected to be approximately 45,000oz a year for the plant's remaining five years. These production figures exclude an Inferred Resource of 150,000oz of gold delineated in the soil material beneath the existing tailings dumps.

From December 2018, Elikhulu's processing capacity will increase to 1.2Mt per month through the incorporation of the existing ETRP throughput into Elikhulu's processing capacity.

Mineral Resource estimate

as at 30 June 2018

			Contained gold	
Resource category	**Tailings storage facility**	**Mt**	**Grade g/t**	**Ounces Moz**
Measured	Kinross	46.24	0.32	0.48
	Winkelhaak	–	–	–
	Leslie	–	–	–
Total		46.24	0.32	0.48
Indicated	Kinross	4.63	0.34	0.05
	Winkelhaak	76.21	0.24	0.59
	Leslie	70.07	0.32	0.71
Total		150.91	0.28	1.35
Inferred	Kinross	–	–	–
	Winkelhaak	8.00	0.27	0.07
	Leslie	4.57	0.45	0.08
Total		12.57	0.34	0.15
Total Mineral Resource[1]		209.72	0.29	1.98

[1] *Inclusive of ETRP.*

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

Mineral Reserve estimate

as at 30 June 2018

Reserve category	Tailings storage facility	Mt	Contained gold Grade g/t	Contained gold Ounces Moz
Proved	Kinross	46.04	0.32	0.48
	Leslie	–	–	–
	Winkelhaak	–	–	–
Total		46.04	0.32	0.48
Probable	Kinross	4.48	0.35	0.05
	Leslie	70.07	0.31	0.71
	Winkelhaak	70.02	0.24	0.54
Total		144.57	0.28	1.30
Total Mineral Reserve[1]		190.61	0.29	1.78

[1] *Inclusive of ETRP.*

The Mineral Reserve estimate is a total 190.61Mt (Proved and Probable), comprised of the Kinross (50.52Mt, of which 46.04Mt are Proved Reserves), Leslie (70.07Mt) and Winkelhaak (70.02Mt) TSFs at Evander Mines. The combined 190.61Mt will provide feed material to the existing ETRP at 200,000 tonnes per month and to Elikhulu at a rate of 1Mt per month.

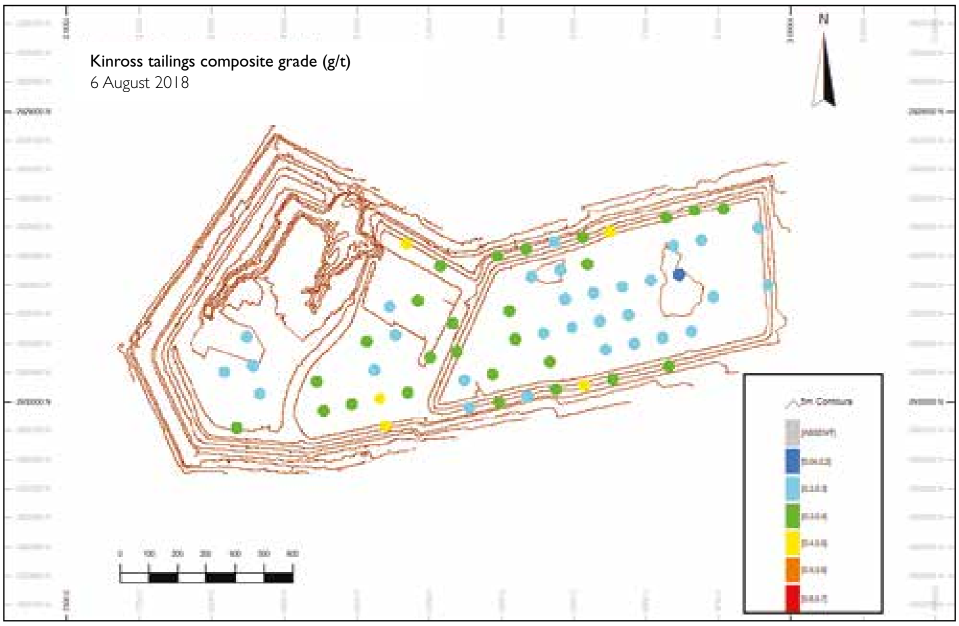
The combined Mineral Reserve contains 1.78Moz, of which an estimated 783,000oz will be recovered over the life of the plant. This estimate excludes the 152,000oz (mainly Inferred Resources at 150,000oz) of gold leached and contained in the soil beneath the existing tailings dumps, which could potentially increase Elikhulu's life.

The Mineral Reserve estimate assumes a non-selective mining method whereby the whole mineral deposit is mined in a predetermined sequence. The mining method allows for 100% extraction of the targeted mineral deposit. Hydraulic mining is the selected mining method as it is a proven technology, cost effective and technically and operationally well understood.

The overall average gold recovery over the life of Elikhulu is forecast at 47.74%.

Elikhulu's construction is progressing according to plan with its first gold poured on 16 August 2018.

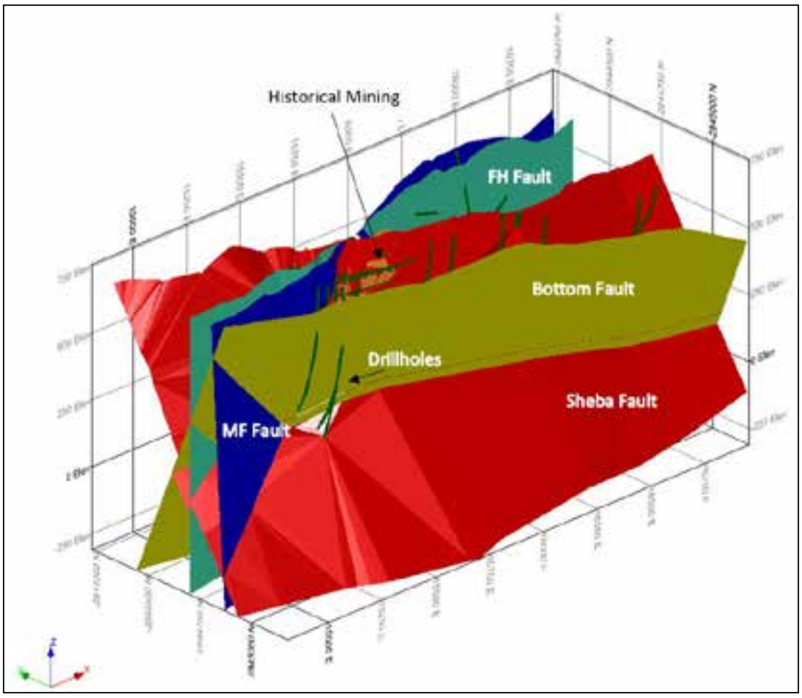
In 2018, an additional 63 sonic drillholes were drilled (1,832m) in the Kinross dam on a 100m by 100m grid. This grid yields a sampled grade, particle density and geometallurgical value in each bench being mined per month. The Kinross dam will be mined in the first three years of the life of Elikhulu. All the data collected from the infill drilling programme has been employed in the updated Mineral Resource and Mineral Reserve for Kinross dam. This resulted in the upgrade of the initial Probable Reserve to a Proved Reserve for the Kinross dam.



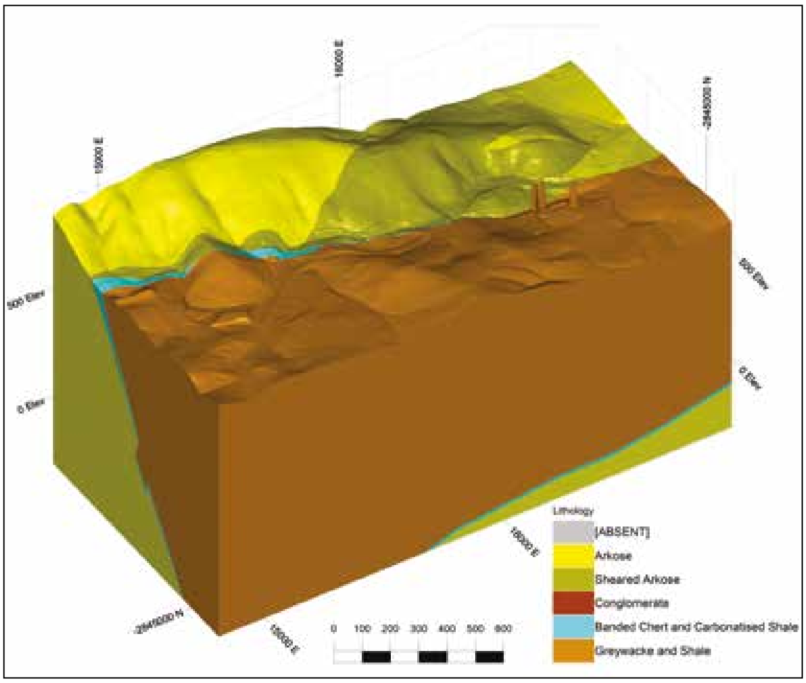
ROYAL SHEBA PROJECT

The Royal Sheba orebody was mined until 1996, producing 3,000 tonnes per month of ore from the central high-grade zone of the deposit. A compound shaft sunk to 12 Level, approximately 340m below surface, was utilised to access the orebody. The ore was treated at the Sheba metallurgical plant. A total of approximately 280,000 tonnes of ore was mined at a grade more than 4g/t, resulting in just over 37,000oz gold being produced from this orebody. Due to the prevailing economic conditions in the 1990s, mining at the Royal Sheba section was suspended.

The company embarked on a review of the Mineral Resources of the Royal Sheba orebody. The review focused on the geology and mineralisation of the deposit, incorporating a full 3D geological modelling exercise on the structural, lithological and mineralisation components of the deposit. The combination of the three components resulted in a robust and fit-for-purpose 3D geological model adjacent to and below the current Royal Sheba Mine infrastructure. This modelling practice has never before been applied to the Barberton deposits.



Royal Sheba geological structures.



Royal Sheba 3D geological model.

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

Mineral Resources

as at 30 June 2018

	Category	Mt	Contained gold Grade g/t	Tonnes gold	Ounces Moz
Opencast Mineral Resource (0.5g/t cut-off)	Measured	1.46	3.88	5.66	0.18
	Indicated	1.38	3.73	5.14	0.17
	Inferred	–	–	–	–
Total		2.84	3.81	10.80	0.35
Underground Mineral Resource (1.87g/t cut-off)	Measured	2.65	2.97	7.87	0.25
	Indicated	1.76	2.89	5.08	0.16
	Inferred	1.31	3.22	4.20	0.14
Total		5.72	3.00	17.15	0.55
Total Mineral Resources		8.56	3.27	27.96	0.90

Mineral Resources are reported in accordance with the SAMREC Code. Mineral Resources would be the same if reported according to the guidelines of the Canadian Institute of Mining's (CIM) National Instrument 43-101. Cut-off values are calculated at 0.5g/t for opencast and 1.87g/t for underground, applying a gold price of R600,000/kg (USD1,435/oz and ZAR13.00/1USD). Mineral Resources are reported inclusive of Mineral Reserves. All Mineral Resources reported exclude geological structures. Mineral Resources are reported as in-situ tonnes. Any discrepancies in totals are due to rounding.

The following tonnage discount factors have been applied to the Mineral Resource:

- Geological loss of 5% for the Measured category
- Geological loss of 10% for the Indicated category
- Geological loss of 15% for the Inferred category.

Additional effects of mining and recovery losses have been considered in the cut-off grade calculations.

Mineral Reserves

as at 30 June 2018

	Category	Mt	Contained gold Grade g/t	Tonnes gold	Ounces Moz
Opencast Mineral Resource (0.7g/t cut-off)	Proved	–	–	–	–
	Probable	1.61	3.98	6.43	0.21
Total		1.61	3.98	6.43	0.21
Underground Mineral Resource (1.87g/t cut-off)	Proved	–	–	–	–
	Probable	3.52	3.10	10.94	0.35
Total		3.52	3.10	10.94	0.35
Total Mineral Reserves		5.14	3.38	17.37	0.56

Mineral Reserves are reported in accordance with the SAMREC Code. Mineral Reserves would be the same if reported according to the guidelines of the CIM's National Instrument 43-101. Cut-off values are calculated at 0.7g/t for opencast and 1.87g/t for underground, applying a gold price of ZAR525,000/kg (USD1,256/oz and ZAR13.00/1USD). All Mineral Reserves reported exclude geological structures. Mineral Reserves are reported as in-situ tonnes. Any discrepancies in totals are due to rounding.

The following tonnage discount factors have been applied to the Mineral Reserve:

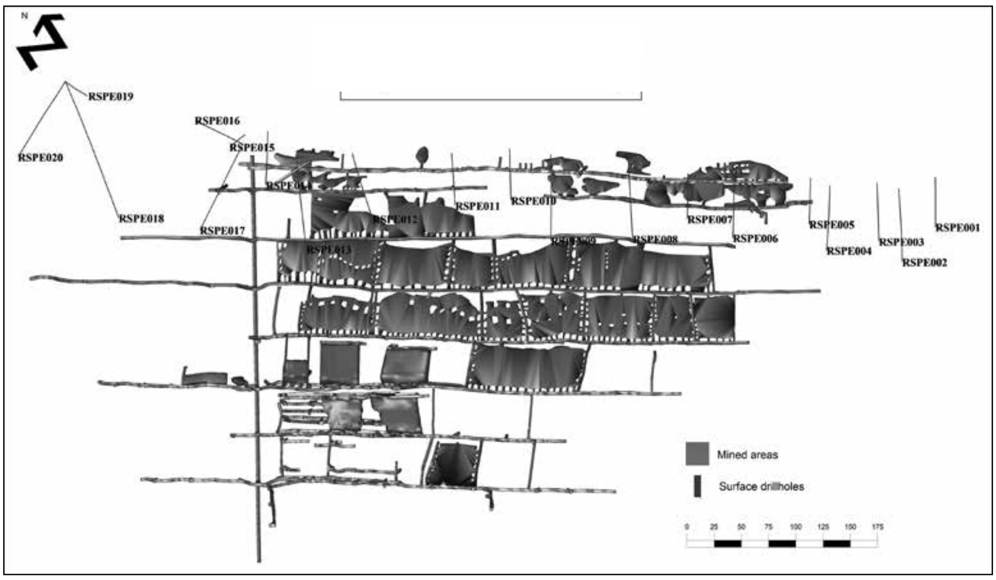
- Loss of 10%
- Dilution of 10%.

Additional effects of mining and recovery losses have been considered in the cut-off grade calculations.

Following the successful conclusion of the concept study, 20 diamond drillholes are being drilled in the surface expression of the orebody. The results of the drilling presented below will be incorporated in an updated Mineral Resource statement to be released by November 2018. A definitive feasibility study will be undertaken by DRA Global incorporating this updated Mineral Resource model and is expected to be completed in February 2019.

			Full composite		Significant intersection	
Drillhole number	Intersection depth downhole m	Intersection depth below collar m	Corrected intersected width m	Average grade intersected g/t	Corrected intersected width m	Average grade intersected g/t
RSPE001	34.75	31.49	11.50	3.38	0.65	19.16
RSPE002	56.63	51.32	9.89	2.53	3.28	5.10
RSPE003	24.34	22.06	12.94	0.91	1.36	2.31
RSPE004	47.32	42.89	6.28	1.36	0.62	5.96
RSPE005	26.34	23.87	15.59	1.91	0.34	9.96
RSPE006	35.02	31.74	8.77	1.41	3.5	2.98
RSPE007	26.73	24.23	14.17	1.38	2.13	5.45
RSPE008	6.97	6.32	13.60	3.17	1.81	12.79
RSPE009	69.56	63.04	11.48	6.10	1.73	30.43
RSPE010	25.54	23.15	8.01	0.63	1.00	2.12
RSPE011	38.70	35.07	8.33	0.72	1.05	1.83
RSPE012	24.05	19.70	24.05	1.53	2.42	6.35
RSPE013	Awaiting results					
RSPE014	42.88	35.13	7.83	1.50	3.8	2.51
RSPE015	60.23	13.55	8.51	0.62	1.6	2.32
RSPE016	Awaiting results					
RSPE017	Awaiting results					
RSPE018[1]	Awaiting results					
RSPE019[1]	56.96	18.54	18.60	0.47	0.30	4.97
RSPE020[1]	92.54	67.68	8.84	0.33	1.23	1.71

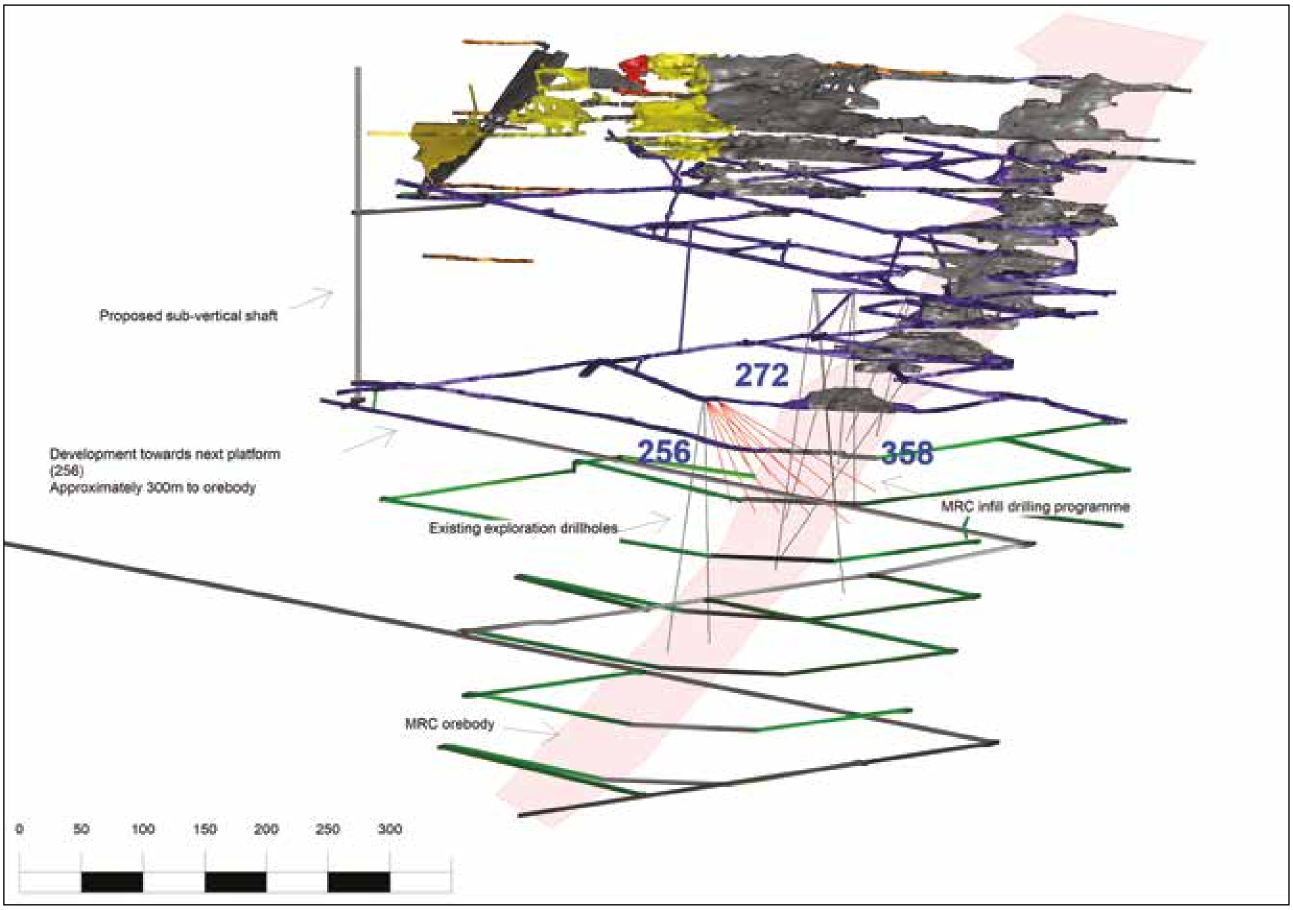
[1] *Drillholes drilled to test the westerly extent of the mineralisation. Results indicate zones of economical grade within the overall altered zone.*



Royal Sheba surface drilling.

ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

BARBERTON MINES' SUB-VERTICAL SHAFT PROJECT AT FAIRVIEW MINE



Mineral Resources

as at 30 June 2018

	Category	Mt	Contained gold Grade g/t	Tonnes gold	Ounces Moz
Mineral Resources	Measured	1.62	10.12	16.38	0.53
	Indicated	1.04	13.51	14.08	0.45
	Inferred	1.75	19.66	34.36	1.10
Total		4.41	14.70	64.83	2.08

Mineral Reserves

as at 30 June 2018

	Category	Mt	Contained gold Grade g/t	Tonnes gold	Ounces Moz
Mineral Reserves	Proved	0.93	9.07	8.43	0.27
	Probable	1.06	14.25	15.16	0.49
Total		1.99	11.84	23.58	0.76

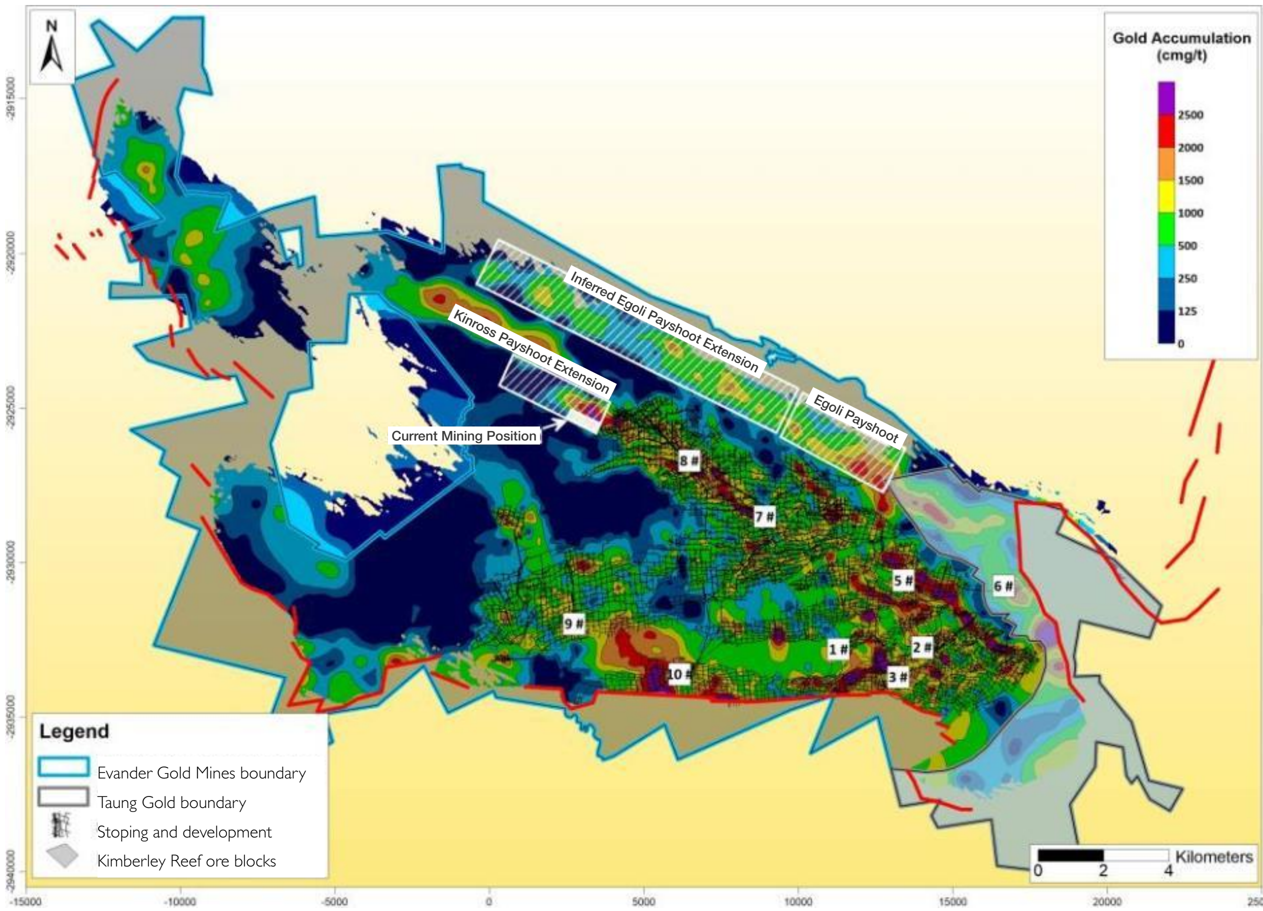
The Fairview mining operation is currently restricted by the hoisting capacity of its 3 Decline, which is utilised to access workings below 42 Level. This decline is currently employed to transport employees and material, and for rock hoisting. The 11-block, or MRC, orebody has an average grade of 31.3g/t and current life-of-mine of 20 years. With no intervention, future mining at depth will result in increased travelling distance, reduce employee face time and cause a lack of capacity with which to ensure both ore replacement and exploration development.

Pan African Resources, with the assistance of DRA Global, has completed a feasibility study on the construction of a raise-bored, sub-vertical shaft from Fairview's 42 Level to 64 Level, with the potential of continuing the vertical shaft to 68 Level in the future. This sub-vertical shaft will be utilised to transport employees and material to the working areas, which will allow the 3 Decline to be used exclusively for rock hoisting, increasing overall capacity and production from the 11-block mining area.

DRA Global has reviewed the technical and commercial aspects of the project and the supporting feasibility study has yielded highly attractive results. The estimated capital expenditure for the project, including contingencies, is approximately R105 million, to be incurred over a two-year period. The productivity improvements for Fairview are estimated to yield an additional 7,000oz of gold per annum, which can be further optimised to more than 10,000oz per annum.

Pan African Resources has also commenced an infill drilling programme on the 11-block orebody of 10 diamond drillholes. This is to enhance the Proved Reserve ahead of the mining face by up to 60m. This is equivalent to more than 10 years life-of-mine on the 11-block. The results of the drillholes are considered in the reported Mineral Resource and Mineral Reserve estimates.

EVANDER MINES' 7 SHAFT 3 DECLINE AND EGOLI PAY CHANNEL RESOURCES



ABRIDGED MINERAL RESOURCES AND MINERAL RESERVES REPORT continued

The Egoli Project resource is adjacent to the 7 Shaft infrastructure and extends from the boundary of Taung Gold International Limited's 6 Shaft project and mining rights. As previously reported, Evander Mines embarked on an exploration programme to drill a further exploration borehole from surface to increase geological confidence in the Egoli Project orebody. These resources are summarised in the following table:

Mineral Resources

as at 30 June 2018

			Contained gold		
	Category	Mt	Grade g/t	Tonnes gold	Ounces Moz
Mineral Resources	Measured	0.41	8.76	3.6	0.11
	Indicated	2.93	9.86	28.9	0.93
	Inferred	6.23	9.70	60.4	1.94
Total		9.57	9.71	92.9	2.99

The following Mineral Reserves are based on a successful feasibility study conducted by DRA Global, dated 31 January 2018. This feasibility study assumed the ongoing mining at Evander Mines' 8 Shaft. The conclusion of the feasibility study indicated a life-of-mine of 15 years at a NPV of R1.04 billion and an IRR of 34%.

Mineral Reserves

as at 30 June 2018

			Contained gold		
	Category	Mt	Grade g/t	Tonnes gold	Ounces Moz
Mineral Reserves	Proved	0.62	4.21	2.6	0.08
	Probable	3.51	7.06	24.8	0.80
Total		4.13	6.64	27.4	0.88

On 6 July 2017, the exploration borehole successfully intersected the Kimberley Reef at a depth of approximately 2km, highlighting a reef intersection with a 6cm width at 36.8g/t. Additional drilling deflections were drilled to further delineate and increase the confidence in the orebody. The previous borehole into the Egoli Project yielded a reef intersection with a 49cm width at 36.04g/t. The results from all historical sampling and drilling, along with the latest drillhole information, were employed to model and estimate the Mineral Resource and Mineral Reserve as reported in this document.

Egoli Project exploration borehole results

Borehole	Depth m	Core width cm	Grades: Grade g/t	Grades: Grade cmg/t
2245	2,059.3	49.0	36.0	1,766
EGM PAR 1	2,014.6	5.7	36.8	210
EGM PAR 1 – Deflection 1	2,014.9	5.7	33.2	189
EGM PAR 1 – Deflection 2	2,014.8	4.8	144.7	694
EGM PAR 1 – Deflection 3	2,015.3	7.5	19.4	146
EGM PAR 1 – Deflection 4	2,014.1	4.8	28.6	137
EGM PAR 1 – Deflection 5	2,014.2	5.7	54.5	311

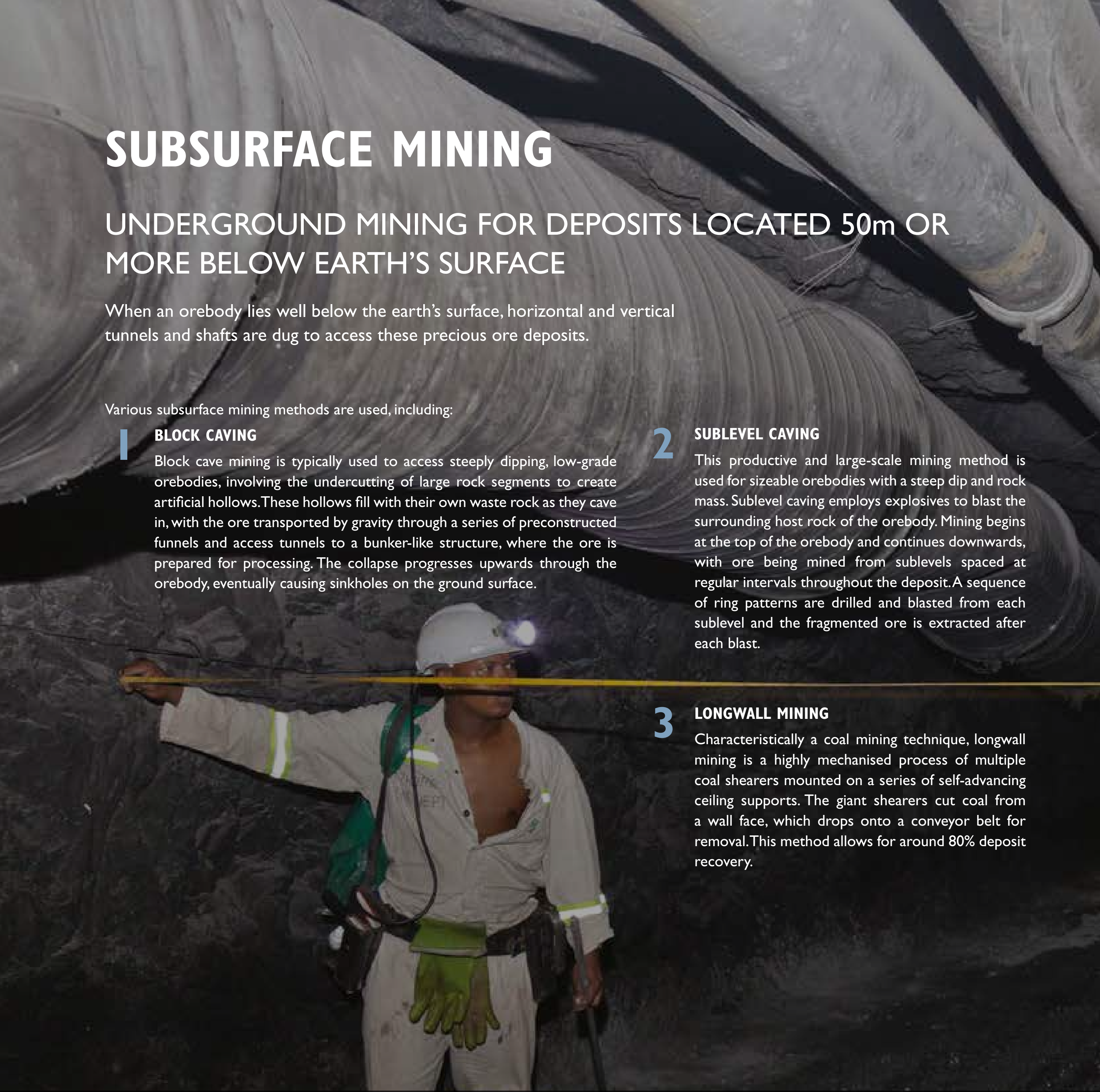
Harmony Gold Mining Company Limited previously developed Evander Mines' 7 Shaft workings towards the Egoli Project. However, due to financial constraints and a reassessment of capital expenditure priorities, it halted all development on Evander Mines' shafts, other than 8 Shaft, in 2009. This resulted in the controlled flooding of the development ends and 7 Shaft's 3 Decline from 22 Level up to 18 Level. Following the dewatering, only standard footwall and on-reef development would need to be completed, with the associated engineering infrastructure, before mining can commence.

The Egoli Project is approximately 4.5km in tramming distance from 7 Shaft, which was utilised by Evander Mines for hoisting run-of-mine material to the Kinross metallurgical plant. This compares favourably with the 8 Shaft mining area, which is approximately 12km in tramming distance from 7 Shaft.

Following the discontinuation of Evander Mines' large-scale underground operations, a revised mining feasibility study related to 7 Shaft's 3 Decline and Egoli Project Resources as a standalone operation has commenced and will address the following critical issues:

- Collation of geological data from the drillhole intersection and deflections
- The cost and timing of dewatering and re-equipping 7 Shaft's 3 Decline from 18 Level
- The development cost and timing to access the Egoli Project
- The economic viability of the project as a standalone operation, including the construction of a new metallurgical plant during the life-of-mine.

The Egoli Project can potentially increase Evander Mines' underground gold production materially at a relatively low capital cost, using Evander Mines' established shaft and metallurgical facilities. The revised feasibility study for the project is expected to be completed during the first quarter of 2019.



SUBSURFACE MINING

UNDERGROUND MINING FOR DEPOSITS LOCATED 50m OR MORE BELOW EARTH'S SURFACE

When an orebody lies well below the earth's surface, horizontal and vertical tunnels and shafts are dug to access these precious ore deposits.

Various subsurface mining methods are used, including:

1 BLOCK CAVING

Block cave mining is typically used to access steeply dipping, low-grade orebodies, involving the undercutting of large rock segments to create artificial hollows. These hollows fill with their own waste rock as they cave in, with the ore transported by gravity through a series of preconstructed funnels and access tunnels to a bunker-like structure, where the ore is prepared for processing. The collapse progresses upwards through the orebody, eventually causing sinkholes on the ground surface.

2 SUBLEVEL CAVING

This productive and large-scale mining method is used for sizeable orebodies with a steep dip and rock mass. Sublevel caving employs explosives to blast the surrounding host rock of the orebody. Mining begins at the top of the orebody and continues downwards, with ore being mined from sublevels spaced at regular intervals throughout the deposit. A sequence of ring patterns are drilled and blasted from each sublevel and the fragmented ore is extracted after each blast.

3 LONGWALL MINING

Characteristically a coal mining technique, longwall mining is a highly mechanised process of multiple coal shearers mounted on a series of self-advancing ceiling supports. The giant shearers cut coal from a wall face, which drops onto a conveyor belt for removal. This method allows for around 80% deposit recovery.

Subsurface mining is considered less environmentally destructive, as it disturbs only a fraction as much land as surface mining and produces less waste. However, it is more dangerous for miners due to risks such as wall collapses, gas explosions and mining dust inhalation.

2/3 of the world's present gold supply originates in South Africa.

STRATEGIC REPORT:

SUSTAINABILITY REVIEW

4 **ROOM AND PILLAR MINING**

This is the oldest method of underground mining, also typically used in coal mining. This method involves the development of a set of underground rooms cut into ore deposits, leaving rock pillars to support the roof. Mined material is extracted across a horizontal plane. Once the area is mined, pillars are partially extracted or removed completely, allowing the roof to collapse. This must be done in a precise manner to reduce risks to miners.

The world's largest gold bar weighs 250kg.

250kg

AU

The chemical symbol for gold is Au, derived from the Latin word 'aurum'.

After 120 years of gold mining operations, depths of up to 4,000 metres have been reached, making gold mines some of the deepest mines in the world. At this depth, rock temperatures are around 50°C, with vertical rock pressures of about 100MPa.

HUMAN CAPITAL

EMPLOYEE REVIEW

OUR EMPLOYEES ENABLE THE GROUP TO EXECUTE INTO ITS STRATEGY AND ARE FUNDAMENTAL TO OUR BUSINESS SUSTAINABILITY. WHERE POSSIBLE, WE EMPLOY FROM AND UPSKILL THE COMMUNITIES NEAR OUR OPERATIONS.

Major events	Challenges	Looking ahead
• Pan African Resources concluded a retrenchment exercise at Evander Mines as per S189A of the South African Labour Relations Act, 66 of 1995 • The Elikhulu plant at Evander Mines has created 1,769 jobs during the construction phase and is expected to create approximately 350 fulltime jobs at steady state-production	• Employee industrial action and community unrest in surrounding areas • The cessation of large-scale mining at Evander Mines' underground operations led to the retrenchment of 1,635 employees at a cost of R161.0 million	• General social unrest being experienced across South Africa requires intensified and continuous stakeholder engagement • Ensuring that we implement all elements of the SLPs and LEDs linked to our operations • Ongoing succession planning and training of employees in specialised positions

WHY EMPLOYEES ARE MATERIAL TO PAN AFRICAN RESOURCES

Mining is a physically and mentally challenging industry. Therefore, we are responsible for ensuring that our employees operate in a safe, stable and healthy working environment.

Material issue	Principal risk	Strategic business pillar
• Attracting and retaining key talent • Operating in safe and healthy environments • Proactive employee communications	• Safety • Reputational – social licence to operate	• Sustainable • Stakeholders • Profitable • Growth

KEY PERFORMANCE INDICATORS

Employee statistics

	Unit	2018	2017
Employees	(Number)	**4,840**	5,284
– Permanent	(Number)	**2,069**	3,932
– Contractors	(Number)	**2,771**	1,352
Employee turnover	(%)	**8.6**[1]	6.4[1]
Human resources development spend	(R million)	**22.8**	28.4
Total number of permanent employees by age group			
20 – 30 years	(Number)	**384**	503
30 – 40 years	(Number)	**748**	1,001
40 – 50 years	(Number)	**438**	1,059
50+ years	(Number)	**499**	1,369
Total operations		**2,069**	3,932

[1] *The employee turnover excludes retrenched employees.*

EMPLOYEE STATISTICS PER OPERATION

	Barberton Mines		Evander Mines		Phoenix Platinum		Elikhulu		Corporate office		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Employees	**1,945**	2,006	**77**	1,907	**–**	3	**30**	–	**17**	16	**2,069**	3,932
Contractors	**621**	644	**381**	625	**–**	82	**1,769**	–	**–**	1	**2,771**	1,352
Total	**2,566**	2,650	**458**	2,532	**–**	85	**1,799**	–	**17**	17	**4,840**	5,284
% of workforce South African	**98**	98	**97**	80	**–**	100	**93**	–	**100**	100	**96**	90

GROUP OVERVIEW OF PROGRESS

Substantially achieved · Moderate progress · Not achieved

Our focus for 2018	What we achieved	Self-assessment
Continuous employee engagement to ensure alignment with the company's vision and strategic objectives	• New NUM branch committee elected at Barberton Mines. Management actively engaged the new branch committee to foster a mutually prosperous relationship	Substantially achieved
Adherence to approved SLP requirements	• Ongoing implementation of SLP commitments	Substantially achieved
Improving community relations	• Established a community forum representing the various communities in and around our operations • Appointment of a dedicated fulltime community liaison officer at Barberton Mines	Substantially achieved
Conclude wage agreement at Barberton Mines	• Successful conclusion (after year-end) of wage agreement with both our unions at Barberton Mines	Substantially achieved

MANAGEMENT APPROACH

Our employees are a key enabler of business growth and for creating stakeholder value. The group's remuneration policy is calculated to attract, retain and motivate employees through fair remuneration. All our policies and procedures, which are reviewed by on-site human resources managers and at our corporate office, align to South Africa's labour legislations, with any changes reported to the board through the SHEQC sub-committee.

In terms of mining regulations, each operation has developed an SLP that must be approved by the DMR. Before finalisation, each SLP is discussed with material stakeholders, such as trade unions, municipalities, mine management and representatives for women, disabled employees and staff personnel. Every year, each operation submits an SLP progress report to the DMR. We also submit annual workplace skills plans and training reports, and an employment equity plan to the Mining Qualifications Authority (MQA) and the Department of Labour respectively. Development plans for individuals within the group are regularly monitored and updated.

Pan African Resources abides by the human rights conventions of the International Labour Organisation (ILO) and South Africa's Constitution. Each operation and the executive committee (Exco) reports to the board.

Employee profile

Following the unavoidable retrenchments at Evander Mines, the group's total staff complement, including contractors, reduced to 4,840 people (2017: 5,284). An S189A retrenchment agreement was concluded with all affected employees and authorised representatives at Evander Mines following the cessation of Evander Mines' large-scale underground operations.

During the year under review, the group staff turnover was 8.6% (2017: 6.4%), excluding retrenchments.

Employee relations

We align our employees with the group's vision and values by engaging them on how:

- their individual roles influence operational performance
- each individual prioritises safety in the workplace
- socio-economic factors, such as the gold price and forex rates impact our operations.

We interact with our employees through one-on-one, staff and production meetings, supported by other channels, such as text messaging, emails, print (internal newsletters and posters) and digital (intranet, corporate website and social media).

Pan African Resources' workforce is represented by recognised trade unions and the group complies with all applicable legislation and bargaining arrangements. Each operation has dedicated personnel in place to maintain relationships with unions and employees.

As announced on 7 September 2018, Barberton Mines successfully concluded a three-year wage agreement with NUM and UASA. NUM and UASA represent the majority of employees at Barberton Mines. The agreement provides for an average annual wage increase of 6.5%

HUMAN CAPITAL continued

and 5.5% for NUM and UASA members, respectively, over the three years. The negotiations were successfully concluded with no industrial action or work stoppages. The agreement should assist in providing certainty and sustainability to all stakeholders in the coming years.

Skills development and training

Pan African Resources spent R24.3 million (2017: R32.1 million) on skills development in the current year. Our Barberton Mines and Evander Mines sites have accredited training centres offering occupational skills training, learnerships and bursary programmes.

Performance management

Key performance indicators (KPIs) aligned to group strategic objectives are in place for senior and executive managers. Performance is assessed annually and remuneration linked to KPI scores achieved.

During the 2018 financial year, following the cessation of large-scale mining at Evander Mines' underground operations, the resultant retrenchment of 1,635 group employees and lower year-on-year group production performance, the executive directors and senior management agreed to forfeit all short-term incentives for the year under review.

Remuneration

We regularly interrogate mining industry remuneration practices to ensure our offerings remain market related. Employment packages typically comprise a basic salary and short-term benefits linked to individual job gradings. Remuneration outcomes are measured objectively against predetermined targets. Incentives and share appreciation bonus schemes are designed to retain critical skills and align management focus with shareholder and material stakeholder interests.

Employees from a Paterson Grading C level and below are also entitled to a profit share of 1% of the mining operations' cash flows.

Disabled employees

Pan African Resources equally considers job applications from disabled South Africans who can fulfil roles being advertised. Should existing employees become disabled, the group will – if practical – provide continuing employment under similar terms and conditions, supported by appropriate skills and development.

SAFETY AND HEALTH REVIEW

OUR BOARD-APPROVED SHEQC POLICY PERMEATES OUR ORGANISATION AND PERFORMANCE IS DRIVEN BY THE GROUP'S CREDO OF CONTINUOUS IMPROVEMENT.

	Highlights	Challenges	Looking ahead
SAFETY	• Zero fatalities across all operations • Significant reduction in reportable accidents • One million fatality-free shifts achieved at Barberton Mines	• Employee behaviour and culture directed towards safety • High risk associated with congested Elikhulu construction site (1,769 contractors) • Illegal mining on the increase and posing a safety threat to employees	• Maintain zero fatalities at operations • Continue safety culture behavioural programmes to further reduce safety-related injury rates
HEALTH	• Improved voluntary counselling and testing (VCT) for HIV/Aids • Reduction in noise-induced hearing loss (NIHL) cases • Effectively managing lifestyle diseases through awareness programmes	• Managing employees with pulmonary TB cases	• Continue developing group health strategy and raising the numbers of employees tested for HIV/Aids

WHY SAFETY AND HEALTH IS MATERIAL TO PAN AFRICAN RESOURCES

A safe and healthy mining culture is a business imperative that underpins the group's four key strategic pillars – profitable, sustainable, stakeholders and growth. The group allocates significant time and resources into promoting a zero-harm work environment.

KEY PERFORMANCE INDICATORS

	2018	2017
Safety		
Rate/million man hours		
TRIFR	**12.71**	13.68
LTIFR	**3.73**	3.51
RIFR	**1.08**	1.53
FIFR	**–**	0.21
Number of fatal injuries	**–**	3
Number of LTIs	**52**	48
Number of reportable injuries	**15**	21
Number of medical and first aid treatment cases	**177**	188
Health		
Number of HIV/Aids – VCT	**4,579**	3,102
Number of NIHL cases reported	**12**	34

HUMAN CAPITAL continued

MANAGEMENT APPROACH

Prioritising health and safety is a way of life at Pan African Resources.

The board assumes ultimate responsibility for the group's SHEQC performance and has allocated its direct management to the SHEQC sub-committee. This sub-committee informs the board on matters relating to SHEQC compliance, discipline and action plans required for incidents and accidents. The mine general managers are primarily accountable for SHEQC at their sites. We are developing and supporting a culture of consistent zero-harm and minimal environmental impacts.

At least four SHEQC meetings must be held annually, with more scheduled as needed. Health and safety committees are selected from the entire workforce and are based at all operations.

The group's SHEQC policy contains specific guidelines to integrate safety, human resources, health and occupational hygiene, so that production processes support sustainable growth of the business.

Pan African Resources complies strictly with the mining licence conditions set by the DMR, the Mine Health and Safety Act, 29 of 1996 (as amended from time to time) and other relevant legal requirements. The group SHEQC manager, as well as safety, health and environmental officials, guide and advise each operation in terms of our philosophy. Legal requirements are treated as starting points for improvement and are regularly audited by group SHEQC officials. These are supported by monthly SHEQC performance reviews. We continually work towards and monitor DMR milestones to ensure we achieve zero-harm by 2020, with our results reported to the DMR regularly.

Besides our employees, contractors and suppliers are pivotal to achieving our SHEQC objectives. We encourage their involvement and buy-in through training, written communications and regular face-to-face meetings.

We have forged strong relationships with adjacent communities and, where possible, assist with health and wellness programmes.

Training

Each mining operation has its own in-house training programmes aligned to the group's strategic objective of zero-harm. Safety, health and environmental training, including job-specific training, is included in employee inductions and when employees return from leave.

Major health-related diseases

Our occupational health and employee wellness programmes include the management of the 'big six' diseases: HIV/Aids, TB, diabetes, hypertension, silicosis and NIHL.

Illegal mining

Illegal mining continues to be a risk that requires ongoing management and proactive security intervention. During the period under review, the group security contract was reviewed and a new service provider was appointed.

Product responsibility

Barberton Mines and Evander Mines produce gold in the form of bars and by-products. Gold is a benign product with no significant environmental, health or safety impacts. All gold products generated by the group are refined by Rand Refinery, an accredited London Bullion Market Association refinery, and sold to South African financial institutions.

GROUP OVERVIEW OF PROGRESS

Substantially achieved Moderate progress Not achieved

Our focus for 2018	What we achieved	Self-assessment
Focus on behavioural safety	• One-on-one safety interaction sessions between management and employees during the period under review	
Reduction in safety rates	• Successful reduction in serious injuries with no fatalities	
Introduction of new safety campaigns	• Successfully implemented new safety campaigns at both operations	

The group safety trend experienced an encouraging improvement in its TRIFR and RIFR. The LTIFR remained stable at levels well below industry averages. No fatalities were reported for the year under review. We work continuously to embed a culture of uncompromising safety at all operations.

MANUFACTURED CAPITAL

OUR SUBSTANTIAL FINANCIAL INVESTMENT IN THE PURCHASE, DEVELOPMENT AND MAINTENANCE OF INFRASTRUCTURE, PLANT AND EQUIPMENT HAS PROVIDED THE CAPACITY TO GENERATE LONGER-TERM RETURNS.

Highlights	Challenges	Looking ahead
• Elikhulu construction was completed ahead of schedule, with its inaugural gold pour on 16 August 2018 • Elikhulu was fully commissioned during September 2018 • Installation of BTRP's regrind circuit to ramp up gold production at Barberton Mines • Additional high-grade platforms development at Barberton Mines	• Ageing infrastructure • Evander Mines deterioration, ageing infrastructure and high operating costs • Winder and stage pump breakdowns at Evander Mines • Eskom power interruptions • Theft of equipment	• Cessation of Evander Mines' large-scale underground operations and subsequent mine rehabilitation • Planned sub-vertical shaft at Fairview Mine to improve face time and hoisting capabilities

WHY MANUFACTURED CAPITAL IS ESSENTIAL TO PAN AFRICAN RESOURCES

Infrastructure and equipment are essential to extracting resources, processing the ore and transporting the concentrate.

Property, plant and equipment

Material issue	Principal risk	Strategic business pillar
• Unlocking full infrastructure potential • Key infrastructure requires significant upgrade and/or maintenance	• Operational • Safety • Financial • Reputational – social licence to operate	• Sustainable • Stakeholders • Profitable • Growth

KEY PERFORMANCE INDICATORS

	2018 R million	2017 R million
Total capital expenditure	**1,650.2**	613.1
Barberton Mines	**210.4**	193.5
Evander Mines	**181.5**	222.2
Elikhulu	**1,256.1**	175.5
Corporate	**2.2**	1.4
Phoenix Platinum	**–**	5.4
Uitkomst Colliery	**–**	15.1
Production		
Barberton Mines	**90,629**	98,508
Evander Mines	**69,815**	74,777

MANUFACTURED CAPITAL continued

GROUP OVERVIEW

Substantially achieved | Moderate progress | Not achieved

Our focus for 2018	What we achieved	Self-assessment
Organic growth	• Feasibility study for Royal Sheba expected in February 2019 • Following the cessation of Evander Mines' large-scale underground operations, a revised mining feasibility study related to the Egoli Project as a standalone operation has commenced	
Maintaining mining flexibility and improving face time	• Fairview sub-vertical shaft: development initiated on 42 Level and on base 66 Level	
Improving productivity	• Installation of BTRP's regrind circuit • Opened a second high-grade platform at Fairview during the third quarter • Elikhulu was fully commissioned during September 2018	

MANAGEMENT APPROACH

At both group and operational levels, management regularly inspects all tangible assets for any evidence of deterioration. We regularly undertake improvement and upgrade initiatives to drive capital productivity and cost efficiency. Our manufactured capital comprises:

- underground mining operations
- surface mining operations
- buildings, plants and milling stations
- equipment
- vehicles
- infrastructure, pipelines and storage facilities.

Ageing infrastructure at our underground operations requires consistent maintenance and refurbishment, which forms part of operational planning and scheduling. Pan African Resources has prioritised addressing our most pressing operational challenges, which are:

- maintaining mining flexibility
- improving face time, thus enhancing productivity
- providing safe environmental working conditions.

Barberton Mines

During 2018 financial year, Fairview experienced flexibility challenges. To improve gold targets, a second high-grade platform was developed in 2018 and Barberton Mines is set to meet its annual production guidance of approximately 100,000oz for the 2019 financial year.

To improve environmental conditions at Fairview Mine, a refrigeration plant was successfully commissioned in July 2017 for the high-grade down-dip extension. In total, $622m^2/s$ of refrigerated air is pumped to the lowest section of the mine, which has considerably improved the working conditions of the miners.

In May 2018, the decline development between Fairview 64 Level and the 66 Level was completed, which reduced hauling distances and shortened the travel time for miners to the working faces.

The construction of the BTRP regrind mill was completed on schedule in May 2018. This 1.7 megawatt regrind mill reduces the coarseness of the tailings material being treated, thus increasing production and recoveries on the BTRP.

Evander Mines

During the financial year, the group spent R47.8 million on refurbishing underground shafts, as the mine relies on kilometres of conveyor belts to move ore and waste rock to a single shaft. Breakdowns caused frequent delays, with repairs and upgrades to the conveyor section continuing until the end of April 2018.

Despite ongoing upgrades, a comprehensive review of Evander Mines' underground operations by in-house and independent experts concluded that continued mining was unsustainable and Evander Mines' large-scale underground operations were consequently ceased.

Currently, limited high-grade stopes are being mined at Evander Mines' 8 Shaft underground operations by a contractor. Management is also evaluating the merits of mining Evander Mines' 8 Shaft pillar. Eventually, a rehabilitation programme will manage the environmental risks of the discontinued shaft, including hazardous materials, open and underground pits, and care of idle plant and machinery. Management will seek to maintain the existing Kinross plant to process feed from surface sources.

Equipment maintenance

All engineering and equipment standards comply with original equipment manufacturer (OEM) guidelines and the Health and Safety Act, as well as our own standard operating procedures (SOPs) and codes of practice (COPs).

As equipment reaches its expiration date, it is generally replaced with higher-technology equipment to keep in line with our internal equipment standards.

Organic growth

Group growth strategies are supported by robust life-of-mine plans. Current exploration drilling as well as activities to access and develop our orebodies were aggressively pursued during the year. To enhance our conversion strategy of Mineral Resources to Mineral Reserves, we prioritise organic-growth projects within the mining value chain. Those projects that are most feasible and will enhance production are placed at the forefront.

GROWTH PROJECTS

Evander Mines	Barberton Mines
Elikhulu	Fairview sub-vertical shaft
Egoli Project	Royal Sheba
	New Consort exploration

SOCIAL AND RELATIONSHIP CAPITAL

COMMUNITY REVIEW

PAN AFRICAN RESOURCES ENDEAVOURS TO BOOST OPPORTUNITIES FOR LOCAL COMMUNITIES WHILE CURTAILING ADVERSE SOCIAL IMPACTS OUR MINING OPERATIONS MAY TRIGGER. WE MONITOR, MEASURE AND MANAGE THE SOCIAL AND ECONOMIC IMPACTS CREATED BY OUR OPERATIONS IN LINE WITH OUR APPROVED SOCIAL AND LABOUR PLANS.

Highlights	Challenges	Looking ahead
• Group spend on CSI, bursaries and LED initiatives totalled R13.6 million (2017: R24.3 million) • Appointment of a dedicated, fulltime community liaison officer at Barberton Mines • With the commencement of Elikhulu's construction, various jobs and entrepreneurship opportunities have become available for the local community	• Addressing issues over local unemployment, procurement and skills development • Job competition has added to divisions in communities already angered by a lack of service delivery • Uncertainty regarding Mining Charter III implementation and other legislation, including NEMA	• Continuing to implement all operations' SLPs • Continuing to engage with the communities surrounding mining operations • Continued engagement with government on legislation

WHY COMMUNITIES ARE MATERIAL TO PAN AFRICAN RESOURCES

Our operations are situated in various communities (see pages 6 and 7) from which our workforce originates. As part of our social licence to operate, we establish and maintain constructive and transparent relationships with these communities to ensure that the group is aware of the needs of its workforce and the population in the surrounding operating environment.

Communities

Material issue	Principal risk	Strategic business pillar
Operating in a safe and healthy environment with continuous stakeholder engagement	• Safety • Reputational – social licence to operate	• Sustainable • Stakeholders • Growth

KEY PERFORMANCE INDICATORS

	Barberton Mines		Evander Mines		Phoenix Platinum		Elikhulu		Corporate office		Group[1]	
	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million
CSI	**2.5**	4.7	**0.1**	–	**–**	0.3	**–**	1.0	**–**	–	**2.6**	6.0
LED	**4.7**	12.2	**2.9**	3.4	**–**	–	**–**	–	**–**	–	**7.6**	15.6
Bursaries	**3.1**	1.8	**0.3**	0.3	**–**	–	**–**	0.6	**–**	–	**3.4**	2.7
Total	**10.4**	18.7	**3.3**	3.7	**–**	0.3	**–**	1.6	**–**	–	**13.6**	24.3

[1] *The commensurate decrease in the group's profitability resulted in the decrease in CSI and LED expenditure.*

SOCIAL AND RELATIONSHIP CAPITAL continued

GROUP OVERVIEW OF PROGRESS

Substantially achieved · Moderate progress · Not achieved

Our focus for 2018	What we achieved	Self-assessment
Continue to uplift the communities in which we operate	Adopt-a-School Foundation: • Barberton Mines revamped a special-needs school in the Emjindini Township in August 2017 • Evander Mines has adopted four schools in the Govan Mbeki area to assist with the repair of infrastructure Involved in the construction of a community clinic in the City of Mbombela Local Municipality area Thirty-one students have been supported with fulltime bursaries in the fields of geology, mining engineering, mechanical engineering, actuarial science, finance, economics and mine surveying in the current financial year	Substantially achieved

MANAGEMENT APPROACH

We support the communities around our operations by:

- driving local development projects for sustainable welfare
- encouraging our suppliers to source local labour
- proactively building relationships with local leaders and ward councillors at the mines.

(See stakeholder engagement on pages 9 and 31 to 33).

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. We annually submit these progress reports to the DMR.

Positively impacting our communities

We continue to drive various community-focused development projects in the areas around our operations. The group also promotes responsible supply-chain management by encouraging our suppliers to support LED where possible.

Social and labour plans

To minimise any negative social impacts from our mining operations, we monitor, measure and manage our social and economic impact in line with approved SLPs.

SLPs cover:

- employment equity
- human resources development
- local economic development
- preferential procurement
- housing and living conditions
- nutrition and health
- adult education.

FAST FACT

- George Harrison discovered the main gold reef on Langlaagte farm in 1886, leading to the Witwatersrand Gold Rush
- After 120 years of operations, gold mining has reached depths of up to 4,000 metres, making these among the deepest mines in the world. At this depth, rock temperatures reach about 50°C and vertical rock pressures around 100MPa
- It is speculated that South Africa still retains at least 50% of global gold reserves

TRANSFORMATION REVIEW

PAN AFRICAN RESOURCES ACKNOWLEDGES THAT INTEGRATING GENUINE TRANSFORMATION 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 MPRDA, Mining Charter and SLPs. The group does not currently rank its BEE 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

THE INCOMING MINING CHARTER III, WHICH IS STILL BEING NEGOTIATED, REMAINS TOPICAL YET, ONCE FINALISED, IT MAY ADDRESS THE PROLONGED REGULATORY UNCERTAINTY IN SOUTH AFRICA'S MINING INDUSTRY.

OWNERSHIP

Pan African Resources has successfully concluded restructuring agreements, replacing the current BEE equity shareholdings in the company held via interests in Concrete Rose Proprietary Limited (Concrete Rose) with BEE shareholdings in SA Holdco, a subsidiary of the company. SA Holdco will house all Pan African Resources' South African mining operations, following implementation of the transaction. Where the previous BEE ownership structure terminates during December 2018, the new BEE structure will only terminate on 31 December 2021, which is a three-year extension of the term of the original BEE transaction.

The rationale and benefits of the transaction are as follows:

- Extension of the BEE ownership structure for a three-year period with limited IFRS charges, due to the extended structure terms, to the group
- The transaction provides flexibility to further restructure the BEE ownership of the South African operations, dependent on the outcome of the proposed third South African Mining Charter and other relevant regulations
- The transaction will avoid BEE ownership dilution, should Pan African Resources raise equity capital in the future
- The transaction will have limited dilution of group earnings.

Following implementation of the transaction, Pan African Resources' BEE ownership is calculated at 26%, comprising 21% in SA Holdco and 5% from its on-mine employee ownership schemes.

Refer to our website for further information. (website link: http://www.panafricanresources.com/about-overview/company-structure/)

EMPLOYEE SHARE OWNERSHIP PROGRAMMES

The group's employee share ownership programmes at our gold operations aim to align the aspirations of employees, management and shareholders. Value is created for beneficiaries based on the profitability of each operation's performance. If these operations declare regular dividends, beneficiaries will receive dividends from the scheme from year one. Details of each operation's share ownership programme are included in the additional sustainability information online.

OPERATIONAL OWNERSHIP

Share ownership programmes at Barberton Mines and Evander Mines are in place and distributing dividends to employees. Employees, through an employee ownership trust, effectively own 5% of the issued share capital of the gold mining operations.

A portion of the dividends disbursed is retained to repay the notional financing structure. The portion retained ranges from 50% to 80% over the period of the scheme. The total BEE ownership of Barberton Mines and Evander Mines equates to 26% by combining the Pan African Resources' BEE ownership and the employee share ownership programme per operation respectively.

MANAGEMENT AND CONTROL

The board has set the following target for its non-executive director representation:

- 25% female
- 40% historically disadvantaged South Africans (HDSA).

Our board includes one black male and one female board director, as at 30 June 2018. The board is currently in the process of interviewing possible candidates to enhance the skills and experience of the board and to improve board representation. The group has also approved a diversity policy to promote race and gender diversity at board level.

SOCIAL AND RELATIONSHIP CAPITAL continued

EMPLOYMENT EQUITY

Historically disadvantaged South Africans

The Mining Charter requires that 40% of specialised functions be filled by HDSAs. Our operations made progress in achieving this goal, especially at management level.

Pan African Resources strives to ensure it has a workforce that is representative of the South African demographics.

Representation of historically disadvantaged South Africans

	Unit	Barberton Mines 2018	Barberton Mines 2017	Evander Mines 2018	Evander Mines 2017	Corporate office 2018	Corporate office 2017
Senior management	(%)	**50**	40	**43**	40	**40**	40
Middle management	(%)	**60**	60	**50**	52	**100**	100
Junior management	(%)	**52**	50.2	**95**	80.5	**100**	100
Women employed at mine	(Number)	**177**	175	**14**	202	**–**	–
Women in mining (core business)	(Number)	**125**	122	**10**	143	**–**	–
Percentage of women in mining/core positions	(%)	**7.1**	6.1	**13**	7.5	**–**	–

HUMAN RESOURCES DEVELOPMENT SPEND

Detail on this pillar is provided on page 82.

PREFERENTIAL PROCUREMENT

Supply chain management

Our primary procurement objective is to control costs, initiate savings and manage inventory across operations through decentralised sourcing, where material group contracts are monitored. In addition, we are committed to increasing spend from black-owned and black women-owned businesses. We are also looking to uplift the communities where we operate, through proactive projects and strategic sourcing.

The table below shows the allocation of procurement spend, relative to the Mining Charter targets, for the group's operations.

	Mining Charter target %	Barberton Mines 2018 %	Barberton Mines 2017 %	Evander Mines 2018 %	Evander Mines 2017 %
Capital goods	40	**91.2**	53.5	**80.5**	75.0
Services	70	**88.6**	90.2	**68.0**	80.9
Consumables	50	**85.3**	90.9	**60.1**	50.2

Procurement governance

Pan African Resources' procurement governance process strives to ensure maximum efficiency and ethical conduct when procuring goods and services within operations. A group procurement policy is in place, and relevant employees at each operation are trained in its procedures and practices. Tender processes are governed by a tender committee at each operation to ensure Pan African Resources and its operations comply fully with all relevant regulations, including the UK Bribery Act 2010.

Contract management

The group's procurement process is decentralised to operations, however, high-value contracts and the procurement of goods and services common to all operations are negotiated and/or overseen by head office.

Transformation trusts

Wherever possible, the group promotes responsible and ethical supply chain management by encouraging suppliers to support local economic development. Transformation trusts for Barberton Mines and Evander Mines generate additional funds to invest back into the community by encouraging their 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, create jobs and promote socio-economic development. A total of R1.2 million (2017: R1.5 million) was collected from suppliers on behalf of Barberton Mines' Transformation Trust (BMTT) during the 2018 financial year. The EMTT has collected R0.06 million from suppliers during the 2018 financial year, with an additional R4.7 million collected from suppliers involved in the construction of Elikhulu, to be used for local economic development projects.

SOCIO-ECONOMIC DEVELOPMENT

Detail on this pillar is provided on the group's website at www.panafricanresources.com.

HOUSING AND LIVING CONDITIONS

In line with the Mining Charter's requirements, the gold mining operations continue to invest in upgrading and converting old hostels into single and family accommodation units at Barberton Mines and Evander Mines, respectively. Employees who do not live in company accommodation receive a housing allowance.

INTELLECTUAL CAPITAL

PROCESSES, SYSTEMS AND TECHNOLOGY

Introducing appropriate technologies and processes to our operations supports:

- improving safety levels as we strive for a zero-harm target
- cost containment and raising efficiencies
- maximising our current and future use of resources.

Highlights	Challenges	Looking ahead
• Improved throughput and recoveries from tailings by introducing a regrind mill at Barberton Mines • The professional manner in which Elikhulu's construction was executed again demonstrates our team's ability to conceptualise, plan and complete • Upgraded IT infrastructure • Geological knowledge of Barberton Mines' greenstone orebodies	• Critical safety considerations • Identifying and executing digital opportunities to enhance business processes • Mining flexibility at Barberton Mines	• Continue improving resource utilisation and lowering costs • The group will invest in people, systems and technologies that make operations more efficient and cost effective • Exploration of potential targets with our mining rights at Barberton Mines

WHY PROCESSES, SYSTEMS AND TECHNOLOGY ARE MATERIAL TO PAN AFRICAN RESOURCES

Processes, systems and technology

Material issue	Principal risk	Strategic business pillar
• Improving productivity and efficiencies • Maximise resource utilisation	• Operational • Regulatory and legal • Financial	• Sustainable • Stakeholders • Profitable • Growth

GROUP OVERVIEW OF PROGRESS

Substantially achieved   Moderate progress   Not achieved

Our focus for 2018	What we achieved	Self-assessment
Increasing gold production	• Installation of a regrind mill to assist with material handling and improved recoveries from treating the Harper dump coarse fraction material	
Construction of the Elikhulu plant	• Elikhulu's inaugural gold pour took place on 16 August 2018, within one year of the commencement of construction. The plant was fully commissioned during September 2018	
Combining the current ETRP processing throughput with the Elikhulu plant's processing capacity	• From December 2018, Elikhulu's processing capacity will increase to 1.2Mt per month by incorporating the existing ETRP throughput into Elikhulu's to benefit from the plant's efficiencies and economies of scale	

MANAGEMENT APPROACH

In the South African gold mining industry, mining operators face the combined challenges of declining ore grades and operating efficiency. Responding effectively can be difficult due to the significant grade variances in orebodies. Other factors are costly infrastructure requirements, distant planning horizons and lengthy implementation timelines. Mining is also intrinsically a high-risk operating environment and significant resources must be allocated to creating safe working environments.

INTELLECTUAL CAPITAL continued

Risk management is integral to achieving safe mining systems and operations. Potential new technologies are scrutinised through a risk assessment process and, if adopted, are applied in terms of risk-based management plans.

Ongoing skills development and training is fundamental to enabling our people to fulfil their own and the group's objectives. A lack of training can be the cause of a fatality and mining disasters.

Innovation

As underground mining becomes less profitable and riskier, Pan African Resources has focused more intently on low-risk efficient gold tailings processing and the BIOX® gold-recovery process, with feedstock from Barberton Mines' high-grade underground operations.

Tailings retreatment

Gold mine tailings are the milled remnants of gold-bearing ore mined from underground shafts over decades of mining. The current weak ZAR gold price environment, and the requirement to rehabilitate tailings dams, has made tailings retreatment to extract the remaining gold a compelling strategic action.

Pan African Resources has built two gold tailings retreatment plants: the first at Barberton Mines, treating the high-grade dumps from the country's oldest gold-mining area, and the second at Evander Mines as a large-scale pilot plant to demonstrate the merits of a larger plant. The success of the ETRP proved that the tailings dumps at Evander Mines could yield some of the most profitable ounces in the Pan African Resources portfolio and led to the decision to invest in Elikhulu.

The group intends obtaining more than 50% of its annual gold production from low-cost, low-risk tailings operations, which have years of production potential locked up in on-site tailings dumps.

BIOX®

Originally developed at Barberton Mines by Gencor, the BIOX® process exposes the gold in sulphide minerals for subsequent cyanidation and raises the overall recovery of gold ounces.

The BIOX® process only works with specific ores, such as those found in Barberton, and offers numerous advantages, such as:

- environmentally friendly
- higher gold-recovery rates
- significantly lower capital costs to develop and operate
- robust technology well suited to remote locations
- relatively low skill levels required to operate
- continuous improvement through ongoing process development.

Aster™ water treatment technology

Fairview Mine has invested in patented biotechnology to destroy thyocianate and cyanide in water used in the gold-extraction process. This water can then be piped to the BIOX® processes.

The Aster™ process delivers considerable cost savings and reduces cyanide levels, which lessens environmental impacts.

Research, development and mineral exploration

Our growth strategy is based on identifying and exploiting mining opportunities that feature:

- low-cost operations
- sufficient Mineral Resources and Reserves
- economically viable grades
- sufficient margins for profitability.

Geological expansion

The range of disciplines required at mines and in mine planning includes geology, surveying, planning, and mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management.

Geological knowledge

The group has over 130 years of consecutive mining experience on the Barberton Greenstone Belt orebodies. The Barberton Greenstone Belt is the only Greenstone complex actively being mined for gold, on a large scale, within South Africa. It is differentiated from the Witwatersrand gold deposit through extreme metamorphism and high variability in gold mineralisation. Currently, Pan African Resources is the only mining operator active within the Barberton Greenstone Belt.

FAST FACT

- Barberton Mines is the birthplace of BIOX® and is still used as the training facility for all BIOX® plants globally
- The BIOX® process destroys the sulphide minerals and exposes the gold for subsequent cyanidation, thereby increasing the overall gold recovery that can be achieved

INFORMATION AND TECHNOLOGY

THE RAPID EVOLUTION OF TECHNOLOGICAL INNOVATION OVER THE LAST DECADE HAS BROUGHT NEW CHALLENGES AND OPPORTUNITIES TO THE MINING INDUSTRY. PAN AFRICAN RESOURCES IS RESPONDING TO THIS CHANGE THROUGH TARGETED INVESTMENTS IN PEOPLE THROUGH NEW TECHNOLOGIES.

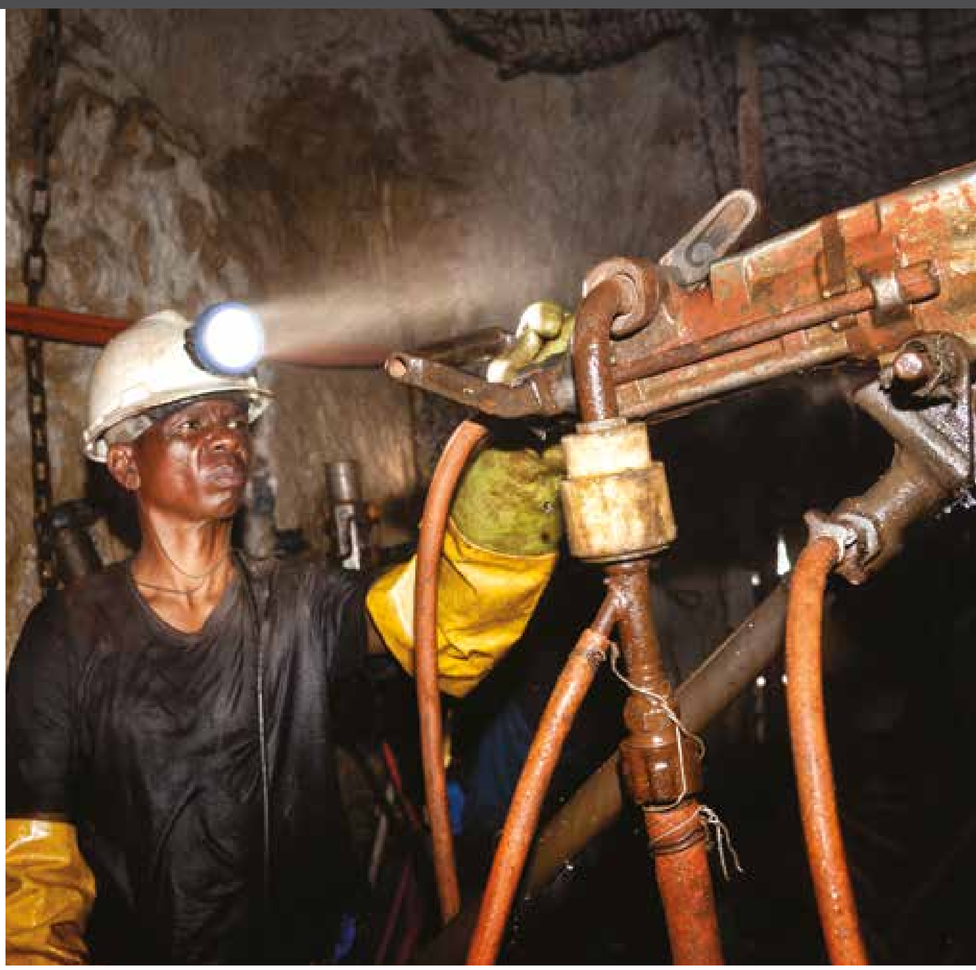
Highlights	Challenges	Looking ahead
• Maximising uptime through implementation of increased virtual server network capacity	• Ensuring continuous connectivity at our operations due to their remote locations	• A programme is underway to review the group's compliance with the Protection of Personal Information Act (POPI) in terms of storage of both electronic and hard copy information records
	• Improving user awareness to combat cybercrime	• Continuous cybercrime prevention through detailed internal and external penetration testing of our networks by specialist third-party consultants

MANAGEMENT APPROACH

There is increased exposure to cyber-attacks following with the integration of technology platforms and the increased use of technology. Cyber-attacks have become more frequent and sophisticated throughout the world.

The board is responsible for technology and information governance, which is governed by an IT charter. The framework consists of an information technology (IT) steering committee that includes the financial director, the chief information officer, and the 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 regularly updated on the group's technology and information performance.

Each operation has formal business continuity and disaster management plans, which are directly overseen by mine general managers.



NATURAL CAPITAL

ENVIRONMENT REVIEW

PAN AFRICAN RESOURCES IS COMMITTED TO MONITORING, MEASURING AND MANAGING OUR ENVIRONMENTAL IMPACT – A RESPONSIBILITY OF THE EXTRACTIVE INDUSTRY.

Highlights	Challenges	Looking ahead
• No environmental fines across all operations • Continue to systematically monitor environmental data using the group SHEQC system	• Behaviour and culture towards environmental compliance and awareness	• Achieving zero environmental fines • Commencement of Evander Mines' rehabilitation programme

WHY NATURAL RESOURCES ARE MATERIAL TO PAN AFRICAN RESOURCES

Our business depends on the environment and its natural resources – land, water and air. We are committed to stewarding these resources responsibly by eliminating or minimising our environmental impact and improving our environmental performance.

Environment

Material issue	Principal risk	Strategic business pillar
• Respecting the environment • Operating in a safe and healthy environment with continuous stakeholder engagement	• Environmental • Regulatory and legal • Reputational – social licence to operate	• Sustainable • Stakeholders • Profitable • Growth

KEY PERFORMANCE INDICATORS

		Barberton Mines		Evander Mines	
	Unit	2018	2017	2018	2017
Total water consumption	(000m^3)	**14,587**	2,088	**16,675**	25,395
Total electricity consumption	(GJ)	**933,744**	463,951	**1,397,695**	1,521,811
Total GHG emissions	(tCO_2e/t milled)	**0.12**	0.12	**0.12**	0.09
Environmental fines and penalties	(Number)	**–**	–	**–**	–

GROUP OVERVIEW OF PROGRESS

Substantially achieved | Moderate progress | Not achieved

Our focus for 2018	What we achieved	Self-assessment
Maintaining zero environmental fines	• No environmental fines	
Ensuring all operations have zero significant environmental incidents	• Two reported environmental incidents occurred at Barberton Mines as a result of residue flowing into Snyman's Creek • Five reported environmental incidents occurred at Evander Mines as a result of water overflows and pipeline failures	
Continuing to monitor and review the SHEQC dashboard	• All operations' environmental information has been captured into the SHEQC system and ongoing monitoring takes place	
Ensuring compliance with water-use licence conditions to prevent pollution	• All operations comply with water-use licence conditions • There was an amendment to the water-use licence at Evander Mines to incorporate Elikhulu in August 2017	
Ensuring compliance with approved mining rights, prospecting rights and environmental management programmes	• Rehabilitation of Evander Mines' Kariba dam is in progress	

MANAGEMENT APPROACH

Environmental legal compliance	• Achieving zero penalties for environmental breaches, ensuring compliance with water-use licence conditions and environmental management plans, and that air quality remains within legal limits
Environmental risk management	• Evaluating environmental risks associated with activities, products and services, and taking appropriate action to minimise potential risks
Water management	• Reducing water incidents and incidental overflow to minimise the impact on surrounding communities and the environment
Energy management	• Achieving our internal environmental targets to reduce the group's carbon footprint
Waste management	• Reducing, reusing and recycling waste to minimise the impact on surrounding communities and the environment
Biodiversity management	• Ensuring the tailings and pollution control dams are continuously monitored to avert potential negative biodiversity impacts

Environmental governance and legislation

The group monitors adherence to mining-related legislation (see below) through a robust SHEQC governance framework, which contains specific environmental guidelines. All operations have closure plans in place.

We are aware of the pending carbon taxation legislation and have taken steps to enhance environmental monitoring through the SHEQC dashboard. This dashboard collates environmental information to calculate the group's carbon emissions.

The Waste Management Act, promulgated in November 2015, requires mines to line new tailings dams. We will ensure compliance with any new tailings activities.

The group is mindful of climate change, as set out in the group SHEQC policy. All indicators impacted by climate change are regularly monitored. Waste dump design and management, and the pumping of underground water, are part of the day-to-day activities of the mines.

None of these risks are deemed to have a significant financial or environmental impact on the group due to the controls in place.

Key environmental legislation regulating the mining industry:

- Mineral and Petroleum Resources Royalty (Administration) Act, 2008
- National Environmental Management Act, 1998
- National Water Act, 1998
- National Nuclear Regulator Act, 1999
- National Environmental Waste Act, 59 of 2008
- Air Quality Amendment Act, 20 of 2014.

Radiation

The group's operations have been assessed and classified as low risk due to the low levels of radiological exposure, with radiation levels monitored quarterly by a radiation protection officer. Radiological clearances are conducted at decommissioned sites to ensure the future classification of these areas. Evander Mines is the holder of a Certificate of Registration (COR 046) issued by the National Nuclear Regulator.

NATURAL CAPITAL continued

The group's operations have implemented a group environmental management system, which aligns to ISO14001. Environmental impact assessments are conducted at all operations with impact and aspect registers available for each operation. These are reviewed annually to ensure legislative compliance. Risk registers are reviewed quarterly and reported to the group SHEQC manager, who elevates any material issues to the SHEQC sub-committee.

All operations have assessed the environmental risk associated with the transport of goods and materials and found no significant environmental impact. Any cyanide transported to Barberton Mines and Evander Mines is delivered by a supplier-approved transporter. Emergency response trailers are stationed on site at Barberton Mines, BTRP and Evander Mines to deal with spillages.

Water management

All operations hold approved water-use licences issued by the Department of Water and Sanitation Affairs. Contamination of water sources is our most significant risk in terms of negatively impacting on local communities. Drilling and blasting underground releases groundwater, which is pumped to the surface where it is recycled for use in the mining or metallurgical processes in a closed circuit. Any excess water evaporates in approved ponds. Rainwater collected on tailings dams and in pollution control dams is part of the mine water system.

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

Environmental legislation: Fines and incidents

No environmental fines were issued. Two environmental incidents were reported at Barberton Mines and five environmental incidents were reported at Evander Mines during the year under review.

Barberton Mines' amended Environmental Management Plan (EMP) was approved by the DMR in August 2017. The DMR approved Evander Mines' amended EMP in September 2013 and its water-use licence (including Elikhulu) in August 2017.

Training and awareness

Environmental awareness training is conducted at group operations during induction, and refresher training is provided when employees return from leave. In addition, monthly awareness training focuses on specific environmental topics.

Due to behaviour and culture challenges experienced across operations, the group will focus on reinforcing an employee culture shift towards environmental awareness and accountability.

Energy and greenhouse gas emissions management

Energy management is based on energy efficiency and climate change, which aligns to the group SHEQC policy. This is driven by the need to reduce energy consumption and greenhouse gas (GHG) emissions and includes promoting energy efficiencies at the group's operations.

Emissions at all operations are closely monitored and tracked. The group applied the GHG Protocol and emissions factors published by Eskom to establish direct and indirect emissions.

Waste management

Waste at operations is managed in line with the group SHEQC policy and the legal requirements of the National Environmental Waste Act, 59 of 2008 and the National Waste Management Strategy. All operations apply the 3Rs principle – reduce, reuse and recycle – to minimise the impact of waste production on community health and the environment.

Internal audits ensure compliance with internal procedures. All waste is disposed of responsibly and sent for recycling where applicable. Waste disposal suppliers are appropriately certified.

Operational waste includes mineral and non-mineral waste. Mineral waste, e.g. waste rock, is mostly waste generated from gold production, while non-mineral waste is generated from processing operations and produced in smaller volumes than mineral waste. This non-mineral waste, e.g. plastics, steel, paper and timber, is managed by recycling, reuse, offsite treatments, and disposal or on-site landfills. The group's operations ensure responsible storage, treatments and disposal of non-mineral waste in an environmentally responsible way.

The group uses material safety data sheets to identify and manage potentially hazardous materials and waste. There were no significant spills at any of the operations during the year.

FAST FACT

- The low-technical-risk nature of tailings retreatment projects sets them apart from traditional underground operations. They are certainly not as labour intensive and, with the reduced risk, present an opportunity to achieve benchmark safety statistics. In addition, these operations are socially and environmentally responsible routes to pursue

ENVIRONMENTAL PROTECTION

Expenditure on environmental protection

	Barberton Mines		Evander Mines		Phoenix Platinum		Uitkomst Colliery		Group	
	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million
Pollution control and prevention	**1.4**	0.9	**0.7**	0.6	**–**	–	**–**	1.6	**2.1**	3.1
Rehabilitation	**0.5**	1.2	**23.1**	0.5	**–**	–	**–**	–	**23.6**	1.7
Environmental – operational	**1.1**	0.9	**0.9**	0.5	**–**	0.5	**–**	2.4	**2.0**	4.3
Total	**3.0**	3.0	**24.7**	1.6	**–**	0.5	**–**	4.0	**27.7**	9.1

The group's expenditure on environmental protection was R5.1 million (2017: R9.1 million) for the year under review. Barberton Mines' expenditure remained consistent for the year under review, however, Evander Mines' operational and rehabilitation expenditure increased for the year under review. Evander Mines' increase was largely due to the Kariba dam rehabilitation expenditure of R22.6 million. Uitkomst Colliery was disposed of in the prior year, thus resulting in a decline in the group's environmental protection spend.

Land rehabilitation funds

	Barberton Mines		Evander Mines		Corporate office	
	2018 R million	2017 R million	2018 R million	2017 R million	2018 R million	2017 R million
Total	**50.6**	44.4	**313.7**	276.2	**364.3**	320.6

Land rehabilitation minimises and mitigates the environmental effects of mining. Rehabilitation management of the group's operations is an ongoing process. The rehabilitation fund had a balance of R364.3 million (2017: R320.6 million) at year-end, which increased by R43.7 million due to contributions of R26.2 million and interest earned of R16.9 million. The funds available from contributions are held within Pan African Resources Group Rehabilitation Trust and a Cenviro insurance investment product, underwritten by Centriq Insurance Company Limited. The funds are invested in interest-bearing accounts and equity investments within the insurance investment product.

TAILINGS AND THE BIOX® PROCESS

TAILINGS | MINE DUMPS | SLIMES | LEACH RESIDUE | SLICKENS

Tailings are the leftover, mud-like materials of mining processes that separate valuable gold from surrounding host rock. The BIOX® process is a pre-cyanidation treatment of refractory gold ores or concentrates that allows further gold recoveries from mine tailings.

Waste materials from metal mining often contain substantial amounts of precious metals not easily accessed through historic mining operations. With modern mining technologies and processes, tailings are more efficiently retreated.

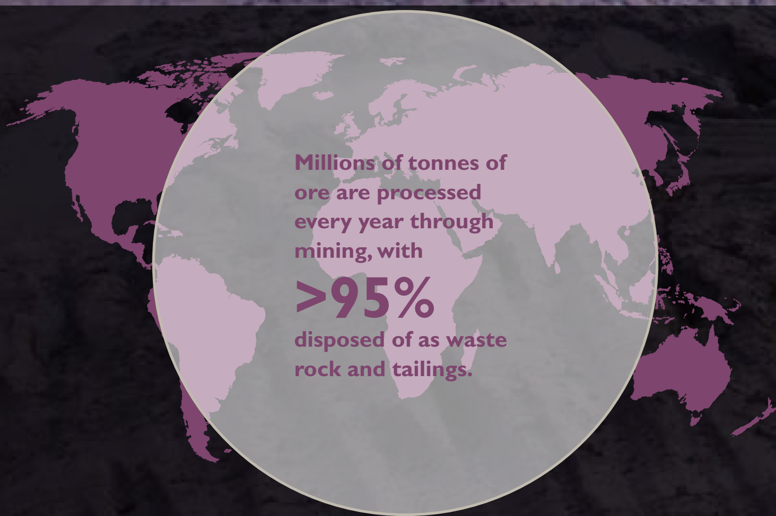
The mining process partly processes a portion of the tailings, making the cost of extracting residual metals more economically attractive than mining a deeply buried primary orebody.

The BIOX® process involves using naturally occurring bacteria to extract gold and other precious metals from ores. It concentrates the metal through biological oxidation.

The bacterial culture is made up of the *Acidithiobacillus ferrooxidans, Acidithiobacillus thiooxidans* and *Leptospirillum ferrooxidans* bacteria. These destroy sulphide minerals occurring in the tailings to expose the gold for subsequent cyanidation. This process significantly increases the overall gold recovery.

The BIOX® bacteria are placed into giant steel reactors that mimic ideal living conditions through the addition of air and nutrients, allowing the bacteria to extract metals much faster than in their natural environment. Maintaining a stable diet and environment will ensure they continue to thrive.

Tailings are finely ground rock particles produced during ore processing and base metal separation. They are highly reactive due to their small particle size and reactive mineral content – such as pyrite – and contain precious metals not yet separated by flotation processes.



TRANSPARENCY AND ACCOUNTABILITY

Benefits of pursuing tailings operations:
- **Less labour intensive and lower costs, technical and safety risks**
- **Socially and environmentally responsible**
- **Increased working life of existing mines**
- **Revival of abandoned mine sites**
- **Removes environmental toxins.**

Gold is the only naturally occurring yellow metal. It requires no oxidation or reaction to other chemicals to attain its golden colour.

According to a Mintek database, over 446 gold tailings dumps span more than 18,000ha across Johannesburg.

AU

Gold is the most malleable and ductile element. One ounce of gold can be hammered into a transparent sheet 0.18 microns thick.

BOARD OF DIRECTORS

COMMITTEE LEGEND

Audit | Remuneration | SHEQC | Social and ethics

NON-EXECUTIVE DIRECTORS

1

KEITH SPENCER (68)

Qualifications: BSc Eng (mining)

Designation: Independent non-executive director – Chairman

Appointed: 8 October 2007

Committee member: Audit, Remuneration, SHEQC *(Chairman)*

2

HESTER HICKEY (64)

Qualifications: CA(SA), BCompt (Hons)

Designation: Independent non-executive director

Appointed: 12 April 2012

Committee member: Audit *(Chairman)*, SHEQC

3

THABO MOSOLOLI (48)

Qualifications: BCom (Hons), CA(SA)

Designation: Independent non-executive director

Appointed: 9 December 2013

Committee member: Audit, Remuneration, Social and ethics *(Chairman)*

4

ROWAN SMITH (54)

Qualifications: BSc (Hons), BCom (Hons)

Designation: Independent non-executive director

Appointed: 8 September 2014

Committee member: Remuneration *(Chairman)*

EXECUTIVE DIRECTORS

5

COBUS LOOTS (40)

Qualifications: CA(SA), CFA® Charterholder

Designation: Executive director – Chief Executive Officer

Appointed: 26 August 2009

Committee member: SHEQC

6

DEON LOUW (56)

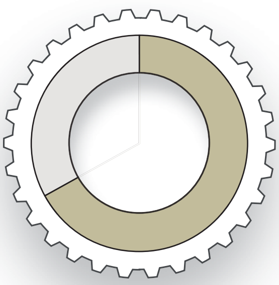
Qualifications: CA(SA), CFA® Charterholder, H-Dip (Tax Law), AMCT (UK)

Designation: Executive director – Financial director

Appointed: 1 March 2015

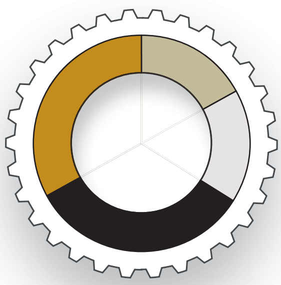
Committee member: Social and ethics

BALANCE OF BOARD



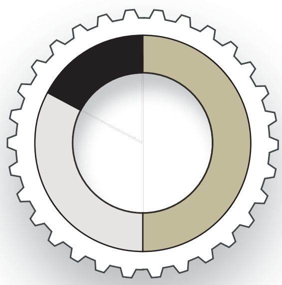
- **67%** Independent directors
- **33%** Executive directors

AGES OF BOARD



- **17%** 30 to 40 years
- **17%** 40 to 50 years
- **33%** 50 to 60 years
- **33%** Above 60 years

TENURE OF BOARD



- **50%** Three to six years
- **33%** Six to nine years
- **17%** Above nine years

1

KEITH SPENCER (68)

Qualifications: BSc Eng (mining)

Designation: Independent non-executive director – Chairman

Appointed: 8 October 2007

Committee member: Audit, remuneration, SHEQC *(Chairman)*

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 as a 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'Okiep Copper Company, Barberton Mines and Metmin Manganese Mine. In 2001, Keith became operations director for Metorex.

2

HESTER HICKEY (64)

Qualifications: CA(SA), BCompt (Hons)

Designation: Independent non-executive director

Appointed: 12 April 2012

Committee member: Audit *(Chairman)*, SHEQC

Skills and experience

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 chairman of SAICA. She currently serves on the following boards: Northam Platinum Limited, Cashbuild Limited, Barloworld Limited and African Dawn Capital Limited.

3

THABO MOSOLOLI (48)

Qualifications: BCom (Hons), CA(SA)

Designation: Independent non-executive director

Appointed: 9 December 2013

Committee member: Audit, remuneration, and social and ethics *(Chairman)*

Skills and experience

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 chief operating officer of Sun International, responsible for the South African operations, and continues to operate MFT Investment Holdings, a family-owned investment company strategically placed to capitalise on BEE investment opportunities.

4

ROWAN SMITH (54)

Qualifications: BSc (Hons), BCom (Hons)

Designation: Independent non-executive director

Appointed: 8 September 2014

Committee member: Remuneration *(Chairman)*

Skills and experience

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 several 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 an adviser to Athena Capital and a director of Hlanganani Capital.

5

COBUS LOOTS (40)

Qualifications: CA(SA), CFA® Charterholder

Designation: Executive director – Chief executive officer

Appointed: 26 August 2009

Committee member: SHEQC

Skills and experience

Cobus qualified as a chartered accountant with Deloitte & Touche in South Africa. Prior to joining Pan African Resources on a fulltime basis, he held the title of managing director of Shanduka Resources. Shanduka Resources was a mining investment business and part of the Shanduka Group, which was headed by Cyril Ramaphosa, prior to his move into South African government. During his time at Shanduka, Cobus oversaw and managed investments in a number of large South African mining concerns, and successfully grew a multi-commodity South African mining group. Cobus has also managed transactions and mining investments in other Southern African jurisdictions. He has been a director of Pan African Resources since 2009. Cobus served as financial director of Pan African Resources from 2013 until his appointment as chief executive officer on 1 March 2015. He has almost 15 years of management and investment experience in the African mining environment and has successfully executed several value-accretive projects and transactions during his time at Pan African Resources, while also driving the group's current production strategy of safe, low-cost and sustainable gold ounces.

6

DEON LOUW (56)

Qualifications: CA(SA), CFA® Charterholder, H-Dip (Tax Law), AMCT (UK)

Designation: Executive director – Financial director

Appointed: 1 March 2015

Committee member: Social and ethics

Skills and experience:

Deon has extensive finance and business experience, which includes investment banking, advisory and business administration in the finance and mining sectors. He articled at Ernst & Young, gaining extensive exposure to the gold mining sector and manufacturing enterprises. Post articles, he joined Finansbank, a subsidiary of the Nedcor Group, and was involved in the administration of project finance transactions in the domestic market. He was a founding member of Investec Bank's Emerging Market Finance team and was involved in the financing of mining transactions in sub-Saharan Africa for more than a decade. He has fulfilled the roles of chief financial officer of Shanduka Coal, financial director of Sentula Mining Limited, director of Resource Finance Advisers and head of Resource Structured Finance at Investec Bank. Deon was appointed as financial director on 1 March 2015.

EXECUTIVE AND OPERATIONS MANAGEMENT

EXECUTIVE MANAGEMENT (EXCO)

COBUS LOOTS (40)
Chief executive officer
Qualifications: CA(SA), CFA® Charterholder
15 years' mining-related experience

DEON LOUW (56)
Financial director
Qualifications: CA(SA), CFA® Charterholder, H-Dip (Tax Law), AMCT (UK)
27 years' mining finance-related

ANDRÉ VAN DEN BERGH (62)
Executive: Operations and human resources
Qualifications: Diploma in Human Resources Management, diploma in Labour Relations Management
Committee member: SHEQC, social and ethics
43 years' mining-related experience

OPERATIONS COMMITTEE (OPSCO)

NEAL REYNOLDS (35)
Group financial controller
Qualifications: BCom Accounting (Hons), CA(SA)
10 years' mining-related experience

LAZARUS MOTSHWAIWA (41)
General manager: Evander Mines
Qualifications: Diploma in Mining Engineering, BTec Mining Engineering
19 years' mining-related experience

MTHANDAZO DLAMINI (31)
Financial controller
Qualifications: BCom Honours Accounting, CA(SA)
5 years' mining-related experience

BERT VAN DEN BERG (34)
Group mining engineer
Qualifications: BSc Mining Engineering, Mine Managers Certificate of Competency
15 years' mining-related experience

JONATHAN IRONS (52)
Metallurgy manager
Qualifications: NHD Extractive metallurgy, MDP Business Administration and Management
38 years' mining industry experience

JAN THIRION (57)
General manager: Barberton Mines
Qualifications: National and Higher National diplomas in Metalliferous Mining, B Tech Mining
36 years' mining-related experience

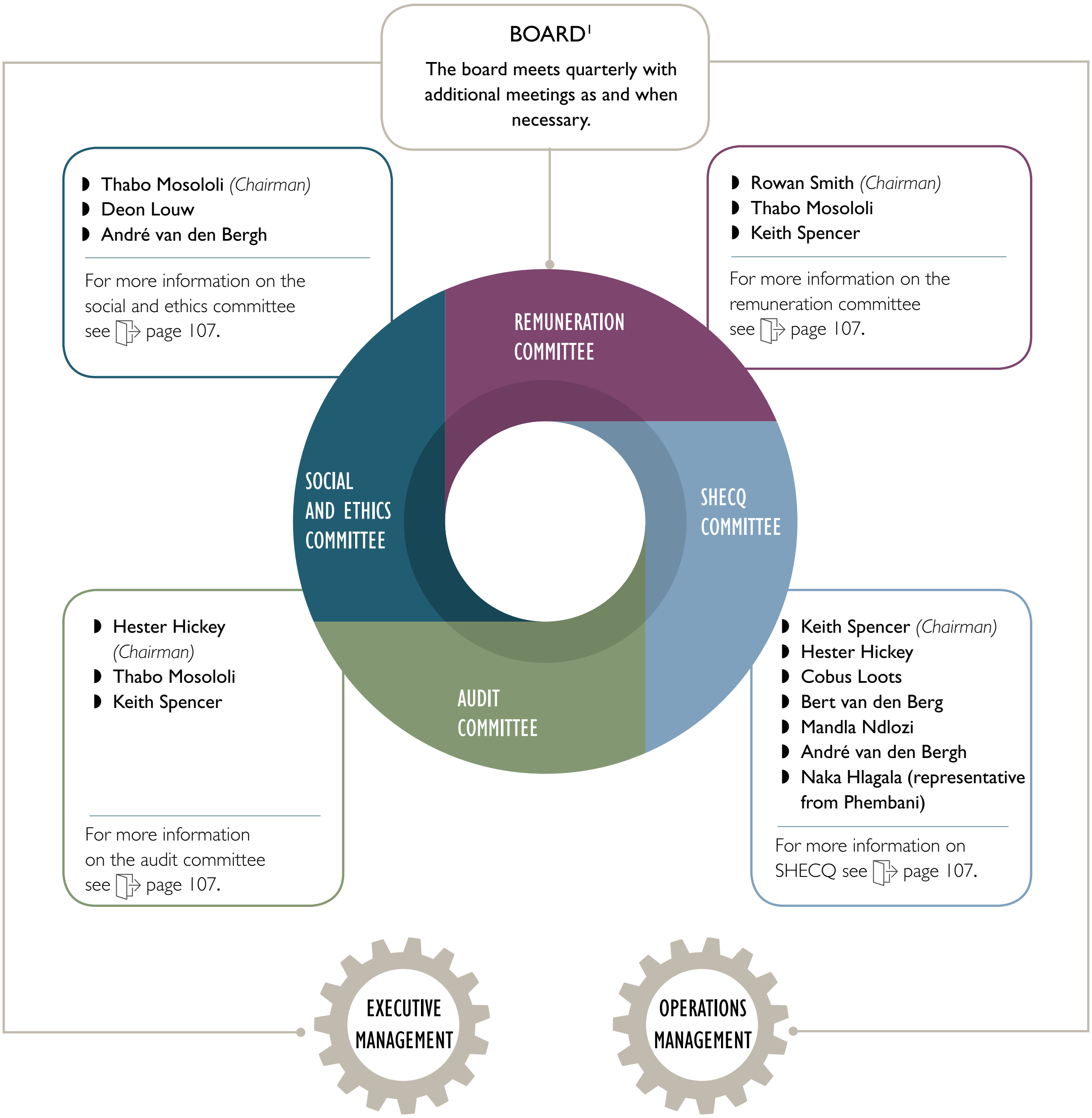
BARRY NAICKER (45)
Group mineral resource manager
Qualifications: MEng Mineral Resource Management (Wits), Grad Dip Engineering (MRM), BSc (Hons) Geology and Economic Geology
17 years' mining-related experience

NIEL SYMINGTON (37)
Group management accounting and IT manager
Qualifications: BCom Accounting, AGA (SA), Professional Accountant (SA)
10 years' mining-related experience

MANDLA NDLOZI (47)
Group SHEQC manager
Qualifications: NADSM (Unisa), EIA (PU for CHE), MDP (GIBS), SAMTRAC (NOSA), Integrated SHEQ Management (NWU)
19 years' mining-related experience
Committee member: SHEQC

CORPORATE GOVERNANCE

THE BOARD IS COMMITTED TO RESPONSIBILITY, ACCOUNTABILITY, FAIRNESS AND TRANSPARENCY THROUGH ITS ETHICAL LEADERSHIP. THE BOARD ALSO INTEGRATES RESPONSIBLE CORPORATE CITIZENSHIP INTO THE GROUP'S BUSINESS STRATEGY, AUDITS AND ASSESSMENTS AND EMBEDS SOUND CORPORATE GOVERNANCE PRACTICES INTO DAILY OPERATIONS AND PROCESSES THROUGHOUT THE GROUP.



[1] *Non-executive directors on the board perform the function and responsibility of the nominations committee.*

GOVERNANCE FRAMEWORK

The board is ultimately responsible for the group's governance structure and framework and is supported by its four sub-committees, as depicted in the framework on page 103. This framework includes a delegation of authority process where the daily management of the group is delegated to the chief executive officer and Exco, without abdicating the board's responsibility. Operationally, Exco is supported by Opsco, which incorporates the general managers at all mining operations and key corporate office employees.

The standards of disclosure relating to corporate governance at the group are regulated by the UK Companies Act, the SA Companies Act[1], AIM Rules, the JSE Listings Requirements and King IV™. 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.

[1] *SA Companies Act applicable to the South African entities.*

THE BOARD

The 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, corporate governance. In doing so, it ensures the group remains a responsible corporate citizen, cognisant of the impact its operations may have on the environment and society in which the group operates, while acting in accordance with its own code of conduct.

At the reporting date, Pan African Resources' unitary board comprised six directors. The chairman, Keith Spencer, is an independent non-executive director and the responsibilities of the chairman and the chief executive officer are separate. Executive directors are the chief executive officer and the financial director. Brief CVs of all directors are provided on page 101. Exco and Opsco are invited to attend for *ad hoc* presentations to the board.

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 Exco and Opsco, 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. The board satisfied its responsibilities during the year in compliance with its charter. A copy of the board charter is available from the company secretary on request.

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

Chairman's responsibilities include:

- setting the ethical tone for the board and the group
- providing effective leadership based on sound ethical principles
- formulating the board's annual agenda together with the chief executive officer to align with the group's strategic direction
- presiding over board meetings and encouraging robust debates
- continually engaging with the chief executive officer
- monitoring the board's effectiveness and assessing the performance of individual directors
- fostering positive relationships with shareholders and strategic stakeholders to build trust and confidence in the group
- presiding over annual general meetings

Chief executive officer's responsibilities include:

- developing the group's long-term strategy for board consideration and approval, monitoring and managing execution of group strategy and critical deliverables
- creating a positive and constructive working environment conducive to attracting and retaining employees
- ensuring adequate succession planning for the executive management team
- developing annual budgets that support the group's strategy
- monitoring and reporting to the board on the group's performance
- establishing an organisational structure that enables execution of the group's strategy
- ensuring that the group complies with all relevant laws and corporate governance principles
- ensuring constructive relationships with critical stakeholders

BOARD ACTIVITIES

The key focus areas and issues discussed during the financial year are tabled below:

Focus areas	Key issues discussed in 2018
Strategy and operational execution	• Approved the disposal of Phoenix Platinum • Approved the investment in Elikhulu and material contracts associated with the construction • Monitored operational challenges and remedial actions implemented at Barberton Mines • Approved the cessation of large-scale mining at Evander Mines' underground operations and related activities • Reviewed and approved the group's general growth strategy • Approved the surface drilling programme at Royal Sheba and approved the feasibility study process • Reviewed the Egoli Project feasibility as a source of future production at Evander Mines • Reviewed and considered potential acquisitions during the course of the year • Reviewed group capital spend and new initiatives
Risk management	• Review of the proposed Mining Charter's impact on future mining investment in South Africa and on the group • Monitoring safety performance and improvement measures implemented at operations • Monitoring progress on Elikhulu construction • Monitoring group cash flow performance, projections and debt covenant compliance • Monitoring group mining licence and related regulatory compliance • Considering the impact of South Africa's sovereign credit rating downgrade on the group's operations • Considering the impact of the cessation of large-scale mining at Evander Mines' underground operations on the group • Approval of a risk policy for the group • Oversight of group's hedging activities
Governance	• Considered the King IV™ Report and Listings Requirements (JSE and AIM) • Considered other relevant regulations and requirements applicable to the group
Stakeholder engagement	• Monitoring engagement with unions and the workforce during wage negotiations and other employee-related matters • Approval of strategy related to engagement with communities of the mining operations to avoid future disruptions • Obtained all requisite approvals from the AGM and general meetings held during the financial year

The board ensures 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.

BOARD COMPOSITION

The board reflects a balance of executive and non-executive directors, the majority of whom are independent. More importantly, it reflects considerable experience in mining, business and related activities and collectively has a wealth of industry knowledge, adding depth to board discussions. 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 considered.

DIRECTOR INDEPENDENCE

Independence is determined through criteria set out in King IV™, which includes an assessment of the individual directors' character and judgement, as well as any relationships or circumstances that could appear to affect their independence. The board also continuously assesses each director's performance and tenure if it exceeds nine years. Based on this assessment, the board is satisfied that its independent non-executive directors are independent.

ROTATION AND RE-ELECTION OF DIRECTORS

In terms of the JSE Listings Requirements 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 AGM on a rotation basis. The directors to retire are those who have been longest in office since their last election or re-election. Retiring directors may make themselves available for re-election if they remain eligible as required by the constitutional documents and in compliance with the AIM Rules and JSE Listings Requirements. Accordingly, Cobus Loots and Deon Louw 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 page 101.

BOARD EVALUATION

An annual effectiveness self-evaluation is undertaken in respect of the board and its sub-committees and, for the year under review, the board is satisfied that it and its sub-committees operated effectively. The board is satisfied that the evaluation process is improving its performance and effectiveness.

In addition, the chairman also ensures the board operates effectively by regularly engaging with the non-executive directors on their performance and other matters that may need to be raised with Exco.

Any pertinent matters of concern are conveyed by the chairman to the chief executive officer and filtered down to Exco.

ETHICAL LEADERSHIP

Pan African Resources is committed to the highest standards of personal and professional ethical behaviour and its leadership endeavours to instil a culture of ethical behaviour that permeates throughout the group. The group's code of conduct sets out the group's values and practices over and above requirements of formal governance codes and legal requirements. It is designed to provide guidance on ethical conduct in all areas and across all activities.

Pan African Resources has a zero-tolerance approach to bribery and corruption. Furthermore, to ensure compliance with the UK anti-bribery act, a separate anti-bribery and anti-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. Employees working in areas identified as being particularly high risk will receive additional training and support in identifying and preventing corrupt activities. 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. The board is notified if there are any material ethical breaches. No breaches by senior group employees were reported during the year.

SHARE DEALINGS

All group employees at Paterson Grading D and above (which includes Exco and Opsco) 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 AIM and JSE Listings Requirements, or while the company is trading under a cautionary announcement. In the event employees have access to price-sensitive information during open periods, employees are restricted from dealing in Pan African Resources shares. 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, where applicable, regulatory approval is obtained. There were no contraventions of this policy during the year.

NEW APPOINTMENTS

The board[1] identifies, interviews and proposes potential candidates to the board. The board evaluates individuals in the context of the board's skill set and experience as a whole. The objective remains to have a board that can best perpetuate our success and represent shareholder interests through the exercise of sound judgement, using its diverse experience. The group ensures all new directors are informed of 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 an introductory pack which includes the latest annual and interim results, integrated annual report and minutes of previous board meetings to assist in their understanding of the group's business.

1 Non-executive directors on the board perform the function and responsibility of the nominations committee.

ONGOING DEVELOPMENT

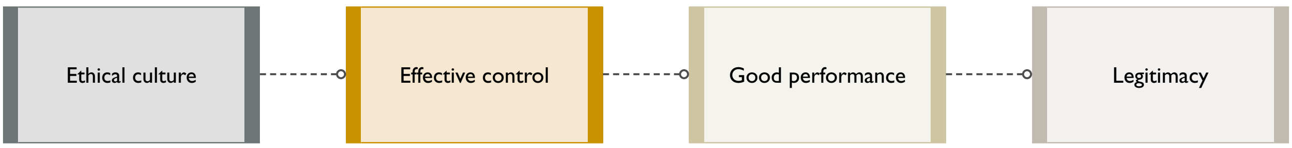
Directors who are chartered accountants comply with SAICA's continued professional development requirements. The UK-based Nomad ensures the directors remain up to date with AIM regulations, while the South African sponsor ensures the same regarding JSE Listings Requirements. The company secretary and the chairman of the audit committee are responsible for keeping the board abreast of new legislation, recommendations and best practice.

KING IV™

Following the launch of the King IV™ Report in November 2016, the board has familiarised itself with the requirements of the report. Pan African Resources benchmarked its governance practices against the principles of King IV™ and has included its 2018 King IV™ checklist on the group's website at http://www.panafricanresources.com/wp-content/uploads/KING-IV-REPORT-FINAL.pdf.

BOARD COMMITTEES

Pan African Resources has an audit committee, remuneration committee (Remco), SHEQC committee, and a social and ethics committee to assist the board in discharging its collective responsibility of corporate governance. The non-executive directors perform the function and responsibility of the nominations committee. All committees have satisfied their responsibilities during the year in compliance with formal charters. A copy of these charters is available from the company secretary on request.



The table below details the key issues discussed during the year under review:

Committee	Members	Key issues discussed in 2018
Audit committee	• Hester Hickey *(Chairman)* • Thabo Mosololi • Keith Spencer Invitees • Cobus Loots *(Chief executive officer)* • Deon Louw *(Financial director)* • External auditors, internal auditors and financial executives	• Approved the group's integrated annual report for 30 June 2018 • Approved interim report for 31 December 2017 • Reviewed internal and external audit reports • Monitored the group's risk appetite and tolerance levels • Reviewed financial implications of the Elikhulu funding and the Phoenix Platinum disposal • Approved internal and external audit fees • Monitored auditor independence • Monitored internal audit programme • Evaluated the financial director and the finance department
Remuneration committee	• Rowan Smith *(Chairman)* • Thabo Mosololi • Keith Spencer Invitees • Cobus Loots *(Chief executive officer)* • Deon Louw *(Financial director)* • Andre van den Bergh *(Group executive: HR and operations)*	• Ensuring an effective process for the cessation of large-scale mining at Evander Mines' underground operations before financial year-end, in compliance with all applicable legislation • Ensuring that salary adjustments were in line with the group's remuneration philosophy and within the industry peer benchmarks provided by PwC Remchannel market analysis and other sources • The group regularly reviews, monitors and ensures compliance in terms of stipulated employment equity targets and other requirements • Review and implementation of corporate overheads restructuring to appropriately align corporate resources with operational requirements, following the cessation of large-scale mining at Evander Mines' underground operations and Elikhulu's commissioning • Review and replacement of the senior executives' share option scheme with a new scheme incorporating clear and objective targets and aligning with the interests of shareholders
SHEQC committee	• Keith Spencer *(Chairman)* • Hester Hickey • Cobus Loots • Bert van den Berg • Mandla Ndlozi • André van den Bergh • Naka Hlagala Invitees • General managers – Barberton Mines and Evander Mines	• Monitored safety performance challenges and improvements at all operations • Reviewed quantification of specific performance measures that are required to be reported for the sustainability report • Monitored environmental management and adherence to relevant legislation • Monitored health indicators at all operations • Approved independent safety contractors to review our safety controls at the mining operations • Monitored community and SLP activities
Social and ethics committee	• Thabo Mosololi *(Chairman)* • Deon Louw • André van den Bergh	• Reviewed and approved the social and ethics charter • Monitor that employees are appropriately trained and informed of the group's policies and code of conduct

Board and committee meetings attendance

The board meets quarterly with additional meetings, as and when, required. 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 these interactions are recorded in the table below:

Focus areas	Keith Spencer[1]	Hester Hickey	Cobus Loots	Thabo Mosololi	Rowan Smith	Deon Louw
PAR board meetings						
12 September 2017	√	√	√	√	√	√
18 September 2017	√	√	√	√	√	√
20 November 2017	√	√	√	√	√	√
24 November 2017	√	√	√	√	√	√
5 December 2017	√	√	√	√	√	√
7 February 2018	√	√	√	√	√	√
19 March 2018	√	√	√	√	√	√
Audit committee meetings						
12 September 2017	√	√		√		
7 February 2018	√	√		√		
Remuneration committee meetings						
2 August 2017				√	√	
20 April 2018	√			√	√	
27 June 2018	√			√	√	
SHEQC committee meetings						
11 September 2017	√	√	√			
4 December 2017	√	√	√			
19 March 2018	√	√	√			
27 June 2018	√	√	√			
Social and ethics committee meetings[2]						
23 August 2018				√		√

[1] *Keith Spencer was appointed to the Remco during the current reporting period.*

[2] *The social and ethics committee had its inaugural meeting on 23 August 2018.*

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 JSE 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. 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, always maintains an arm's length relationship with the board 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

The group has several advisers including Numis Securities, One Capital, Peel Hunt LLP and BMO Capital Markets who provide advice regarding legislative requirements. One Capital is the group's South African appointed sponsor in accordance with the JSE Listings Requirements and is responsible for ensuring the company is guided and advised as to the application of the JSE Listings Requirements.

The other advisers are UK based and provide guidance on UK-related legislative requirements. SA and UK law firms are also regularly used to provide advice on specialised matters.

TECHNOLOGY AND INFORMATION GOVERNANCE

The board is responsible for technology and information 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 technology and information 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.

STAKEHOLDER ENGAGEMENT

The board oversees stakeholder relations and executive management keeps the board apprised of any material stakeholder concerns. The board also engages with shareholders at the AGM held in London and ongoing stakeholder engagement takes place at a corporate and operational level as detailed on page 31.

COMPLIANCE

The group complies with all applicable legal acts and regulations and certain of the main acts and regulations are shown below. Compliance management and monitoring takes place at various levels within the group, including at an operational level where safety officers ensure health and safety compliance and external audits are conducted by the DMR. At a corporate office level, the company secretary and external advisers provide updates on any new legislation that may impact the group. The internal and external audit functions provide a further layer of compliance, as detailed on page 110. Management regularly updates the board and its sub-committees through its governance processes.

In accordance with the Payments to Governments Regulations 2014, the group is obliged to disclose payments to governments during the year under review. The table below is a record of these payments.

	Barberton Mines R million	Evander R million	Phoenix Platinum R million	Corporate R million	Total R million
Royalties payments/(refunds)	7.4	(15.7)	–	–	(8.3)
Income taxation payments/(refunds)	11.2	(0.5)	–	1.1	11.8
Value added taxation payment/(refunds)[1]	(65.0)	(292.4)	0.8	6.0	(350.6)
Withholding taxation	1.0	–	–	9.0	10.0
PAYE	85.3	74.4	0.4	10.5	170.6
SDL	5.2	4.2	–	0.5	9.9
UIF	6.5	4.9	–	0.1	11.5
Capital gains taxation	–	–	–	21.1	21.1
	51.6	(225.1)	1.2	48.3	(124.0)

[1] *The group received VAT refunds as a result of the large capital expenditure during the year under review and the output of gold mining operations being zero rated.*

SOUTH AFRICA

- South African Companies Act, 71 of 2008 – applicable to South African entities
- JSE Listings Requirements
- King IV™
- Labour Relations Act of 1995

UNITED KINGDOM

- UK Companies Act 2006
- LSE AIM rules for companies
- UK Bribery Act 2010

MINERALS AND ENERGY

- Minerals and Petroleum Resources Act of 2008
- National Energy Act of 2008
- Precious Metals Act of 2005

SAFETY, HEALTH AND ENVIRONMENT

- Mine Health and Safety Act of 1996
- Occupational Health and Safety Act of 1993
- Compensation for Occupational Injuries and Diseases Act of 1993
- National Environmental Management Act, 1998 and amendments
- National Water Act of 1998
- National Nuclear Regulator Act of 1999
- National Environmental Waste Act, 59 of 2008
- Air Quality Amendment Act, 20 of 2004

RISK GOVERNANCE

The board is ultimately responsible for the management of risk and a formal risk governance process is in place ensuring 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 and management approach are set out on page 22.

PAN AFRICAN RESOURCES PLC

BOARD

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 and makes recommendations to the board, which retains ultimate responsibility regarding risk tolerance levels. It also works closely with the internal audit function and approves and reviews the internal audit plan and its execution

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 MANAGEMENT

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

INTERNAL AUDIT FUNCTION

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

EXTERNAL AUDIT FUNCTION

External audit reports on the fair presentation of financial information on a statutory reporting level in compliance with IFRS, as well as IFRS as adopted by the European Union (EU), and Article 4 of the IAS Regulation, the UK and SA Companies Acts. The board, assisted by the audit committee, evaluates the effectiveness and independence of the external auditors – the South African and UK firm of Deloitte

REMUNERATION REVIEW

THE GROUP'S REMUNERATION FRAMEWORK IS STRUCTURED TO PROVIDE REMUNERATION THAT IS FAIR, RESPONSIBLE AND TRANSPARENT. THE FRAMEWORK IS ALSO ALIGNED TO THE ACHIEVEMENT OF OUR STRATEGIC OBJECTIVES OVER THE SHORT, MEDIUM AND LONG TERM.

Remuneration objectives

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 require to achieve our business goals

BACKGROUND STATEMENT

MESSAGE FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Pan African Resources' stakeholders

I am pleased to present the 2018 financial year's Remco report on behalf of our Remco and board. This report presents a high-level review of the activities of Remco during the past year.

The year proved financially and operationally arduous, with Pan African Resources' share price performance reflecting the numerous external and group-specific challenges experienced during the reporting period. In addition to a very weak ZAR gold price environment, the downward revision of the group's gold production for the year from 190,000oz to between 156,000oz and 168,000oz, and the cessation of large-scale mining at Evander Mines' underground operations materially impacted group performance.

Management reacted swiftly and decisively in dealing with loss-making operations. This very difficult decision resulted in the cessation of large-scale underground operations at Evander Mines and the retrenchment of 1,635 employees at a cost of R161.0 million. This once-off cost was over and above the cash outflow of almost R1.29 billion in recent years to keep Evander Mines' underground operations functional. The decision to retrench so many employees and lease such a large operation was not taken lightly, and the Pan African Resources board and management is acutely aware of the social, financial and other impacts on all our stakeholders. However, in analysing options available to the group, it was clear that we had no viable alternative.

Pan African Resources has set a gold production target of approximately 170,000oz (excluding any production from Evander Mines' underground operations) for the 2019 financial year. Although our expected gold production is lower in volume than previous years, the group has been repositioned to produce more sustainably at a lower cost and higher margin. The R1.74 billion Elikhulu plant made its inaugural gold pour on 16 August 2018 and is expected to add more than 70,000oz per annum of safe and low-cost gold ounces to the group's production profile. Elikhulu will employ approximately 350 permanent workers, which contributes to a certain extent in compensating for job losses at Evander Mines' underground operations. Elikhulu would not have been delivered without the vision and driven involvement of our senior management team.

Although our 2018 results were disappointing, the impact from these setbacks would have been far more severe if the board and management had not reacted decisively to challenges that would have otherwise placed the sustainability of other operations and our group at risk. The well-executed manner in which Evander Mines' large-scale underground operations were curtailed is commendable, with all requirements of S189A of the Labour Relations Act and the S52 MPRDA processes being adhered to. The result of this exacting process, together with Elikhulu, will improve our cash flow and profitability from the group's ongoing operations.

In the second half of the financial year, management addressed key deliverables that were critical to the future sustainability of Pan African Resources and required to deliver into our revised production guidance. Commendably, Barberton Mines achieved its updated production guidance of 50,000oz during this half-year period.

Despite admirable efforts, shareholder returns were negative during the year as a result of low gold prices and the retrenchment and impairment costs associated with the Evander Mines' underground operations.

Executive directors and corporate executives are committed to creating value for all Pan African Resources' stakeholders. These executives should be rewarded when wealth is created for shareholders on their Pan African Resources investment and other stakeholders on their involvement with the group. However, alignment with shareholders also requires our senior executives to 'share the financial pain' in difficult times. As a result, no short-term incentive (STI) bonuses will be paid to the executive directors and the corporate executives for the year under review. Morally, we believe this to be the responsible course of action, which clearly demonstrates Pan African Resources' commitment to sustainable and defendable remuneration.

Despite the setbacks during the year under review, Remco remains satisfied that the executive directors, guided by the Pan African Resources board, continue to provide exemplary leadership and remain committed to achieving the group's objectives. We are confident that our restructured group will restore Pan African Resources to its enviable reputation as a sector-leading gold producer.

ALIGNING REMUNERATION TO STRATEGY

Remco assists the board to align remuneration with the group's overall business strategy, cognisant that Pan African Resources needs to attract, incentivise and retain personnel who will create long-term value for all stakeholders. Remco reviews compensation levels and incentive schemes regularly to ensure these remain market related and will continue to incentivise key personnel. In this regard, Remco utilises PwC's Remchannel market analysis to remain up to date with best practice in executive compensation. The current PwC Remchannel market analysis shows that Pan African Resources remunerates between the 25th and 50th percentile in the mining industry. Despite the PWC Remchannel market analysis indicating that senior executives' remuneration is lagging peers, only inflationary increases were granted, effective 1 July 2018.

SHORT-TERM INCENTIVE SCHEME

The group's annual bonus scheme based on STIs remains in place, with its senior management participants (other than executive directors and corporate executives, who received no bonuses) receiving up to 50% of their total annual remuneration should they meet criteria based on:

- ounces of gold produced within cost and safety parameters
- individual KPIs.

REVISIONS TO OUR LONG-TERM INCENTIVE SCHEME – PAN AFRICAN SHARE APPRECIATION BONUS PLAN

The current Pan African Share Appreciation Bonus Plan (PASABP) scheme has been in place since May 2011. The PASABP scheme has generally been successful in achieving its stated objectives. However, the PASABP scheme has a number of shortcomings, which include the following:

- No performance requirements (from an individual or group perspective) required for vesting – only passage of time
- The six-year exercise period available to participants, post final vesting tranche, resulted in large financial liabilities for the group due the extended option period (10-year term from initial issue)
- The formula used to determine 'top-up allocations' to participants resulted, in the view of Remco, in excessively high option allocations with associated large financial liabilities in years when the Pan African Resources' share price is particularly depressed.

To overcome these deficiencies, Remco revised the PASABP scheme applicable to senior group executives and implemented the Pan African Corporate Option Scheme (PACOS). PACOS replaced the PASABP option scheme on 1 July 2018 for select corporate executives and supplemented long-term incentives for executive directors. The primary objective of PACOS is to motivate its participants to achieve specific predetermined deliverables and objectives and retain the key skills required to guide the group's profitability and growth. The PASABP and PACOS are both cash-settled schemes.

Details of the PACOS scheme and its effect in reducing the PASABP liability can be found under the detailed remuneration review contained in this report.

ANNUAL ASSESSMENT

Remco reviewed general remuneration across the group and is satisfied that current procedures adequately ensure that employees' performance objectives are defined, their performance progress is tracked and training and development opportunities are identified. Remco is satisfied that it acts objectively and independently to pursue a remuneration policy and philosophy that underpins the group's objectives and stakeholder aspirations. It is also satisfied that to the extent it makes use of external consultants, these consultants are independent and objective.

Remco believes that the current remuneration policy is achieving its stated objectives, however, it will continue to consider amendments to the current policies and practices to further enhance the effectiveness of group remuneration.

OTHER AREAS OF REMCO'S FOCUS

Internal and external matters considered by Remco during the reporting period include:

- cessation of large-scale underground mining and the S189A restructuring programme at Evander Mines
- means to reducing group leave liabilities
- wage negotiations with NUM and UASA bargaining units
- ratification of salary increases for operations
- approval of the salary increases for corporate non-managerial staff and certain managerial staff
- amendments to selected executives' contracts
- reviewing corporate office staffing and corporate costs
- setting STI parameters for the 2018/2019 financial year
- revising long-term share option scheme for senior corporate executives and introducing PACOS schemes
- reviewing non-executive directors' remuneration.

LOOKING FORWARD

In the following year, areas of focus for Remco will include a further review of operational production incentives and bonuses and group regulatory compliance.

IN CLOSING

Remuneration is evolving into an increasingly complex and high-profile field, and Remco is responsive thereto by continually enhancing our practices and policies to entrench a high-performance culture across the group that drives sustainable growth, aligned with our business strategies and shareholder aspirations.

Remco appreciates feedback from our stakeholders. Our previous financial year's remuneration report was endorsed by an 82.7% vote at the AGM. Our incoming remuneration policy is aimed at complying with King IV™ requirements, while tightening the alignment between key personnel income, group objectives and shareholder expectations. We will again engage with shareholders on issues of remuneration prior to and following the forthcoming AGM and Remco undertakes to respond in writing to any queries from individual shareholders.

We can assure our stakeholders that we will continue to shape the remuneration policy to ensure that it fairly rewards and helps to drive Pan African Resources into a sustainably golden future.

Yours faithfully

Rowan Smith
Chairman, Remco

19 September 2018

DESPITE THE SETBACKS DURING THE YEAR UNDER REVIEW, REMCO REMAINS SATISFIED THAT THE EXECUTIVE DIRECTORS, GUIDED BY THE PAN AFRICAN RESOURCES BOARD, CONTINUE TO PROVIDE EXEMPLARY LEADERSHIP AND REMAIN COMMITTED TO ACHIEVING THE GROUP'S OBJECTIVES. WE ARE CONFIDENT THAT OUR RESTRUCTURED GROUP WILL RESTORE PAN AFRICAN RESOURCES TO ITS ENVIABLE REPUTATION AS A SECTOR-LEADING GOLD PRODUCER.

PART ONE: REMUNERATION POLICY

OBJECTIVES OF THIS REPORT

Part one provides an overview of the group's remuneration policy highlighting the remuneration philosophy, governance and other key elements. Part two details the remuneration implementation report highlighting the executive directors' and prescribed officers' remuneration for the 2018 financial and comparative year, as well as their contractual arrangements. Directors' and prescribed officers' emoluments and incentives are shown in the annual financial statements section on pages 205 to 209.

REMUNERATION PHILOSOPHY

Pan African Resources' remuneration philosophy seeks to reward executive directors, senior management and various employee levels for performance. It recognises that these individuals have the ability to significantly impact the performance of the group over the short, medium and long term. Executive directors and senior executives carry significant responsibility, statutory and otherwise, and appropriate skills are difficult to attract and retain in what is an increasingly challenging environment. It is, therefore, critical that remuneration aligns to the contribution and performance of Pan African Resources, its operating units and also, importantly, the contribution of key individuals. The group's key remuneration objectives are shown on page 111.

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	Objectivity in long-term incentives	Alignment to shareholders	Application of discretion
Comprising an annual bonus which rewards management for matters under their control or influence, but not matters outside their control, specifically commodity prices and exchange rates	To align the long-term interest of the group's management and employees with that of the group's shareholders through incentives that are directly linked to the increase in the Pan African Resources' share price. These awards generally vest over a period of three to four years	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 shareholders' aspirations	Remco has the authority to apply its discretion in the event where specific circumstances are outside the control of the operations or executives and these circumstances would be prejudicial to employees or management of the group

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 (which can be reliably measured) of 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, comprising only independent non-executive directors, monitors and strengthens the credibility of the group's executive remuneration system through its charter. It reviews the performance of the chief executive officer, financial director and other executive and senior management and sets the scale, structure and basis of their remuneration, as well as the terms of their employment contracts. The committee also considers and makes recommendations to the board on remuneration packages and policies in this regard. The Remco chairman is Rowan Smith and the membership and attendance of Remco is shown on page 108.

Remco meetings are attended by the chief executive officer, financial director and the executive: operations and 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 area	Discussion
Cessation of large-scale mining at Evander Mines' underground operations and the S189A process	Ensuring an effective process for the cessation of large-scale mining at Evander Mines' underground operation before financial year-end, in compliance with all applicable legislation
Salary adjustments and benchmarking	Ensuring that salary adjustments were in line with the group's remuneration philosophy and within the industry peer benchmarks provided by PwC Remchannel market analysis and other sources
Compliance with Mining Charter and employment-equity requirements related to management and employees	The group regularly reviews, monitors and ensures compliance in terms of stipulated employment-equity targets and other requirements

Focus area	Discussion
Corporate office staff complement and costs	Review and implementation of corporate overheads restructuring to appropriately align corporate resources with operational requirements, following the cessation of large-scale mining at Evander Mines' underground operations and Elikhulu's commissioning
Revising share option scheme for senior executives	Review and replacement of the senior executives' share option scheme with a new scheme incorporating clear objectives aligned with shareholders' interests

ACCESS TO INFORMATION AND ADVISERS

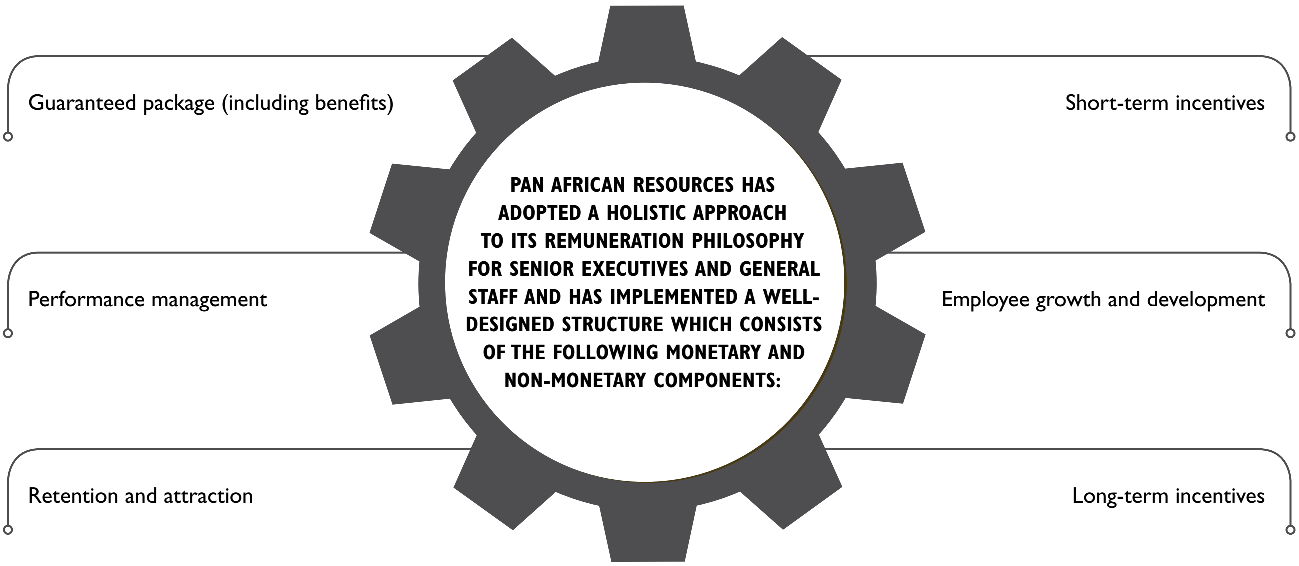
Remco has unrestricted access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities.

Remuneration is reviewed annually and, in the current year, was measured against competitive industry-specific peer market data and analyses supplied by PwC Remchannel reports. The board approves remuneration proposals from Remco and submits them to shareholders for endorsement at the AGM.

REMUNERATION FRAMEWORK

Basic salary and benefits	Short-term incentives	Long-term incentives
Key features		
Reviewed annually against competitive industry peer market data supplied by PwC Remchannel	• Paid annually at corporate level • Paid annually at operations • Measured objectively against the group's performance and personal contributions	• PACOS (effective 1 July 2018) for senior group executives/executive directors • PASABP • Employee share ownership programme (Barberton Mines and Evander Mines) • Share incentive scheme for executive directors
Criteria for eligibility		
Employment at the group	**Exco (excluding chief executive officer and financial director)** Production and safety KPIs account for 60% of assessment based on: • group's gold ounces sold • cost 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% 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	The main objectives of the long-term incentives are 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
	Opsco Production and safety KPIs account for 60% of assessment based on: • group's gold ounces sold • cost 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% of assessment and are specific to the employee concerned. These KPIs are clearly defined and are intended to contribute specific positive outcomes to group results	
	Management committee on operations (Manco) Production and safety KPIs account for 100% of assessment based on: • operational specific gold ounces sold • cost of production • safety targets (objective measurement based on group's actual achievements against set business plans for the financial year)	

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 in ZAR and no payments are made in other currencies or linked to other currencies. The detailed remuneration of the group's independent non-executive directors, executive directors and prescribed officers is disclosed in the financial statements on pages 205 to 207.

Element	Key features	Purpose	Eligibility	Factors considered
Guaranteed pay				
Exco, Opsco, Manco and heads of departments (HODs) of operations	• Pensionable salary • Leave • Pension/provident fund contributions • Medical contributions • Travel allowance These items are included in 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	• Exco • Opsco • Manco • HODs	• Group performance • Outlook for the next financial year • Individual performance • Inflation
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 or multi-year wage agreements

Element	Key features	Purpose	Eligibility	Factors considered
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 short- and medium-term results, reflecting the level and time horizon of risk. This includes financial and non-financial results and metrics at an organisational, division and individual (and team) level	• Exco, Opsco and Manco are paid annually • HODs are paid quarterly	• 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 • 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
			• Collective bargaining employees	• Eligibility to participate in the scheme • The maximum variable remuneration as a percentage of total cost to company (CTC) of an individual • The parameters for production targets to be achieved
Long-term incentives	• Alignment to shareholders' investment horizon and aspirations • Equity linked • Measured objectively against the group's performance and/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 include share options, share appreciation retention schemes or the like. It is 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 and promotes appropriate actions and behaviour	• Exco and others approved by the board	• Seniority and level of responsibility
Long-term incentives – equity participation in operational ownership	• 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 company performance	• Collective bargaining employees up to 5% ownership in gold operations	• Paterson Grading C level and below on operations
Special remuneration benefits – sign-on, retention and termination benefits	• Discretionary	• Designed to retain and attract certain scarce skills, especially at HOD and senior management levels	• Exco • Opsco • Manco	• Experience and relevant qualifications

RISK MANAGEMENT AND REMUNERATION

Pan African Resources recognises the need to fairly remunerate employees to attract, incentivise and retain talent. However, it is cognisant of the need to ensure that effective risk management is part of its remuneration criteria to motivate the desired behaviour and avoid exposing the group to risks beyond its tolerance levels. The group's remuneration philosophy reinforces the need for the delivery of superior long-term results, while promoting sound risk management principles. Therefore, all employees' KPIs include specific performance elements that are aligned to the group's strategic long-term objectives.

These performance elements incorporate production and personal parameters which are weighted, based on the relevant seniority level, to drive the desired behaviour. Safety is imperative to the mining operations and is included in the group's production incentive parameters.

For executive directors, a substantial portion (30% for both the financial director and the chief executive officer) of their short-term incentive is deferred for a 24-month period.

NON-EXECUTIVE DIRECTOR REMUNERATION

Remco advises the board on non-executive directors' fees. In determining their 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 IV™ 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 of meetings. When non-executive directors are required to spend significantly more time and effort than is normally expected in preparing for and attending board meetings, Remco considers additional fees to compensate non-executive directors for their additional time and effort. There are no contractual arrangements for compensation for loss of office for non-executive directors. Regulatory requirements considered when determining non-executive directors' remuneration include the SA Companies Act, the UK Companies Act, JSE Listings Requirements, King IV™ and the UK Code.

EXCO, OPSCO AND MANCO REMUNERATION

Remco is responsible for making recommendations to the board on the remuneration of the chief executive officer. Remuneration of executive and senior management is reviewed on an annual basis in relation to the group's operational, financial, strategic performance and individual contribution thereto, alignment with the group's values and the contribution to risk management and compliance requirements.

Where the individual, team or group does not meet or only partially meets performance requirements, all awards are forfeited. An annual benchmarking exercise, through the PwC Remchannel market analysis (supplemented with other benchmarking information and sources), is used to determine a fair market-related remuneration package. Individual KPIs are agreed upon annually and contain the elements disclosed on page 119.

Remuneration comprises fixed, variable, short-term and long-term remuneration components. STIs have certain parameters, disclosed on page 119 to ensure a performance-based culture.

The board and Exco retain a level of discretion to determine which parameters apply and their respective weighting to take cognisance of immediate priorities and align behaviour to shareholder aspirations.

VARIABLE REMUNERATION CONDITIONS

Position	2018 maximum variable remuneration as a % of total remuneration	Qualification criteria at 100% achievement
Chief executive officer	Up to 110%	60% based on the following production parameters: • Total group gold sold – weight 50% • Total group cost per kilogram of gold produced – weight 30% • Group safety record – weight 20% 40% based on personal KPIs determined by Remco. KPIs relate to predetermined outcomes which are aligned to shareholder value creation The approved annual incentive is subject to 30% retention payable after the expiry of a two-year period
Financial director	Up to 80%	60% based on the following production parameters: • Total group gold sold – weight 50% • Total group cost per kilogram of gold produced – weight 30% • Group safety record – weight 20% 40% based on personal KPIs determined by the Remco. KPIs relate to predetermined outcomes which are aligned to shareholder value creation The approved annual incentive is subject to 30% retention payable after the expiry of a two-year period
Executive level	Up to 60%	60% based on the following production parameters: • Total group gold – weight 50% • Total group cost per kilogram of gold produced – weight 30% • Group safety record – weight 20% 40% based on personal KPIs determined by the chief executive officer in consultation with Remco. KPIs relate to specific predetermined outcomes which are aligned to shareholder value creation
Senior managers at corporate level	Up to 50%	60% based on the following production parameters: • Total group gold sold – weight 50% • Total group cost per kilogram of gold produced – weight 30% • Group safety record – weight 20% 40% based on personal KPIs which relate to predetermined outcomes set by the chief executive officer and which are aligned to shareholder value creation
Senior managers at operational level	Up to 50%	80% based on the following production parameters per individual operation: • Total operational gold sold – weight 50% • Total cost per kilogram of gold produced – weight 30% • Operational safety record – weight 20% 20% based on personal KPIs which relate to specific predetermined outcomes set by the chief operating officer and general manager and which are aligned to the operation's performance

During the 2018 financial year, following the cessation of large-scale mining at Evander Mines' underground operations, the resultant retrenchment of 1,635 group employees and the regressive production performance from Barberton Mines during the first half of the 2018 financial year, the executive directors and senior management agreed to forfeit all STI payments for the year under review.

EXECUTIVE DIRECTOR SERVICE CONTRACTS

The chief executive officer and financial director are remunerated in ZAR for services performed, according to their employment contracts. The current contracts terminate on 28 February 2021. In terms of these contracts, no amounts are payable at inception or termination of the contract term and there is no limitation on the number of times an executive director may stand for re-election.

The objectives of these contracts include:

- incentivising tangible performance in a clear and transparent manner
- ensuring alignment with shareholders' and other stakeholders' aspirations
- ensuring continuity and stability of senior management
- continuity in executive management to achieve group strategic initiatives.

Key elements considered by Remco in the executive directors' contracts include:

- basic remuneration
- short-term incentives linked to operational and personal performance
- long-term cash-settled performance incentives to ensure individual and group performance is aligned with shareholders' interests. Such long-term incentives are linked to Pan African Resources' shareholder returns relative to the sector and achieving specific medium- and long-term tangible deliverables which will enhance group financial and operational performance.

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:

- André van den Bergh, executive: operations and human resources, corporate office
- Neal Reynolds, group financial controller, corporate office
- Bert van den Berg, group mining engineer, corporate office
- Mandla Ndlozi, group SHEQC manager, Barberton Mines and corporate office
- Niel Symington, group management accounting and IT manager, corporate office
- Barry Naicker, group mineral resource manager, corporate office
- Mthandazo Dlamini, group financial reporting accountant, corporate office
- Lazarus Motshwaiwa, general manager, Evander Mines
- Jan Thirion, general manager, Barberton Mines.

SHORT- AND LONG-TERM INCENTIVES

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

REVISIONS TO GROUP LONG-TERM INCENTIVE SCHEMES

Previous incentive scheme: Pan African Share Appreciation Bonus Plan

The main objective of the PASABP is to provide appropriate incentives to select employees who are employed at a managerial level within the group. The scheme ensures retention of key skills required for the ongoing profitable performance and growth of the group and to align management's interests with those of shareholders. In terms of the PASABP, select senior employees of the group are 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 PASABP vests in four tranches of 25% per annum and will lapse on the sixth anniversary of the date on which the final tranche vested. In the event of a change of control at a group or operational level, all outstanding unvested notional shares would automatically vest.

However, the participant can elect, at a date prior to the sixth anniversary and subject to approval by Remco, to exercise the vested notional shares and be paid the proceeds as a cash bonus.

This cash bonus is regarded as remuneration for income taxation purposes and will be subject to the deduction of employee taxes.

New revised senior corporate executive scheme: Pan African Corporate Option Scheme

During the reporting period, Remco revised the long-term incentives and implemented PACOS as the committee was of the opinion that the PASABP scheme excessively rewarded senior corporate management for the following reasons:

- The top-up formula multiples reward senior management excessively in periods where the group's share price is depressed, as was experienced for the period under review
- The scheme has no specific performance-linked criteria attached to the vesting conditions and accordingly it was deemed to be misaligned to shareholder value creation
- The PASABP scheme has a vesting period of four years from the original issue date and an exercise period of a further six years which had an onerous cost associated with the high optionality period. The senior corporate executives' PASABP scheme options had a liability of R1.6 million (2017: R13.6 million), and on 1 July 2018, these share options were forfeited for the PACOS scheme
- Under the scheme, participants would have been issued with approximately 34 million new notional options for the 2018 financial year during which the group incurred losses and retrenched a number of employees.

PACOS replaced the PASABP scheme on 1 July 2018 for corporate senior managers, with the primary purpose being the retention of key skills for delivering into the following objectives:

- Barberton Mines' overall production being stabilised at approximately 100,000oz per annum
- Elikhulu being commissioned on schedule, within budget and with the plant's performance being materially consistent with the bankable feasibility study and market guidance
- Cessation of large-scale underground operations at Evander Mines being concluded through an efficient retrenchment process
- At least one board-approved internal or external growth project must be in production or the construction of the approved project must have commenced. This project must be substantial enough to contribute an incremental 15% to the group's guided production ounces for the 2019 financial year. Alternatively, a value-enhancing return must be realised through a disposal, joint venture or any other similar arrangement.

The rules of PACOS are the following:

- Notional options vest over a two-year period with each of the above-mentioned qualifying criteria carrying a 25% weighting
- Subject to the vesting conditions being fulfilled, the PACOS options will vest on 30 June 2020 and will be exercisable by the participants during the following 24 months
- Should deliverables only be partially achieved by the vesting date, Remco will determine an appropriate percentage of the options to vest and may, at its discretion, impose further conditions for the vesting of the residual options
- PACOS includes a clawback provision, which states the following: "If any participant, wrongfully or unlawfully, influences or attempts to influence the achievement of the deliverables or the measurement by Remco of the achievement of the deliverables, Remco may, in its sole and absolute discretion:
  - revoke all options not yet exercised by the participant; and/or
  - claim back all amounts already paid to the participant in terms of any options already exercised".
- Participants are incentivised to outperform the FTSE/JSE gold index, with cash rewards linked to the outperformance of this index over a two-year period ending on 30 June 2020. In the event that Pan African Resources' share price outperforms the index by 5% and 10%, 50% and 100%, respectively, of the cash incentive will vest
- Executives are required to re-invest 25% of the post-taxation proceeds arising from such exercise in Pan African Resources shares, which are to be held for the period from the exercise date to expiry of the 12 months following the vesting date
- As is typical for schemes of this nature, in the event of a change of control of Pan African Resources, all unvested PACOS options will automatically vest.

Position	Multiples applied in determining the number of options to be issued
Chief executive officer	3 times annual CTC
Exco	2.5 times annual CTC
Opsco	2.0 times (Paterson E Upper) and 1.0 times (Paterson E Lower) annual CTC

PART TWO: REMUNERATION IMPLEMENTATION REPORT

EXECUTIVE DIRECTORS' OPERATIONAL AND PERSONAL KPI PERFORMANCE ANALYSIS

Chief executive officer

Name: Cobus Loots
Designation: Chief executive officer

Operational and personal KPI performance analysis

Measure	2018	2017
CTC (R)	**5,012,500**	4,012,500
Production parameters (%) (max 66)	**26.99**	22.5
Personal KPIs (%) (max 44)	**–**	44
Total qualifying incentive (%) (max 110)	**26.99**	66.5
Qualifying incentive[1]	**1,352,874**	–
Approved incentive accrued (R)	**–**	1,601,469
Transaction incentive accrued (R)	**–**	3,000,000
Total incentive accrued (R)	**–**	4,601,469
Total incentive accrued (including deferred consideration) (R)	**–**	5,669,115

[1] *The qualifying incentive was forfeited.*

Chief executive officer's performance for incentive purposes

2018	2017
Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety group weighting of 70% was 18.55% (max 45.92%) • Evander Mines' production and safety group weighting of 30% was 8.44% (max 20.08%)	Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety group weighting of 67% was 17.7% (max 44.2%) • Evander Mines' production and safety group weighting of 28% was 1.8% (max 18.2%) • Phoenix Platinum's production and safety group weighting of 1% was 0.1% (max 0.4%) • Uitkomst Colliery's production and safety group weighting of 5% was 2.9% (max 3.2%)

Chief executive officer's personal KPIs

2018	2017
No personal KPI incentive was awarded by Remco for the 2018 financial year as the short-term incentives were forfeited. Remco, however, noted the following achievements during the financial year: • Successful completion of the Evander Mines S189A process • Successful conclusion of a one-year wage agreement at Barberton Mines • Successful completion and commissioning of the regrind mill at the BTRP • Barberton Mines achieving production guidance for the second half of the financial year, despite a number of community disruptions • Initiatives implemented to improve future production performance of Barberton Mines • Successful permitting and ground-breaking at Elikhulu • A number of value-accretive initiatives successfully implemented, such as a tailings deposition agreement with Taung Gold	• Successful conclusion of a value-accretive transaction for the group: Percentage achieved • The chief executive officer conceived and implemented the successful and profitable extraction of gold through a third-party refining contract for secondary gold resources obtained from the Kinross CIL plant (example: gold recovered from mill floor etc.). This initiative contributed 193.5 kilograms of gold to Evander Mines' production during the 2017 financial year • The successful conclusion of the Uitkomst Colliery sale to Coal of Africa on 30 June 2017 for an effective consideration of R277.6 million, resulting in a shareholder return of 107.5% over the 15-month ownership period • Securing the necessary funding for Elikhulu: Percentage achieved – completion of the definitive feasibility study which was approved by the board as announced on 5 December 2016 – the group completed the equity tranche of the Elikhulu funding, raising R696 million in gross proceeds upon issuance of 291.5 million shares on 12 April 2017 – the group successfully secured a R1 billion term debt facility for Elikhulu at a competitive interest rate of JIBAR plus 3.5% with the syndication of the debt funding being over-subscribed by 50%

Financial director

Name: Deon Louw
Designation: Financial director

Operational and personal KPI performance analysis

Measure	2018	2017
CTC (R)	**4,206,250**	3,206,250
Production parameters (%) (max 48)	**19.63**	16.4
Personal KPIs (%) (max 32)	**–**	32
Total qualifying incentive (%) (max 80)	**19.63**	48.4
Qualifying incentive[1]	**825,687**	–
Approved incentive accrued (R)	**–**	1,086,053
Transaction incentive accrued (R)	**–**	2,000,000
Total incentive accrued (R)	**–**	3,086,053
Total incentive accrued (including deferred consideration) (R)	**–**	3,551,504

[1] The qualifying incentive was forfeited.

Financial director's performance for incentive purposes

2018	2017
Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety group weighting of 70% was 13.50% (max 33.40%) • Evander Mines' production and safety group weighting of 30% was 6.13% (max 14.60%)	Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety group weighting of 67% was 12.9% (max 32%) • Evander Mines' production and safety group weighting of 28% was 1.3% (max 13.2%) • Phoenix Platinum's production and safety group weighting of 1% was 0.1% (max 0.5%) • Uitkomst Colliery's production and safety group weighting of 5% was 2.1% (max 2.3%)

Financial director's personal KPIs

2018	2017
No personal KPI incentive was awarded by Remco for the 2018 financial year as the short-term incentives were forfeited. Remco, however, noted the following achievements during the financial year: • Successful completion of the Evander Mines S189A process, with expenditure in line with budget • Successful drawdown on banking facilities required for Elikhulu construction • Banking facility covenants renegotiated to provide for the impact of the discontinued operations and closure costs incurred during the year • A number of value-accretive initiatives successfully implemented, such as a tailings deposition agreement with Taung Gold and Uitkomst/MC Mining loan repayment	Successful conclusion of a value-accretive transaction for the group: Percentage achieved. • Refer to the chief executive officer's summary of KPIs for additional information Securing the necessary funding for Elikhulu: Percentage achieved. • Refer to the chief executive officer's summary of KPIs for additional information In addition to the initial KPIs agreed for the 2017 financial year, Remco also noted the following achievements when assessing executive director performance for the 2017 financial year: • Evander Mines' underground refurbishment and restructuring completed on time and within budget • Successful securing of additional third-party coal blended by the Uitkomst Colliery contributed materially to the operation's earnings

EXECUTIVE DIRECTORS' LONG-TERM INCENTIVES ANALYSIS

The executive directors' long-term incentives are cash settled and the cost of these options is accrued annually based on independent actuarial valuations. Payment occurs when vested options are exercised, subject to Remco approval.

2018 financial year

Executive director	Opening balance	Issued	Exercised	Forfeited[2]	Closing balance	Weighted average strike price R	Value of options accrued at year-end R	Value of options paid during the year R[1]
Cobus Loots Notional share options	2,500,000	–		(2,500,000)	–	–	–	–
Cobus Loots Share incentive	4,500,000	5,000,000	(2,966,666)		6,533,334	–	1,330,356	5,639,077
Deon Louw Notional share options	2,114,979	–		(2,114,979)	–	–	–	–
Deon Louw Share incentive	–	3,100,000		–	3,100,000	–	249,667	–

[1] The share options exercised and paid of R5.6 million to the chief executive officer during the 2018 financial year were accrued at a value of R9.9 million as part of the share option scheme at 30 June 2017. The share option payments may be different to the share option accrual due to movements in the share price of Pan African Resources from the accrual date to the redemption date.

[2] Forfeited at 1 July 2018, and replaced by the new PACOS scheme.

2017 financial year

Executive director	Opening balance	Issued	Exercised	Closing balance	Weighted average strike price R	Value of options accrued at year-end R	Value of options paid during the year R[1]
Cobus Loots Notional share options	4,000,000	–	(1,500,000)	2,500,000	2.05	1,726,842	2,490,000
Cobus Loots Share incentive	8,000,000	–	(3,500,000)	4,500,000	–	9,906,000	13,176,310
Deon Louw Notional share options	4,614,979	–	(2,500,000)	2,114,979	2.09	1,994,568	4,036,000

[1] The share options exercised during the 2017 financial year were valued at R23 million at 30 June 2016. The payment of R15.7 million to the chief executive officer and R4.0 million to the financial director during September 2016 relates to the values accrued in the 2016 financial year's accrued share option remuneration. Although paid in the 2017 financial year, the cost of these options was accounted for in full during the 2016 financial year. The share option payments may be different to the share option accrual due to movements in the share price of Pan African Resources from the accrual date to the redemption date.

SUMMARY OF CONTRACTUAL ARRANGEMENTS FOR CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR

Term	Chief executive officer	Financial director
Contract duration	Three-year contract, terminating on 28 February 2021	Three-year contract, terminating on 28 February 2021
Short-term annual incentive	A maximum of 110% of annual CTC, however, 30% of this bonus is deferred and only payable after 24 months (in shares or cash at Remco's election, acting reasonably), subject to confirmation that original KPIs resulted in the anticipated benefits to the group being realised for this period	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's election, acting reasonably), subject to confirmation that original KPIs resulted in the anticipated benefits to the group being realised for this period
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
Participation in the corporate option scheme	To participate in the new corporate option scheme, effective from 1 July 2018, subject to forfeiting all vested but unexercised share options. Details of this scheme are disclosed on page 120	To participate in the new corporate option scheme, effective from 1 July 2018, subject to forfeiting all vested but unexercised share options. Details of this scheme are disclosed on page 120

Term	Chief executive officer	Financial director
Minimum shareholding in Pan African Resources	Initial requirement of a minimum shareholding of R2 million, which is to be held for a minimum of two years Subsequent to the 30 June 2017 financial year-end, Remco required that additional shares to the value of R250,000 be acquired by 31 December 2017. The Chief executive officer entered into a contract for difference (CFD) derivative on 29 September 2017 for 200,000 shares at average of GBP12.747p per share. In addition, the Chief executive officer also entered into a CFD derivative on 22 February 2018 for 200,000 shares at a price of GBP0.08 per share	Initial requirement of a minimum shareholding of R0.5 million, which is to be held for a minimum of two years Subsequent to the 2017 financial year-end, Remco required that additional shares to the value of R150,000 be acquired by 31 December 2017 These shares were acquired on 28 September 2017
Long-term share incentive	At year-end, under the original allotment, the share incentive had 1,533,334 shares which are allocated but not yet vested. These shares should contractually have vested on 1 March 2018. However, given group performance during the past year, Remco, in consultation with the Chief executive officer, deferred the vesting. Any future vesting will be conditional on the group achieving production, cost budgets and safety targets during the 2019 financial year Allocation of 5,000,000 Pan African Resources shares effective on 1 March 2018, vesting over a three-year period (1 March 2018 to 28 February 2021). Vesting will occur subject to total shareholder return (defined as share price performance and dividends distributed to shareholders) exceeding that of a set of gold sector peers on an annual basis for each of the three years to 2021. These shares only vest when Pan African Resources' total shareholder return outperforms that of the peer group, with a pro-rata vesting for superior performance up to 8%, whereafter all shares vest The new issuance of long-term incentives, therefore, vest in approximately three 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	Allocation of 3,100,000 Pan African Resources shares, effective on 1 March 2018, vesting over a three-year period (1 March 2018 to 28 February 2021). Vesting will occur subject to total shareholder return (defined as share price performance and dividends distributed to shareholders) exceeding that of a set of gold sector peers on an annual basis for each of the three years to 2021. These shares only vest when Pan African Resources' total shareholder return outperforms that of the peer group, with a pro-rata vesting for superior performance up to 8%, whereafter all shares vest The new issuance of long-term incentives, therefore, vest in approximately three years from the 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 that a bonus is paid for a significant acquisition or growth project, Remco may determine that a portion of the annual short-term bonus is 'at risk' to clawback should any act of malfeasance be proven against the executive director. Under these circumstances, a portion, at the Remco's discretion, of the after-taxation bonus is to be refunded by the executive director to the company Conversely, if the initiative outperforms expectations, an additional bonus may be payable to the executive director	In the event that a bonus is paid for a significant acquisition or growth project, Remco may determine that a portion of the annual short-term bonus is 'at risk' to clawback should any act of malfeasance be proven against the executive director. Under these circumstances, a portion, at the Remco's discretion, of the after-taxation bonus is to be refunded by the executive director to the company Conversely, if the initiative outperforms expectations, an additional bonus may be payable to the executive director

PRESCRIBED OFFICER REMUNERATION

The prescribed officers' remuneration is disclosed in the annual financial statements on page 207.

ELIKHULU INCENTIVE

Remco considered the merits of incentivising executive directors and key personnel involved in bringing Elikhulu into production. Acknowledging the progress to date, Remco resolved to again review the merits of such a bonus payment post successful commissioning of the project.

Remco, however, acknowledged the following project achievements to date:

- Commencement of construction during August 2017
- Disciplined cost management resulting in the project remaining within budget and on schedule with hot commissioning initiated during July 2018
- Inaugural gold pour successfully accomplished on 16 August 2018 – approximately two months ahead of the original construction schedule
- Identified an opportunity to incorporate the current ETRP processing throughput capacity into the Elikhulu plant, thereby increasing production of Elikhulu to approximately 70,000oz per annum, while realising cost savings and processing efficiencies from economies of scale.

SURFACE MINING

OPEN-PIT MINING | OPENCAST MINING | STRIP MINING | MOUNTAINTOP REMOVAL

Surface mining involves removing the rock and earth overlying mineral deposits found near the surface of the land . Most surface mining operations are exposed to natural elements and require no roof support. They use earthmovers and extractors to strip surface vegetation, soil and layers of bedrock to access the orebody.

Surface mining methods include:

1 OPEN-PIT MINING

This is a mining technique that removes rocks and minerals through open or borrow pits. Open-pit mining is similar to quarrying, though quarrying produces building materials such as sand, stone and clay.

2 STRIP MINING

Strip mining involves stripping one or more surface layers to reveal near-surface ore seams. This type of mining is ideally applied when the ground and the orebody are reasonably horizontal, with a wide area available to be mined in a series of strips.

Strip mining pits are shallower than opencast pits. This is a low-cost and highly productive mining method used more commonly in coal mining operations.

There are two methods of strip mining:

- Area stripping – used on flat terrain to extract mineral deposits over a large area
- Contour stripping – removes the overlying rock and soil above the mineral seam in hilly terrain where the orebody follows the contour of the land, leaving behind mountainside terraces.

3 MOUNTAINTOP REMOVAL MINING

This is a form of coal mining that uses explosives to remove a mountaintop sitting above a coal seam at depth.

A good life-of-mine =
20 years life at
4 to **14Mt**
per annum

> 20,000 tonnes per day can be mined with surface mining.

ANNUAL FINANCIAL STATEMENTS

Design factors when considering surface mining:
- Stripping overburden
- Location of haul roads
- Equipment requirements, such as truck size
- Pit slope angle and stability

While surface mining initially requires a substantial capital injection, returns are gained through high productivity, low operating costs and better safety conditions.

Strip mining uses some of the biggest machines on earth, such as bucket-wheel excavators with capabilities of moving 12,000 cubic metres of earth per hour.

Gold has been discovered on each of earth's continents.

AUDIT COMMITTEE REPORT

INTRODUCTION

The principal purpose of the audit committee is to assist the board to fulfil its corporate governance and oversight responsibilities to ensure the integrity of the group's financial and corporate reporting, while ensuring adequate systems of internal control and risk management are in place and are operating effectively. The functions of a risk committee at a group level also fall within the ambit of the audit committee.

The committee has reporting responsibilities to both the shareholders and the board 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 (for the AIM market) and South Africa, these include King IV™.

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

The committee was appointed at the AGM on 21 November 2017. All the directors are considered by the board to have an independent and objective mindset. In terms of King IV™, all three members of the audit committee are independent directors. The audit committee comprises three independent directors including the chairman of the board. 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 independent non-executive directors of the audit committee are:

- HH Hickey (chairman of the audit committee)
- TF Mosololi
- KC Spencer (board chairman).

AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

The audit committee fulfils its responsibilities and duties as set out in its charter. The functions of the audit committee include:

- reviewing the interim and year-end financial statements and integrated annual report, where necessary, challenging the consistency and appropriateness of accounting principles, policies and practices which have been applied in the preparation, measurement and disclosures in the financial reports, culminating with a recommendation to the board
- considering significant judgements and estimates applied in preparation of interim results and year-end financial statements
- oversight of whistleblowing procedures
- monitoring the integrity of formal announcements relating to the group's financial performance and reviewing significant financial and other reporting judgements
- reviewing the external audit reports, after the review of interim and audit of year-end consolidated financial results
- assessing the external auditor's independence and performance
- determining the audit fees in respect of the interim review procedures and year-end external audit, and making recommendations to the board on the appointment, reappointment or change of the group's external auditor
- specifying guidelines and authorising the award of non-audit services to the external auditor
- reviewing the internal audit management reports with, when relevant, recommendations being made to the board
- approving the internal audit plan and reviewing regular reports from the head of internal audit on the effectiveness of the internal control system
- ensuring that a coordinated approach to all assurance activities is in place
- monitoring the group's compliance with legal and regulatory requirements including ensuring that effective procedures are in place relating to the group's whistleblowing and anti-corruption policies
- evaluating the appropriateness and effectiveness of risk management, internal controls and the governance processes
- dealing with concerns relating to accounting practices, internal audit, the audit or content of annual financial statements and internal financial controls.

MEETING ATTENDANCE AND COMMITTEE EXPERTISE AND INDEPENDENCE

The committee performs its duties by maintaining effective working relationships with the board, other board committees, management, and internal and external auditors. Under the stewardship of the chairman of the audit committee, the audit committee met twice the year under review to discharge its duties and responsibilities.

Attendance of the audit committee members is shown in the corporate governance review on page 108.

The members of the audit committee are all individually independent and non-executive directors. The board has satisfied itself that the audit committee, as a functioning unit, is competent and possesses relevant knowledge of the industry in which the group operates and that members of the committee, individually, have the relevant and recent accounting and auditing competence. The audit committee members' skills and experiences are detailed in the board of directors' profiles on page 101.

In cases where circumstances and issues arise which are deemed outside of the scope of expertise of the audit committee members, independent services and advice from professional bodies and service providers is always sourced.

COMMITTEES' REMUNERATION

Audit committee members are remunerated in the same way as members of other board sub-committees. The fees are approved annually by the Remco. No retirement fund contributions are made by the group on behalf of non-executive directors. Refer to page 206 of the consolidated annual financial statements for remuneration to audit committee members.

FINANCIAL REPORTING

The principal role of the audit committee in relation to financial reporting is reviewing, with key management and the external auditor, the integrated annual report, financial results announcements and other publications to ensure statutory and regulatory compliance.

The committee has evaluated the consolidated and separate financial statements for the year ended 30 June 2018 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 2006 and IFRS. The consolidated and separate financial statements were then recommended to the board for approval. The audit committee makes its recommendation based on a comprehensive review conducted by the executive directors and other senior management. The King IV™ requirements are continuously being assessed and improved on.

The committee reviewed the annual financial statements and the non-financial information in the integrated annual report and web-based information and concluded that the key risks have been appropriately reported on.

The company has established appropriate financial reporting procedures and the committee confirms that such procedures are operating sufficiently.

KEY AND SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

During the planning of the financial year-end audit and at the conclusion thereof, the committee, together with management and the external auditor, considered key focus areas for the financial year. The key focus areas considered by the audit committee during the year were:

Significant financial reporting matters	How the audit committee addressed the issue
Going concern Directors are required by the UK Companies Act 2006 and the JSE/AIM rules to make an annual statement in relation to the ability of the group to continue as a going concern for a period of no less than 12 months from the date of approval of the financial statements. Under guidelines set out by the UK Financial Reporting Council (FRC) the directors of each UK company are required to consider whether the going concern basis is the appropriate basis of preparation of the financial statements, and furthermore, are required to include appropriate disclosure as to any significant considerations or uncertainties relevant to the going concern assumption. A capex commitment of R1.74 billion for the construction of Elikhulu is unconditional. Management secured additional funding of R1 billion to fund the capex requirements of Elikhulu. Net debt at 30 June 2018 was R1.62 billion. Significant judgement is required in assessing the ability of the company and the group to continue as a going concern.	In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, which should be at least, but not limited to, 12 months from the date of the approval of the financial statements. These inputs are carefully scrutinised by the audit committee for reasonability. The appropriateness of the going concern assumption for the group is driven by the strength of its operations delivering into its budgeted cash flows in the foreseeable future. A rigorous budgeting process is undergone and facilitated by management over all operations. The following inputs are considered and translate to positive cash flows: • Life-of-mines and production expectations over the forecast period • Anticipated rise in inflation rates and other factors influencing cost of production • Reasonable commodity prices, based on a gold forward price, to be achieved over the forecast period • Ability to retain debt facilities and service debt to an acceptable level and meeting all the covenant requirements. The operations' continued ability to meet budgeted targets is regularly monitored and any deviations are given due attention by management. At year-end the budgeted future cash flows are stressed for reasonable sensitivities to understand where the pinch points are and how to strategically address them. Management at group level monitors cash flows on a regular basis to understand cash constraints that will impact debt commitments. The audit committee, together with the board, reviews and challenges the consolidated budget. Once satisfied with the assumptions made and inputs used the audit committee, together with the board, approves the model. The audit committee, together with the board, reviews that the going concern disclosures are appropriate, balanced and clear. The going concern assumption was assessed to be appropriate at the end of the financial year. The audit committee considered going concern forecasts and reasonably possible downside scenarios, including a ZAR gold price of R525,000/kg (USD1,270/oz at a prevailing ZAR:USD average exchange rate ZAR12.86:1), and reduced production volumes. The key assumptions underpinning management's base case and reasonable downside scenarios were considered reasonable, including mitigating actions identified.

Significant financial reporting matters	How the audit committee addressed the issue
Impairment assessment IAS 36: Impairment of Assets requires goodwill to be tested for impairment annually or earlier where indicators of impairment become apparent. IAS 36 requires that management evaluate whether there are any indicators of impairment for significant items of property, plant, machinery, equipment and mineral rights, and where indicators are present these should be tested for impairment. Furthermore, IAS 36 requires that if the recoverability of goodwill is sensitive to a reasonably possible change, this be disclosed in the financial statements. The recoverable amount of the group's cash-generating units (CGUs) is assessed principally with reference to fair value less cost of disposal, using value-in-use discounted cash flow models. Cash flow projections are based on financial budgets and life-of-mine plans incorporating key assumptions as detailed below: • Mineral Reserves and Mineral Resources • Commodity prices • Discount rates • Operating costs, and capital expenditure • Depreciation • Life-of-mine and expected production profile.	Management assesses goodwill annually for impairment and at each statement of financial position date, management reviews all assets (property, plant, machinery and equipment and mineral rights and investments) for any indication of impairment. The group's continuity as a viable business lies in the strength of the operations delivering positive cash flows over the respective life-of-mines. With the average life-of-mine per operation well over 10 years, the recoverability of the mining operations is in their value in use, unless there is a clear indication of a sale of an operation in the near future. Management prepares a detailed impairment assessment using value-in-use, discounted cash flow models. Key judgements and estimates undergo extensive internal review and challenge prior to submission to the audit committee. The audit committee, together with the board, reviews and challenges the impairment assessment. Once satisfied with the assumptions made and inputs used, the audit committee and board approve management's impairment assessment. The Evander Mines' underground mining operation ceased large-scale mining on 31 May 2018, and as a result the CGU was impaired, based on the impairment assessment performed and impairment of R1.78 billion was recognised. See note 17 on page 176 for disclosure. The audit committee considered impairment assessment and reasonably possible downside scenarios, including a ZAR gold price of R525,000/kg (USD1,270/oz at a prevailing ZAR:USD average exchange rate of ZAR12.86:1). The audit committee considered the impairment assessment, key assumptions and disclosure to be reasonable and appropriate.
Classification of Evander Mines as a discontinued operation The Evander Mines' underground mining operation ceased large-scale mining on 31 May 2018. At the end of the financial period, and for the comparative period, the financial results from the Evander Mines' large-scale underground operation has been classified and disclosed as a discontinued operation for accounting purposes under IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. An impairment charge of R1.78 billion has been recognised by the group.	Management has performed an assessment to ensure that the Evander Mines' underground mining operation meets the requirements to be classified as a discontinued operation at year-end. As such the criteria required by IFRS 5 to classify the operation as a discontinued operation have been met and Evander Mines' large-scale underground operations have been disclosed as such. Refer to note 14 on page 169.
Rehabilitation and decommissioning provision The group's operations hold material rehabilitation and decommissioning provisions. The provisions at year-end relate to Evander Mines and Barberton Mines. The judgements used to set or revise the provisions in respect of these obligations can be complex with a degree of estimation involved.	The group's policy is for an external review to be performed within a two-year cycle. Independent reviews are conducted on the mines by an expert. For the current year, reliance was placed on the independent assessments performed in the current year. The audit committee is aware of the policy and reviews the rotation period annually for applicability. Inputs used include the inflation rate, which has been adjusted for a long-term view, and the risk-free rate compounded annually and linked to the life-of-mine. The audit committee considered the judgements made reasonable.

SUBSIDIARY COMPANIES

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

EXTERNAL AUDITOR

The committee nominated Deloitte LLP, with Tim Biggs FC as the designated audit partner, as the statutory auditor and Deloitte & Touche, with Patrick Ndlovu as the designated audit partner, for JSE reporting requirement purposes, for reappointment as external auditors of Pan African Resources. In assessing the suitability for their reappointment, the committee considered and executed its responsibilities pursuant to paragraph 22.15(h) of the JSE Listings Requirements.

The audit committee is satisfied with the accreditation of Deloitte LLP and Deloitte & Touche.

The committee satisfied itself through enquiry that the external auditors are independent as defined by the UK Companies Act 2006 and the standards stipulated by the auditing profession.

There have been changes in the management of Pan African Resources during the external audit firm's tenure which mitigate the attendant risk of familiarity between the external auditor and management.

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 2018 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 may provide to the company.

The policy allows for limited taxation and corporate governance advice, as well as the provision of reporting accountant services in relation to capital market transactions.

The committee monitors the external auditor's performance and the effectiveness of the audit process as provided with the terms of engagement and agreed audit scope and approach.

Through review of external audit reports, and interactions with the external audit team, the audit committee is satisfied with the quality of the external audit performed for the financial year.

Subsidiaries within the group have been audited by Deloitte LLP and Deloitte & Touche.

Deloitte LLP and Deloitte & Touche have been the auditors of Pan African Resources for 10 and nine years respectively.

Patrick Ndlovu (external audit partner for Deloitte & Touche) will rotate after the June 2021 financial year.

Tim Biggs (external audit partner for Deloitte LLP) will rotate after the June 2018 financial year.

FINANCIAL DIRECTOR

The board considered the functioning of the company's finance department and believes 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, for the role of financial director, as required by the JSE and AIM Listings Requirements.

INTERNAL AUDITOR

The committee plays an oversight role of internal audit by approval of the internal audit plan and review of the reporting of any findings on a regular basis. The committee satisfied itself that the internal audit function is independent and has the necessary resources, standing and authority to discharge its duties. The head of internal audit has direct access to the chairman of the audit committee and internal auditors are invited to attend each audit committee meeting.

The focus for the year under review has been on obtaining assurance on key risk areas within the control environment and investigations where this was necessary at the specific operations.

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 business units produce and evaluate their risks on a quarterly basis. Continued effort to improve the risk management process is ongoing.

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

On behalf of the audit committee

HH Hickey
Chairman, audit committee

19 September 2018

DIRECTORS' STATEMENT OF RESPONSIBILITY

The directors are responsible for preparing the integrated annual report and the annual financial statements in accordance with applicable laws and regulations.

The UK Companies Act 2006 requires the directors to prepare such annual financial statements for each financial year. In accordance with the AIM rules, the directors are required to prepare the group annual financial statements in accordance with IFRS as adopted by South Africa and the European Union (EU) (and article 4 of the IAS regulation) and have also chosen to prepare the parent company financial statements under IFRS as adopted by South Africa and the EU. In terms of the UK Companies Act 2006, 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 and the company for that period.

In preparing these annual financial statements, the SA Companies Act 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 is 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 confirm that to the best of our knowledge:

- the annual financial statements, prepared in accordance with IFRS as adopted by the EU and South Africa, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the integrated annual report and annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

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 annual financial statements comply with the UK Companies Act 2006. 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 UK governing the preparation and dissemination of annual 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 2006. All such returns are true, correct and up to date.

St James's Corporate
Services Limited

St James's Corporate Services Limited
Company secretary

19 September 2018

DIRECTORS' REPORT

The directors present their integrated annual report and the audited annual financial statements for the year ended 30 June 2018.

PRINCIPAL ACTIVITIES

The group's principal activity during the year was gold mining. A full review of the activities of the business and of its prospects is contained in the chief executive officer's statement that accompanies these annual financial statements on page 12.

RESULTS AND HISTORICAL DIVIDENDS

The results for the 2018 financial year are disclosed in the consolidated statement of profit and loss and other comprehensive income on page 147. The key features of these results can be found on page 37.

The group paid a final dividend of ZAR185 million or GBP10.0 million (2016: R300 million or GBP17.1 million) on 21 December 2017, relating to the 2017 financial year. This dividend equated to R0.08279 per share or 0.44561 pence per share (2016: R0.15438 per share or 0.87668 pence per share).

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 is to settle credit in less than 60 days from statement date.

RISK MANAGEMENT

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 monthly and, together with action plans, reported regularly to the board. Executive management and other board members can call for emergency board meetings, should the need arise. The group's risk management and key business risks are documented within the risk section on page 22.

INTERNAL CONTROL

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

Internal financial control procedures undertaken by the board include:

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

The board has reviewed the operation and effectiveness of the group's system of internal control for the 2018 financial year and the period up to the date of approval of the annual financial statements.

GOING CONCERN

The group closely monitors and manages its liquidity risk by means of a centralised treasury function. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production profiles from the group's producing assets. The group had R485 million of available debt facilities and R12.5 million of cash and cash equivalents at 30 June 2018. Based on the current status of the group's finances, having considered going concern forecasts and reasonably possible downside scenarios, including a ZAR gold price of R525,000/kg (USD1,270/oz at a prevailing ZAR:USD average exchange rate ZAR12.86:1), and reduced production volumes, the group's forecasts demonstrate it will have sufficient liquidity headroom to meet its obligations in the ordinary course of business, and will comply with financial covenants for the 12 months from the date of approval of the financial statements.

The board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the group continues to adopt the going concern basis of accounting in preparation of the 30 June 2018 financial statements.

EVENTS AFTER THE REPORTING PERIOD

No material events occurred after the reporting period.

DIRECTORS

The following were directors during the year under review:

KC Spencer	*Independent non-executive chairman*
JAJ Loots	*Chief executive officer*
GP Louw	*Financial director*
HH Hickey	*Independent non-executive director*
TF Mosololi	*Independent non-executive director*
RM Smith	*Independent non-executive director.*

AUDITOR

Deloitte LLP has been appointed as the statutory auditor and Deloitte & Touche 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 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 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 2006.

Deloitte has expressed its willingness to continue in office as auditor, and a resolution to reappoint it will be proposed at the forthcoming AGM.

APPROVAL OF FINANCIAL STATEMENTS

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

By order of the board

J. Loots

Cobus Loots
Chief executive officer

19 September 2018

UNITED KINGDOM
INDEPENDENT AUDITORS' REPORT

To the members of Pan African Resources Plc

OPINION

In our opinion

- the financial statements of Pan African Resources plc (the parent company) and its subsidiaries (the group) give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated and separate statements of profit or loss and other comprehensive income
- the consolidated and separate statements of financial position
- the consolidated and separate statements of changes in equity;
- the consolidated and separate statements of cash flows; and
- the related notes 1 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Going concern • Impairment assessment of property, plant and equipment and goodwill • Classification of Evander underground operations as discontinued operations • Rehabilitation and decommissioning provision Within this report, any new key audit matters are identified with ⓐ and any key audit matters which are the same as the prior year identified with ⓑ.
Materiality	The materiality that we used for the group financial statements was GBP1.1 million which was determined on the basis of 6% of normalised three-year average pre-tax profit.
Scoping	Full scope audits have been performed on Barberton, Evander, Management Services and Pan African Resources components. PAR Funding is subject to an audit of specific account balances. These account for 99% of the group's profit before taxation, 100% of the group's revenue and 98% of the group's net assets.
Significant changes in our approach	The Evander Mining underground operations were discontinued in the current year, though the surface tailing operations continue. These circumstances gave rise to a new key audit matter in the current year as discussed below.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern	
Key audit matter description	The group is dependent on generating sufficient cash flows to maintain sufficient liquidity to continue operating under the normal course of business, meet covenant requirements, and hence operate within the parameters of its debt facilities. The directors have concluded that the going concern basis of accounting remains appropriate after performing a detailed forecast of liquidity and covenant compliance for a period of 12 months from the date of approval of the 2018 integrated annual report and has not identified any material uncertainties related to going concern (note 2 and audit committee report on pages 128 to 131). Pressure on the group's cash flow and available headroom on financial covenants arises from the volatility in the gold price, the Rand to US Dollar exchange rate and gold production due to operational challenges. Over the next 12 months, the increase in the group's borrowings due to the Elikhulu construction is forecast to constrain the group's liquidity headroom and the interest cover ratio remains the most sensitive financial covenant. There is therefore a risk that the going concern basis of accounting will be adopted inappropriately or that the disclosures are not adequate.
How the scope of our audit responded to the key audit matter	We challenged the key assumptions in the directors' forecast cash flows for the next 12 months, within both base case and downside scenarios, by: • reviewing the directors' going concern paper and the accompanying cash flow and covenant compliance forecasts for the going concern period. This paper included stress tests for a range of reasonably possible scenarios including reduced production and lower than expected gold prices; • comparing cash flow forecasts for 2019 with the board-approved budget for that period, and obtaining explanations for any significant differences; • comparing the forecast gold price assumption with the latest set of broker forecasts; • using our mining specialists, Deloitte Technical Mining Advisors, to assess the life-of-mine and challenge the reasonableness of the production profile and recovery rates; • assessing the historical accuracy of budgeted production; • agreeing the group's committed debt facilities and hedging arrangements to supporting documentation; • testing the mechanical accuracy of the cash flow models and the related covenant compliance forecasts; and • assessing whether the disclosures relating to going concern included in the financial statements are balanced, proportionate and clear.
Key observations	Based on our procedures performed we are satisfied that the going concern assumption remains appropriate given the headroom available in the directors' base case and downside sensitivities and that the disclosures provided are proportionate, balanced and clear.

Impairment of plant, property and equipment and goodwill	
Key audit matter description	The carrying value of property, plant and equipment on the statement of financial position at 30 June 2018 was GBP193 million (note 17) and goodwill associated with the Barberton mine had a carrying value of GBP21 million (note 19) at 30 June 2018. In line with IAS 36: Impairment of Assets, the directors are required to perform an impairment assessment on the carrying value of goodwill and assess whether any internal or external indicators of impairment exist in relation to its property, plant and equipment. The directors identified impairment indicators with regard to the mining assets related to the Evander underground operations This requires significant judgement to be exercised, primarily in regard to the assumed forecast gold price, discount rates and the group's production and cost profiles at each of its mines. As referenced in note 3 of the financial statements, the recoverable value of property, plant and equipment and goodwill is considered by the directors to be a significant source of estimation uncertainty. The directors have performed an impairment assessment on all of its cash-generating units (CGUs) and concluded that: • an impairment of GBP98.1 million should be recognised in respect of the Evander underground CGU as a result of no future forecasted cash flows being available on discontinuing the Evander underground operation; and • an impairment of GBP8.1 million should be recognised in respect of the Evander surface mining operation CGU due to the directors' intention to merge ETRP (Evander Tailings Retreatment Plant) tonnage throughput into the Elikhulu plant from the second half of the next financial year. Further detail is disclosed in note 17, 19 and the audit committee report on pages 128 to 131.
How the scope of our audit responded to the key audit matter	We challenged the directors' significant assumptions used in the impairment testing for property, plant and equipment, and goodwill and specifically the cash flow projections, by: • reviewing the directors' accounting paper on impairments with consideration of all of the assumptions supporting their conclusions; • working with Deloitte Technical Mining Advisors to analyse the directors' long-term mining plans which form the basis of their recoverable value; • comparing the forecast gold price assumption with the latest set of broker forecasts; • comparing the discount rates calculated by the directors' experts with Deloitte's internal specialists' valuation; and • evaluating the directors' assessment of the different CGUs in accordance with IAS 36. We reviewed the adequacy and accuracy of disclosures. We have assessed the sensitivity analysis performed and disclosed by the directors relating to the impairment review.
Key observations	Based on our procedures performed, we are satisfied that the recoverability of the assets has been assessed in accordance with the requirements of IAS 36: Impairment of Assets and the related disclosures provided are appropriate.

Classification of Evander underground operations as discontinued operations	
Key audit matter description	During the current year, the group discontinued the Evander underground operations comprising Shaft 7 and 8 and the run-of-mine circuit Kinross plant. In line with IFRS 5: Non-Current assets held for sale and Discontinued operations, the directors are required to determine whether the classification criteria for a discontinued operation have been met. The remaining surface sources and tailings operations at Evander comprising Elikhulu and ETRP, both tailings retreatment plants, are considered to be a part of the Evander continuing operations. This determination requires significant judgement to be exercised in regard to the IFRS 5 criteria, recognition of any related impairments, determination of the split between continuing and discontinued operations and related disclosure. As disclosed in note 3 and 17, an impairment of GBP106 million has been identified in respect of the underground mining assets as a result of the discontinuing the underground operations.

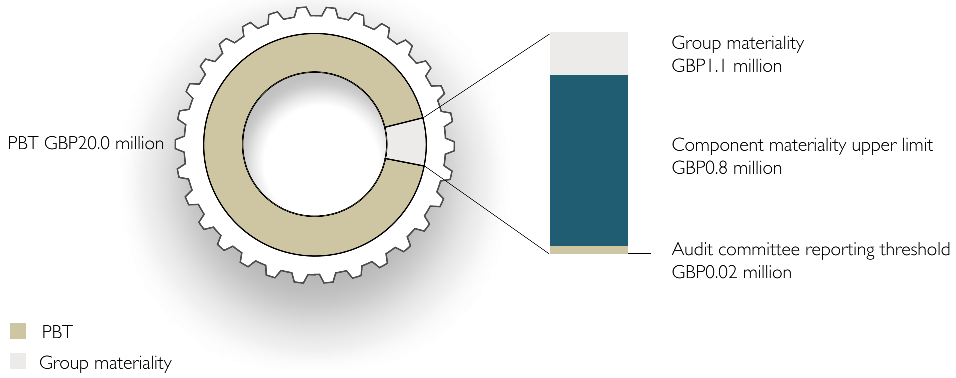
Classification of Evander underground operations as discontinued operations continued	
How the scope of our audit responded to the key audit matter	We challenged the directors' significant assumptions used in the classification of Evander as a discontinued operation by: • challenging the reasonability of Evander's underground operations classification as a discontinued operation against the requirements of IFRS 5 Non-Current assets held for sale and Discontinued operations (IFRS 5); • reviewing the directors' paper and the accompanying judgements applied to distinguish between Evander underground discontinued and Evander surface continuing operations and determine the impairment charge; • challenging the directors' calculation of the impairment by testing its mathematical accuracy and assessing the underlying assumptions; and • assessing whether the disclosures relating to IFRS 5 included in the financial statements are balanced, proportionate and clear.
Key observations	Based on our procedures performed, we are satisfied that Evander underground qualifies as a discontinued operation and the related disclosures provided are appropriate.
Rehabilitation provision	
Key audit matter description	The provision for rehabilitation and decommissioning at 30 June 2018 was GBP 15 million (note 29). The measurement of this provision requires judgement to determine the forecast estimated cost of rehabilitation activity, the life of each mine, the forecast inflation rate and an appropriate discount rate.
How the scope of our audit responded to the key audit matter	We have challenged the directors' key assumptions used in their determination of the rehabilitation provision by: • assessing the work of the directors' experts in producing the mine closure costs and assessing their competence, experience and qualifications; • working with Deloitte Technical Mining Advisors to analyse the directors' long-term mining plans which form the basis for determining the expected timing of future cash flows; • interviewing mining engineers to understand the extent of any additional damage requiring rehabilitation and agreeing that this has been included in the forecast cash flows; and • agreeing the inflation and discount rate assumptions to independent sources
Key observations	We are satisfied that the judgements made by the directors are reasonable and that the risk adjustments to the forecast cash flows are reasonable and consistent with industry practice.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	GBP1.1 million/ZAR20 million (2017: GBP1.5 million/ZAR26 million).	GBP0.4 million/ZAR8 million
Basis for determining materiality	The applied materiality is approximately 6% of normalised three-year average pre-tax profit (2017: 6%). These normalising items are outlined in note 15 to the financial statements.	1% of net assets
Rationale for the benchmark applied	The pre-tax profits for the 2016 to 2018 years have been normalised in determining materiality to exclude items which, due to their nature and/or expected infrequency of the underlying events, are not considered indicative of continuing operations of the group and so do not form part of the group's internally or externally monitored primary KPIs, and which if included, would distort materiality year-on-year. We consider this approach to be more appropriate than using a single period given the nature of the mining industry which is exposed to cyclical commodity price fluctuations. A three-year average provides a more stable base reflective of the group's size and operations. The materiality determined equates to less than 1% (2017: 1%) of equity.	PAR PLC is the holding company and a reflection of its operations are indicated by the total assets held by the entity.



We agreed with the audit committee that we would report to the committee all audit differences in excess of GBP0.02 million (2017: GBP0.03 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the audit committee on disclosure matters that we identify when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group's operations are located in South Africa. Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on our continuing assessment, we focused our group audit scope primarily on the audit work at five components, representing the group's most material operations, and utilised two component audit teams in South Africa.

Four of these were subject to a full scope audit and one was subject to specified audit procedures where the extent of our testing was based on our assessment of the risk of material misstatement and of the size of the group's operations at that location.

These five components account for 99% of the group's profit before taxation, 100% of the group's revenue and 98% of the group's net assets.

For all full scope components the group audit team was involved in the audit work performed by the component auditors through a combination of our planning conference call meetings, in-country review and challenge of related component detailed working papers and of findings from their work (which included the audit procedures performed to respond to risks of material misstatement) and regular interaction on any related audit and accounting matters which arose.

The group audit partner and senior members of the group audit team travelled to South Africa as part of the audit and periodically met with local management and the component audit team.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or specified audit procedures performed.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	**We have nothing to report in respect of these matters.**

INDEPENDENT AUDITORS' REPORT continued

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	**We have nothing to report in respect of this matter**

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.

Timothy Biggs FCA
Senior statutory auditor

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

18 September 2018

SOUTH AFRICA
INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pan African Resources plc

OPINION

We have audited the consolidated and separate financial statements of Pan African Resources plc (the Group) set out on pages 146 to 215, which comprise the statements of financial position as at 30 June 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern	
Key audit matter description See note 2 and the audit committee report on pages 125 to 131 for further details	The group is dependent on generating sufficient cash flows to maintain sufficient liquidity to continue operating under the normal course of business, meet loan covenant requirements, and hence operate within the parameters of its debt facilities. The directors have concluded that the going concern basis of accounting remains appropriate after performing a detailed forecast of liquidity and covenant compliance for a period of 12 months from the date of approval of the 2018 integrated annual report and has not identified any material uncertainties related to going concern. Pressure on the group's cash flow and available headroom on financial covenants arises from the volatility in the gold price, the Rand to US Dollar exchange rate and gold production due to operational challenges. Over the next 12 months, the increase in the group's borrowings due to the Elikhulu construction is forecast to constrain the group's liquidity headroom and the interest cover ratio remains the most sensitive financial covenant. There is therefore inherent uncertainty in forecasting and a degree of judgement involved in evaluating whether the going concern basis of accounting will be adopted appropriately, as such we identified the assessment of the Company and the Group to continue as a going concern as a key audit matter.
How the scope of our audit responded to the key audit matter	We challenged the key assumptions in the directors' forecast cash flows for the next 12 months, within both base case and downside scenarios, by: • reviewing the directors' going concern paper and the accompanying cash flow and covenant compliance forecasts for the going concern period. This paper included stress tests for a range of reasonably possible scenarios including reduced production and lower than expected gold prices; • comparing cash flow forecasts for 2019 with the board-approved budget for that period, and obtaining explanations for any significant differences; • comparing the forecast gold price assumption with the latest set of broker forecasts; • using our mining specialists, Deloitte Technical Mining Advisors, to challenge the reasonableness of the production profile and recovery rates; • assessing the historical accuracy of budgeted production; • agreeing the group's committed debt facilities and hedging arrangements to supporting documentation; • testing the mechanical accuracy of the cash flow models and the related covenant compliance forecasts; and • assessing whether the disclosures relating to going concern included in the financial statements are balanced, proportionate and clear.

Going concern continued	
Key observations	Based on our procedures performed we are satisfied that the going concern assumption remains appropriate given the headroom available in the directors' base case and downside sensitivities and that the disclosures provided are proportionate, balanced and clear.
Impairment of property, plant and equipment and goodwill (consolidated financial statements)	
Key audit matter description See notes 3, 17 and 19 and the Audit Committee Report pages 128 to 131 for further details.	The carrying value of property, plant and equipment on the statement of financial position at 30 June 2018 was GBP193 million (note 17) and goodwill associated with the Barberton mine had a carrying value of GBP21 million (note 19) at 30 June 2018. In line with IAS 36: Impairment of Assets, the directors are required to perform an impairment assessment on the carrying value of goodwill and assess whether any internal or external indicators of impairment exist in relation to its property, plant and equipment. The directors identified impairment indicators with regard to the mining assets related to the Evander underground operations, including a decline in the forecast long-term gold price and production shortfalls, and therefore carried out an impairment assessment. This requires significant judgement to be exercised, primarily in regard to the assumed forecast gold price, discount rates and the group's production and cost profiles at each of its mines. As referenced in note 3 of the financial statements, the recoverable value of property, plant and equipment and goodwill is considered by the directors to be a significant source of estimation uncertainty. The directors have performed an impairment assessment on all of its cash-generating units (CGUs) and concluded that: • an impairment of GBP98.1 million should be recognised in respect of the Evander underground CGU as a result of no future forecasted cash flows being available on discontinuing the Evander underground operation; and • an impairment of GBP8.1 million should be recognised in respect of the Evander surface mining operation CGU due to the directors intention to merge ETRP tonnage throughput into the Elikhulu plant from the second half of the next financial year.
How the scope of our audit responded to the key audit matter	We challenged the directors' significant assumptions used in the impairment testing for property, plant and equipment, goodwill, and specifically the cash flow projections, by: • reviewing the directors' accounting paper on impairments with consideration of all of the assumptions supporting their conclusions • working with Deloitte Technical Mining Advisors to analyse the directors' long-term mining plans which form the basis of their recoverable value; • comparing the forecast gold price assumption with the latest set of broker forecasts; • comparing the discount rates calculated by the directors' experts with Deloitte's internal Corporate Finance specialists' calculations; and • evaluating the directors' assessment of the different CGUs in accordance with IAS 36. We reviewed the adequacy and accuracy of disclosures. We also evaluated the sensitivity analysis performed and disclosed by the directors relating to the impairment review.
Key observations	Based on our procedures performed, we are satisfied that the recoverability of the assets has been assessed in accordance with the requirements of IAS 36: Impairment of Assets and related disclosures provided are appropriate.

Classification of Evander underground operations as discontinued operations	
Key audit matter description See notes 3, 14 and 17 and the Audit Committee Report on pages 128 to 131 for further details.	During the current year, the group discontinued the Evander underground operations comprising Shaft 7 and 8 and the run-of-mine circuit Kinross plant. In line with IFRS 5: Non-Current assets held for sale and Discontinued operations, the directors are required to determine whether the classification criteria for a discontinued operation has been met. The remaining surface sources and tailings operations at Evander comprising Elikhulu and ETRP are considered to be a part of the Evander continued operations. This determination requires significant judgement to be exercised in regard to the IFRS 5 criteria, recognition of any related impairments, determination of the split between continuing and discontinued operations and related disclosure. As disclosed in note 17, an impairment of GBP106 million has been identified as a result of the discontinuing the underground operations
How the scope of our audit responded to the key audit matter	We challenged the directors' significant assumptions used in the classification of Evander as a discontinued operation by: • to challenge the reasonability of Evander's underground operations classification as a discontinued operation in accordance with the requirements of IFRS5: Non-Current assets held for sale and Discontinued operations ("IFRS 5"); • reviewing the directors' paper and the accompanying judgements applied to distinguish between Evander underground discontinued and Evander surface continuing operations and determine the impairment charge; • assessing the reasonability of management's distinction of the Evander discontinued and continuing operations; • challenging the directors' calculation of the impairment by testing its mathematical accuracy and assessing the underlying assumptions; and • assessing whether the disclosures relating to IFRS5 included in the financial statements are balanced, proportionate and clear.
Key observations	Based on our procedures performed, we are satisfied that Evander underground qualifies as a discontinued operation and the related disclosures provided are appropriate.

Rehabilitation provision	
Key audit matter description See notes 29 and the Audit Committee Report on pages 128 to 131 for further details.	The provision for rehabilitation and decommissioning at 30 June 2018 was GBP 15 million. The measurement of this provision requires judgement to determine the forecast estimated cost of rehabilitation activity, the life of each mine, the forecast inflation rate and an appropriate discount rate.
How the scope of our audit responded to the key audit matter	We have challenged the directors' key assumptions used in their determination of the rehabilitation provision by: • assessing the work of the directors' experts in producing the mine closure costs and assessing their competence, experience and qualifications; • working with Deloitte Technical Mining Advisors to analyse the directors' life-of-mine plans; • interviewing mining engineers to understand the extent of any additional damage requiring rehabilitation and agreeing that this has been included in the forecast cash flows; and • agreeing the inflation and discount rate assumptions to independent sources.
Key observations	We are satisfied that the judgements made by the directors are reasonable and the risk adjustments to the forecast cash flows are reasonable and consistent with practice industry.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate which we obtained prior to the date of this report, and the integrated annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Pan African Resources Plc for 9 years.

Deloitte & Touche.

Deloitte & Touche
Registered auditor

Per: P Ndlovu
Partner

18 September 2018

CONSOLIDATED AND SEPARATE
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	Consolidated		Separate	
		Audited 30 June 2018 GBP	Audited 30 June 2017 GBP	Audited 30 June 2018 GBP	Audited 30 June 2017 GBP
ASSETS					
Non-current assets					
Property, plant and equipment and mineral rights	17	**192,828,307**	224,687,447	**–**	–
Other intangible assets	18	**31,620**	72,426	**–**	–
Deferred taxation	31	**6,208,839**	762,503	**1,529,395**	415,692
Long-term inventory	23	**567,491**	684,432	**–**	–
Long-term receivables	20	**1,324,643**	2,535,378	**–**	1,474,057
Goodwill	19	**21,000,714**	21,000,714	**–**	–
Investments	21	**3,135,244**	7,522,632	**111,051,385**	126,527,682
Rehabilitation funds	22	**20,136,315**	18,904,554	**–**	–
		245,233,173	276,170,086	**112,580,780**	128,417,431
Current assets					
Inventories	23	**2,701,013**	5,047,416	**–**	–
Receivables from other group companies	36	**–**	–	**72,546,560**	90,816,537
Current taxation asset	28	**690,657**	1,068,496	**75,136**	66,479
Trade and other receivables	24	**14,848,870**	13,744,108	**4,849**	5,563
Current portion of long-term receivables	20	**949,681**	–	**779,425**	–
Financial instruments asset	32	**219,598**	–	**–**	–
Cash and cash equivalents	25	**699,116**	9,447,144	**203,991**	8,009,500
		20,108,935	29,307,164	**73,609,961**	98,898,079
Non-current assets held for sale	14	**–**	5,610,475	**–**	5,247,642
Total assets		**265,342,108**	311,087,725	**186,190,741**	232,563,152
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	26	**22,346,875**	22,346,875	**22,346,875**	22,346,875
Share premium		**144,558,953**	145,400,890	**145,400,890**	145,400,890
Translation reserve		**(42,839,669)**	(36,902,740)	**(16,237,497)**	1,159,959
Share option reserve		**1,661,780**	1,221,395	**897,658**	897,658
Retained earnings		**30,011,893**	131,297,799	**34,703,733**	45,448,827
Realisation of equity reserve		**(10,701,093)**	(10,701,093)	**–**	–
Treasury capital reserve	40	**(15,589,715)**	(25,376,743)	**–**	–
Merger reserve		**(10,705,308)**	(10,705,308)	**1,560,000**	1,560,000
Other reserves		**(3,039,968)**	–	**(3,039,968)**	–
Equity attributable to owners of the parent		**115,703,748**	216,581,075	**185,631,691**	216,814,209
Total equity		**115,703,748**	216,581,075	**185,631,691**	216,814,209
Non-current liabilities					
Long-term provisions	29	**15,115,113**	11,655,325	**–**	–
Long-term liabilities	30	**86,510,226**	12,290,302	**36,062**	544,680
Deferred taxation	31	**14,342,852**	38,947,226	**–**	–
		115,968,191	62,892,853	**36,062**	544,680
Current liabilities					
Trade and other payables	27	**27,921,848**	27,056,598	**353,675**	1,123,317
Current portion of long-term liabilities	30	**5,170,433**	4,145,679	**169,313**	207,055
Payable to other group companies	36	**–**	–	**–**	13,873,891
Current taxation liability	28	**577,888**	48,686	**–**	–
		33,670,169	31,250,963	**522,988**	15,204,263
Liabilities directly associated with non-current assets held for sale		**–**	362,834	**–**	–
Total equity and liabilities		**265,342,108**	311,087,725	**186,190,741**	232,563,152

The financial statements of Pan African Resources PLC, registered number 3937466, were approved by the board of directors on 19 September 2018 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 2018

		Consolidated		Separate	
	Notes	Audited 30 June 2018 GBP	Re-presented[1] Audited 30 June 2017 GBP	Audited 30 June 2018 GBP	Audited 30 June 2017 GBP
Continuing operations					
Gold revenue	4	**108,506,068**	125,111,338	**–**	–
Other revenue	4	**–**	–	**579,039**	–
Realisation costs	4	**(2,005,962)**	(1,015,504)	**–**	–
Net revenue		**106,500,106**	124,095,834	**579,039**	–
Gold cost of production	5	**(77,713,040)**	(75,443,545)	**–**	–
Mining depreciation and amortisation	17, 18	**(4,929,817)**	(5,498,795)	**–**	–
Mining profit		**23,857,249**	43,153,494	**579,039**	–
Other (expenses)/income	8	**(4,283,551)**	(239,960)	**(2,378,069)**	18,348,538
Profit on disposal of investment	21	**–**	222,571	**–**	222,571
Profit on disposal of subsidiary	14	**–**	5,385,915	**–**	6,343,387
Continuing operations – impairments	14	**(8,153,312)**	–	**–**	(6,352,320)
Fair value movement on asset held for sale	14	**–**	–	**474,998**	–
Royalty costs		**(415,010)**	(1,112,665)	**–**	–
Net income/(loss) before finance income and finance costs		**11,005,376**	47,409,355	**(1,324,032)**	18,562,176
Finance income	4, 9	**1,490,836**	256,496	**268,206**	51,496
Finance costs	9	**(3,143,883)**	(2,802,979)	**(5,929)**	(2,575)
Profit/(loss) for the year from continuing operations	10	**9,352,329**	44,862,872	**(1,061,755)**	18,611,097
Taxation	13	**2,102,761**	(4,203,148)	**274,600**	408,704
Profit/(loss) after taxation		**11,455,090**	40,659,724	**(787,155)**	19,019,801
Discontinued operations					
Loss from discontinued operations	14	**(104,727,605)**	(22,749,688)	**–**	–
(Loss)/profit for the year		**(93,272,515)**	17,910,036	**(787,155)**	19,019,801
Other comprehensive income (net of taxes)					
Items that have been or may subsequently be reclassified to the statement of profit or loss (net of taxes)					
Fair value movement on available-for-sale investment	21	**(3,917,484)**	(94,938)	**(3,917,484)**	(94,938)
Taxation on fair value movement on available-for-sale investment		**877,516**	–	**877,516**	–
Profit on disposal of available-for-sale investment		**–**	(222,571)	**–**	(222,571)
Items that will not be reclassified to the statement of profit or loss (net of taxes):					
Foreign currency translation differences		**(5,936,929)**	21,681,108	**(17,397,456)**	7,035,097
Total comprehensive (loss)/income for the year		**(102,249,412)**	39,273,635	**(21,224,579)**	25,737,389
(Loss)/profit attributable to:					
Owners of the parent		**(93,272,515)**	17,910,036	**(787,155)**	19,019,801
Total comprehensive (loss)/income attributable to:					
Owners of the parent		**(102,249,412)**	39,273,635	**(21,224,579)**	25,737,389
Earnings per share (pence)	15	**(5.15)**	1.14		
Diluted earnings per share (pence)	15	**(5.15)**	1.14		
Earnings per share for continuing operations (pence)	15	**0.63**	2.60		
Diluted earnings per share for continuing operations (pence)	15	**0.63**	2.60		

[1] The prior year figures have been re-presented to exclude discontinued operations (refer to note 14).

CONSOLIDATED AND SEPARATE

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Consolidated			
	Share capital GBP	Share premium GBP	Translation reserve[1] GBP	Share option reserve GBP
Balance at 1 July 2016	19,432,065	108,936,082	(58,583,848)	1,035,888
Issue of shares	2,914,810	37,892,528	–	–
Share issue costs	–	(1,427,720)	–	–
Profit for the year	–	–	–	–
Other comprehensive income/(loss)	–	–	21,681,108	–
Dividends paid	–	–	–	–
Reciprocal dividends – PAR Gold	–	–	–	–
Share-based payment – charge for the year	–	–	–	185,507
Balance at 30 June 2017	**22,346,875**	**145,400,890**	**(36,902,740)**	**1,221,395**
Disposal of treasury shares	–	(841,937)	–	–
Loss for the year	–	–	–	–
Other comprehensive loss	–	–	(5,936,929)	–
Dividends paid	–	–	–	–
Reciprocal dividends – PAR Gold	–	–	–	–
Share-based payment – charge for the year	–	–	–	440,385
Balance at 30 June 2018	**22,346,875**	**144,558,953**	**(42,839,669)**	**1,661,780**

	Company			
	Share capital GBP	Share premium GBP	Translation reserve[1] GBP	Share option reserve GBP
Balance at 1 July 2016	19,432,065	108,936,082	(5,875,138)	897,658
Issue of shares	2,914,810	37,892,528	–	–
Share issue costs	–	(1,427,720)	–	–
Profit for the year	–	–	–	–
Other comprehensive income/(loss)	–	–	7,035,097	–
Dividends paid	–	–	–	–
Balance at 30 June 2017	**22,346,875**	**145,400,890**	**1,159,959**	**897,658**
Loss for the year	–	–	–	–
Other comprehensive loss	–	–	(17,397,456)	–
Dividends paid	–	–	–	–
Balance at 30 June 2018	**22,346,875**	**145,400,890**	**(16,237,497)**	**897,658**

[1] ***Translation reserve*** *comprises all foreign exchange differences arising from the translation of the financial results from the group's functional currency (ZAR) to the group's presentational currency (GBP).*

[2] ***Merger reserve*** *was created through the historical reverse acquisition of Barberton Mines in July 2007.*

[3] ***Other reserves*** *comprises unrealised gains or losses recognised in other comprehensive income/(loss) when available-for-sale financial assets are subsequently measured at fair value.*

[4] ***Realisation of equity reserve*** *was created in June 2009 through the acquisition of PAR Gold's 26% shareholding in Barberton Mines in exchange for the issue of new ordinary shares in Pan African Resources PLC to PAR Gold.*

[5] ***Treasury capital reserve*** *was created on 6 June 2016 and comprises Funding Company's investment in PAR Gold. PAR Gold's investment in Pan African Resources' shares eliminates on consolidation therefore reducing the group equity and the weighted average number of shares in issue (refer to note 40).*

Consolidated

Retained earnings GBP	Realisation of equity reserve[4] GBP	Treasury capital reserve[5] GBP	Merger reserve[2] GBP	Other reserves[3] GBP	Total GBP
126,620,650	(10,701,093)	(25,376,743)	(10,705,308)	317,509	150,975,202
–	–	–	–	–	40,807,338
–	–	–	–	–	(1,427,720)
17,910,036	–	–	–	–	17,910,036
–	–	–	–	(317,509)	21,363,599
(17,067,953)	–	–	–	–	(17,067,953)
3,835,066	–	–	–	–	3,835,066
–	–	–	–	–	185,507
131,297,799	**(10,701,093)**	**(25,376,743)**	**(10,705,308)**	**–**	**216,581,075**
–	**–**	**9,787,028**	**–**	**–**	**8,945,091**
(93,272,515)	**–**	**–**	**–**	**–**	**(93,272,515)**
–	**–**	**–**	**–**	**(3,039,968)**	**(8,976,897)**
(9,957,939)	**–**	**–**	**–**	**–**	**(9,957,939)**
1,944,548	**–**	**–**	**–**	**–**	**1,944,548**
–	**–**	**–**	**–**	**–**	**440,385**
30,011,893	**(10,701,093)**	**(15,589,715)**	**(10,705,308)**	**(3,039,968)**	**115,703,748**

Company

Retained earnings GBP	Realisation of equity reserve GBP	Treasury capital reserve GBP	Merger reserve[2] GBP	Other reserves[3] GBP	Total GBP
43,496,979	–	–	1,560,000	317,509	168,765,155
–	–	–	–	–	40,807,338
–	–	–	–	–	(1,427,720)
19,019,801	–	–	–	–	19,019,801
–	–	–	–	(317,509)	6,717,588
(17,067,953)	–	–	–	–	(17,067,953)
45,448,827	**–**	**–**	**1,560,000**	**–**	**216,814,209**
(787,155)	**–**	**–**	**–**	**–**	**(787,155)**
–	**–**	**–**	**–**	**(3,039,968)**	**(20,437,424)**
(9,957,939)	**–**	**–**	**–**	**–**	**(9,957,939)**
34,703,733	**–**	**–**	**1,560,000**	**(3,039,968)**	**185,631,691**

CONSOLIDATED AND SEPARATE

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

		Consolidated		Separate	
	Notes	Audited 30 June 2018 GBP	Re-presented[1] Audited 30 June 2017 GBP	Audited 30 June 2018 GBP	Audited 30 June 2017 GBP
Net cash (used in)/generated from operating activities before dividends	38	**(3,200,375)**	16,501,184	**(1,071,302)**	21,092,958
Dividends paid net of PAR Gold reciprocal dividend		**(8,231,456)**	(13,290,429)	**(10,228,822)**	(17,142,171)
Net cash (used in)/generated from operating activities		**(11,431,831)**	3,210,755	**(11,300,124)**	3,950,787
Investing activities					
Additions to property, plant and equipment and mineral rights		**(92,730,150)**	(35,518,177)	**–**	–
Additions to other intangible assets	18	**(17,318)**	(22,817)	**–**	–
Increase in long-term loans receivable		**(385,160)**	(1,207,492)	**–**	–
Rehabilitation funds contributions	22	**(1,542,526)**	–	**–**	–
Increase in loans to subsidiaries		**–**	–	**–**	(46,741,979)
Proceeds from disposal of investment	14, 21	**4,788,036**	1,381,005	**4,788,036**	1,381,005
Proceeds from disposals of property, plant and equipment and mineral rights		**880**	396,604	**–**	–
Proceeds from disposal of subsidiary, net of cash		**–**	6,586,262	**–**	6,586,262
Net cash (used in)/generated from investing activities		**(89,886,238)**	(28,384,615)	**4,788,036**	(38,774,712)
Financing activities					
Proceeds from borrowings	30	**89,986,064**	47,750,265	**–**	–
Borrowings repaid	30	**(5,836,226)**	(53,964,004)	**–**	(1,111,484)
Proceeds/(settlement) of financial instruments	32	**924,712**	(1,389,720)	**–**	–
(Decrease)/increase in loans from subsidiaries		**–**	–	**(652,082)**	4,410,628
Proceeds from diposal of treasury shares		**8,945,091**	–	**–**	–
Shares issued		**–**	40,807,338	**–**	40,807,338
Share issue costs		**–**	(1,427,720)	**–**	(1,427,720)
Net cash generated from/(used in) financing activities		**94,019,641**	31,776,159	**(652,082)**	42,678,762
Net (decrease)/increase in cash and cash equivalents		**(7,298,428)**	6,602,299	**(7,164,170)**	7,854,837
Cash and cash equivalents at the beginning of the year		**9,447,144**	2,658,947	**8,009,500**	77,660
Cash and cash equivalents of discontinued operations		**–**	(51,903)	**–**	–
Effect of foreign exchange rate changes		**(1,449,600)**	237,801	**(641,339)**	77,003
Cash and cash equivalents at the end of the year	25	**699,116**	9,447,144	**203,991**	8,009,500

[1] The cash-settled share option costs have been re-presented in net cash (used in)/generated from operating activities from net cash generated from/(used in) financing activities in the current and prior reporting period.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. GENERAL INFORMATION

Pan African Resources is a company incorporated in the United Kingdom and registered in England and Wales under the UK Companies Act 2006. The company's functional currency is ZAR. 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 commodity mining and exploration activities. The consolidated and separate financial statements are presented in pounds sterling as the company is incorporated in the United Kingdom and registered in England and Wales. 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 consolidated financial statements, the results and financial position of each group company is expressed in pounds sterling. The consolidated and separate financial statements have been prepared on the going concern basis.

The consolidated and separate 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 consolidated and separate 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.

Going concern

The group closely monitors and manages its liquidity risk by means of a centralised treasury function. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices and different production profiles from the group's producing assets. The group had R485 million of available debt facilities and R12.5 million of cash and cash equivalents at 30 June 2018. Based on the current status of the group's finances, having considered going concern forecasts and reasonably possible downside scenarios, including a ZAR gold price of R525,000/kg (USD1,270/oz at a prevailing ZAR:USD average exchange rate ZAR12.86:1), and reduced production volumes, the group's forecasts demonstrate it will have sufficient liquidity headroom to meet its obligations in the ordinary course of business, and will comply with financial covenants for the 12 months from the date of approval of the financial statements.

The board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the group continues to adopt the going concern basis of accounting in preparation of the 30 June 2018 financial statements.

New and revised IFRS not yet adopted

The group applies all applicable IFRS in preparation of the consolidated and separate financial statements. Consequently, all IFRS statements adopted by the EU and South Africa that were effective at 30 June 2018 and are relevant to its operations have been applied.

At the date of authorisation of these consolidated and separate financial statements, the following standards, which have been applied in these consolidated and separate financial statements for the first time, were in issue and effective as at 30 June 2018.

Standard	Amendment	Effective date
IFRS 12: Disclosure of Interests in Other Entities	Amendments resulting from 2014 – 2016 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2017
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 taxation assets for unrealised losses	Annual periods beginning on or after 1 January 2017
IFRS 4: Insurance Contracts	Amendment applying IFRS 9: Financial Instruments with IFRS 4: Insurance Contracts	Annual periods beginning on or after 1 January 2017

At the date of authorisation of these consolidated and separate financial statements the following standards and interpretations, which have not been applicable in these consolidated and separate financial statements, were in issue and not yet effective at 30 June 2018.

Standard	Amendment	Effective date
IFRS 1: First-time Adoption of International Financial Reporting Standards	Amendments resulting from 2014 – 2016 Annual Improvements Cycle	Annual periods beginning on or after 1 January 2018
IFRS 2: Share-based Payment	Amendment classification and measurement of share-based payment transactions	Annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Re-issue of a complete standard with all the chapters incorporated	Annual periods beginning on or after 1 January 2018
IFRS 9: Financial Instruments	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	Annual periods beginning on or after 1 January 2019
IFRS 10: Consolidated Financial Statements	Amendments on sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
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
IFRIC 22: Foreign Currency Transactions and Advance Consideration	Original issue	Annual periods beginning on or after 1 January 2018
IFRIC 23: Uncertainty over Income Tax Treatment	Original issue	Annual periods beginning on or after 1 January 2019

The impact of the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers, both of which become effective for the group for the year ended June 2019, have been assessed. The effect of applying these standards will not have an impact on the financial results of the group.

IFRS 16: Leases was published in January 2016 and will be effective for the group for the year ended June 2020, replacing IAS 17: Leases.

The principal impact of IFRS 16 will be to change the accounting treatment by lessees of leases currently classified as operating leases. Lease arrangements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the statement of profit and loss in the form of depreciation of the right-of-use asset over the lease term, and finance charges which represents the unwinding of the discount on the lease liability.

During 2018, the group has embarked on an IFRS 16 implementation project, focusing on the review of contracts and the aggregation of data to support the evaluation of the accounting impacts of applying the new standard.

Consequently, on adoption of IFRS 16 it is expected that there will be a material increase in lease liabilities representing the present value of future payments under arrangements currently classified as operating leases, along with a corresponding increase in property, plant and equipment right-of-use asset. Information on the group's operating lease commitments is disclosed in note 7 Operating leases.

The impact of other standards and interpretations, in issue and not yet effective still needs to be considered.

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 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 profit and loss and other 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.

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 amortisation.

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 to their residual values using the units-of-production method based on estimated, proven and probable Mineral Reserves.

Other mining plant and equipment are depreciated on the straight-line basis to their residual values 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 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 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 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 based on 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, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Taxation

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

Deferred taxation 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 taxation basis used in the computation of taxable profit. In principle, deferred taxation liabilities are recognised for all taxable temporary differences, and deferred taxation 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 taxation nor accounting profit.

Deferred taxation is calculated at the taxation rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on taxation rates (and laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred taxation liabilities and assets reflects the taxation 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 taxation is charged or credited to the statement of profit or loss and other comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred taxation is also recorded within equity, or where they arise from the initial accounting for a business combination. In a business combination, the taxation effect is considered 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 amounts of deferred taxation assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or parts of the assets to be recovered.

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

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, considering 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.

Provision for environmental rehabilitation costs

Long-term environmental obligations are based on the mining operations' 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.

Provision for decommissioning costs

The group provides for the present value of 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.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from subsequent changes in the estimated timing or amount of cash flows, or change in discount rate, are added back to, or deducted from the cost of the related asset in the current period. Movements in the provision for decommissioning costs are recognised immediately in the income statement through profit and loss.

Leased assets

The group leases certain property, plant and equipment. A lease is classified as a finance lease if it transfers to the group 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, except for 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.

Monetary assets and liabilities denominated in such other currencies are translated at the functional currency spot rates of exchange ruling at reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items are measured in terms of historical cost in a foreign currency and are translated using the exchange rates at the dates of the initial transactions.

On consolidation, the group's assets and liabilities are translated into GBP, the presentational currency of the group, at the rate of exchange prevailing at the reporting date. The statement of profit or loss and other comprehensive income is translated at the exchange rate prevailing at the date of the significant transaction or the average rate for the period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI) as income or expenses in the period in which the operation is disposed of.

To hedge its exposure to foreign exchange risks, the group may enter into forward contracts. Translation differences on foreign loans to subsidiaries are recognised in other comprehensive income and accumulated equity.

Inventories

Inventories include the commodities in their produced or concentrate form on hand and consumable stores.

The commodities 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.

Commodities in process inventories represent materials that are currently in the process of being converted to saleable commodities products. The commodities 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.

Contributions to rehabilitation fund

Contributions are made to a dedicated environmental rehabilitation fund to provide for the estimated cost of rehabilitation during and at the end of the life of the group's mines. The fund's assets are recognised separately on the statement of financial position as non-current assets at fair value. Interest earned on the rehabilitation fund is accrued on a time proportion basis and credited to the provision for environmental rehabilitation costs. Movements, other than cash contributions or deductions, in the rehabilitation fund are recognised immediately in the income statement through profit and loss.

Revenue recognition

Sales represents the value of commodities sold, excluding value added taxation, and is recognised when the significant risks and rewards of ownership have passed to the buyer, usually on delivery of goods. Revenue from the sale of commodities 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.

Available-for-sale financial assets

Available-for-sale financial assets include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit and loss.

After initial measurement available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the other reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss or the investment is determined to be impaired, when the cumulative loss is reclassified from the other reserve to the statement of profit or loss.

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, because 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 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 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 fair value through profit and loss

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 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.

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 remeasured to their fair value at each statement of financial position date. The resulting gain or loss is recognised in the statement of profit and loss and other 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 profit and loss and other 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.

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 several factors including Mineral 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.

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' Exco. Management has determined the operating segments of the group based on the reports reviewed by the Exco 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 commodities.

Non-current assets held for sale and discontinued operations

The group classifies assets and disposal groups as held for sale if the carrying amount will be recovered principally through a sale rather than continuing use. Such assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Cost to sell are incremental costs directly attributable to the sale excluding finance costs and income taxation expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made. Management must be committed to the sale, expected to be finalised within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- is a subsidiary acquired exclusively with a view of resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after taxation from discontinued operations in the statement of profit or loss and other comprehensive income.

Additional disclosures are provided in note 14. All other notes to the financial statements include amounts from continuing operations, unless otherwise mentioned.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the group's accounting policies, which are described in note 2, the directors are required to make certain judgements, estimates and assumptions that are not readily apparent from other sources that may materially affect the carrying amounts of assets and liabilities, the reported 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Impairment of assets

The allocation of CGUs within the group for the purpose of the impairment assessment requires judgement.

In the 2018 financial year the CGUs were allocated as follows:

- **Barberton Mines' underground operations:** Underground operations (Fairview, Sheba and Consort) are reliant on the Fairview BIOX® plant for processing; these operations have been classified as a single CGU
- **BTRP:** The BTRP has the ability to treat and smelt gold independently of the Fairview BIOX® plant and is independent of the underground operations resulting in the BTRP being classified as a single CGU
- **Egoli Project:** A drilling programme and a feasibility study were completed in September and November 2017 respectively. This project is independent of Evander Mines' 8 Shaft and Kinross plant infrastructure resulting in the Egoli Project being classified as a single CGU
- **Elikhulu:** Has been constructed in a manner such that it is independent of Evander Mines' underground operations resulting in the Elikhulu being classified as a single CGU
- **Evander Mines' large-scale underground operations:** Includes 7 Shaft, 8 Shaft and the run-of-mine circuit in the Kinross metallurgical plant, which are independent of Elikhulu and the Egoli Project resulting in being classified as a single CGU.

Discontinued operation

Due to the cessation of mining at Evander Mines' large-scale underground operations, which includes 8 Shaft, 7 Shaft and the run-of-mine circuit in the Kinross metallurgical plant, the financial results from the Evander Mines' large-scale underground operations were classified as a discontinued operation in the current and prior year comparatives. Judgement was required in determining the allocation of the financial results between Evander Mines' continuing and discontinued operations.

Management has performed an assessment to ensure that the Evander Mines' large-scale underground operations meet the requirements to be classified as a discontinued operation and the financial results have been appropriately allocated at year-end.

Please refer to note 14 for disclosure in relation to discontinued operations.

Other significant sources of estimation uncertainty

There are no assumptions concerning the future, or other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, however the following are areas of significant estimation:

Impairment of assets

Mining operations require significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics unique to each asset and key sources of estimation uncertainty include Ore Reserve estimates and cash flow projections.

In performing impairment reviews, the group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using value-in-use discounted cash flow models. Management estimates the expected cash flows and the discount rates (including future production levels, commodity price and costs) associated to the assets or CGU. There is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined above.

Cash flow projections are based on financial budgets and life-of-mine plans incorporating key assumptions as detailed below:

- **Mineral Reserves and Mineral Resources:** Mineral Reserves and, where considered appropriate, Mineral Resources are incorporated in projected cash flows, based on Mineral Reserve and Mineral Resource statements in accordance with the SAMREC Code for South African properties and exploration and evaluation work undertaken by appropriately qualified persons. Mineral Resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to Mineral Reserves
- **Commodity and product prices:** Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts are considered in determining future cash flows

- **Discount rates:** Value in use and fair value less cost of disposal cash flow projections used in impairment models are discounted based on a real post-tax discount rate, assessed annually

	Post-tax real WACC %	Pre-tax real WACC %
Barberton Mines	10.2	11.1
Elikhulu	7.5	9.2
Egoli	10.4	13.7

- **Operating costs, capital expenditure and other operating factors:** Operating costs and capital expenditure are based on financial budgets. Cash flow projections are based on life-of-mine plans and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith

  Refer to note 19 for disclosure of the carrying amount of goodwill and its sensitivity to potential impairment based on a range of forecast gold prices and to note 17 for disclosure of the carrying amount of property, plant and equipment and each CGU's sensitivity to potential impairment based on a range of forecast gold prices

- **Rehabilitation and decommissioning provision:** At each reporting date the group estimates the rehabilitation and decommissioning provision. There is judgement in the input assumptions used in determining the estimated rehabilitation and decommissioning provision. Inputs used which require judgement include:
  - closure costs which are determined in accordance with regulatory requirements
  - inflation rate, which has been adjusted for a long-term view
  - risk-free rate, which is compounded annually and linked to the life-of-mine.

Refer to note 29 for further details.

4. REVENUE

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Gold sales	**108,506,068**	125,111,338	**–**	–
Management fee income[1]	**–**	–	**579,039**	–
Realisation costs	**(2,005,962)**	(1,015,504)	**–**	–
Net revenue	**106,500,106**	124,095,834	**579,039**	–
Finance income	**1,490,836**	256,496	**268,206**	51,496
	107,990,942	124,352,330	**847,245**	51,496

[1] *Management fee income was reclassified from other (expenses)/income to revenue in the current year. Refer to note 8 for prior year disclosure.*

5. COST OF PRODUCTION

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Gold cost of production				
Salaries and wages	**(30,985,400)**	(28,820,162)	**–**	–
Electricity	**(7,670,139)**	(6,537,359)	**–**	–
Mining	**(7,467,939)**	(6,486,998)	**–**	–
Processing	**(19,354,712)**	(22,471,096)	**–**	–
Engineering and technical services	**(5,369,510)**	(5,930,040)	**–**	–
Administration and other	**(3,742,277)**	(2,943,651)	**–**	–
Security	**(3,123,063)**	(2,254,239)	**–**	–
	(77,713,040)	(75,443,545)	**–**	–

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 the following business segments which are separable by geographical locations and operational functions:

Continuing operations

- Barberton Mines, located in Barberton South Africa, derives revenue from the sale of gold
- Evander Mines' tailings and surface operations, located in Evander South Africa, derives revenue from the sale of gold
- Funding Company provides treasury function activities for the group
- Corporate, 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 revenue (refer to note 4) (2017: (expenses)/income (refer to note 8)).

Discontinued operations

- Evander Mines' underground operations has in the current year been discontinued (refer to note 14)
- Phoenix Platinum, located in the North West province in South Africa. Phoenix Platinum was sold in the current financial year (refer to note 14)
- Uitkomst Colliery, located in KwaZulu-Natal, Newcastle. Uitkomst Colliery was sold in the prior reporting period (refer to note 14).

6. SEGMENTAL ANALYSIS continued

The Exco reviews the operations in accordance with the disclosures presented below.

	Year ended 30 June 2018			
	Continuing operations			
	Barberton Mines GBP	Evander Mines[3] GBP	Corporate office and growth projects GBP	Funding Company GBP
Continuing operations				
Revenue	87,230,416	21,275,652	–	–
Gold sales[1]	87,230,416	21,275,652	–	–
Platinum sales	–	–	–	–
Coal sales	–	–	–	–
Realisation costs	(446,722)	(1,559,240)	–	–
On-mine revenue	86,783,694	19,716,412	–	–
Cost of production	(65,893,778)	(11,819,262)	–	–
Depreciation and amortisation	(4,218,055)	(711,762)	–	–
Mining profit	16,671,861	7,185,388	–	–
Other (expenses)/income[2]	(735,525)	863,278	(3,995,361)	(415,943)
Profit on disposal of investment	–	–	–	–
Profit on disposal of subsidiary	–	–	–	–
Continuing operations – Impairment costs[6]	–	(8,153,312)	–	–
Adjustment on sale of asset held for sale	–	–	–	–
Royalty costs	(376,263)	(38,747)	–	–
Net income/(loss) before finance income and finance costs	15,560,073	(143,393)	(3,995,361)	(415,943)
Finance income	189,647	768,141	367,349	165,699
Finance costs	(1,202)	–	(5,931)	(3,136,750)
Profit/(loss) before taxation	15,748,518	624,748	(3,633,943)	(3,386,994)
Taxation	(2,327,935)	5,554,108	(1,092,564)	(30,848)
Profit/(loss) after taxation before inter-company charges from continuing operations	13,420,583	6,178,856	(4,726,507)	(3,417,842)
Loss after taxation from discontinued operations	–	–	–	–
Profit/(loss) for the year	13,420,583	6,178,856	(4,726,507)	(3,417,842)
Inter-company transactions				
Management fees	(1,968,732)	(88,122)	2,374,059	(115,808)
Inter-company interest charges	(299,060)	–	(362,688)	3,607,147
Profit/(loss) after taxation after inter-company charges	11,152,791	6,090,734	(2,715,136)	73,497
Segmental assets (total assets excluding goodwill)	79,271,943	156,902,042	7,457,577	709,832
Segmental liabilities	26,908,513	30,697,182	1,570,061	90,462,604
Goodwill	21,000,714	–	–	–
Net assets (excluding goodwill)[7]	52,363,430	126,204,860	5,887,516	(89,752,772)
Capital expenditure[8]	12,184,359	72,733,483	128,199	–
Adjusted EBITDA[9]	19,778,128	8,721,681	(3,995,361)	(415,943)

[1] All gold sales were made in the Republic of South Africa and the revenue was generated from South African financial institutions.
[2] Other (expenses)/income exclude inter-company management fees and dividends.
[3] During the current reporting period, Evander Mines' underground mining operations ceased mining on 31 May 2018. The ETRP buy-in operations remain as continuing operations (refer to note 14).
[4] Phoenix Platinum was classified as held for sale and as a discontinued operation at 30 June 2017. Phoenix Platinum's disposal was concluded on 6 November 2017 (refer to note 14).
[5] The disposal of Pan African Resources Coal Holdings Proprietary Limited and Uitkomst Colliery was completed on 30 June 2017 and this business was classified as a discontinued operation.
[6] Impairment costs associated with the continuing operations represent the carrying value of the Kinross and ETRP metallurgical plant infrastructure.
[7] All assets are held within South Africa. The segmental assets and liabilities above exclude inter-company balances.
[8] Capital expenditure comprises additions to property, plant and equipment and mineral rights and intangible assets (refer to notes 17 and 18).
[9] Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments, discontinued operations and profit/(loss) on disposal of investments.

	Year ended 30 June 2018			
	Discontinued operations			
	Evander Mines[3] GBP	Phoenix Platinum[4] GBP	Reclassi-fication GBP	Consoli-dated GBP
	46,981,251	1,429,375	(48,410,626)	108,506,068
	46,981,251	–	(46,981,251)	108,506,068
	–	1,429,375	(1,429,375)	–
	–	–	–	–
	(725,057)	–	725,057	(2,005,962)
	46,256,194	1,429,375	(47,685,569)	106,500,106
	(59,512,431)	(1,631,240)	61,143,671	(77,713,040)
	(6,146,443)	–	6,146,443	(4,929,817)
	(19,402,680)	(201,865)	19,604,545	23,857,249
	(11,466,820)	43,343	11,423,477	(4,283,551)
	–	–	–	–
	–	–	–	–
	(98,124,786)	–	98,124,786	(8,153,312)
	–	(262,205)	262,205	–
	(234,906)	–	234,906	(415,010)
	(129,229,192)	(420,727)	129,649,919	11,005,376
	497,240	2,861	(500,101)	1,490,836
	–	–	–	(3,143,883)
	(128,731,952)	(417,866)	129,149,818	9,352,329
	24,379,235	42,978	(24,422,213)	2,102,761
	(104,352,717)	(374,888)	104,727,605	11,455,090
	–	–	(104,727,605)	(104,727,605)
	(104,352,717)	(374,888)	–	(93,272,515)
	(201,397)	–	–	–
	(2,945,399)	–	–	–
	(107,499,513)	(374,888)	–	(93,272,515)
	–	–	–	244,341,394
	–	–	–	149,638,360
	–	–	–	21,000,714
	–	–	–	94,703,034
	10,508,262	–	–	95,554,303
	(15,638,107)	(158,522)	15,796,629	24,088,505

6. SEGMENTAL ANALYSIS continued

The Exco reviews the operations in accordance with the disclosures presented below.

	Year ended 30 June 2017			
	Continuing operations			
	Barberton Mines GBP	Evander Mines[3] GBP	Corporate office and growth projects GBP	Funding Company GBP
Continuing operations				
Revenue	97,343,927	27,767,411	–	–
Gold sales[1]	97,343,927	27,767,411	–	–
Platinum sales	–	–	–	–
Coal sales	–	–	–	–
Realisation costs	(606,367)	(409,137)	–	–
On-mine revenue	96,737,560	27,358,274	–	–
Cost of production	(61,229,000)	(14,214,545)	–	–
Depreciation and amortisation	(4,749,422)	(749,373)	–	–
Mining profit	30,759,138	12,394,356	–	–
Other (expenses)/income[2]	4,705,042	506,896	(5,542,295)	90,397
Profit on disposal of investment	–	–	222,571	–
Profit on disposal of subsidiary	–	–	5,385,915	–
Continuing operations – Impairment costs[6]	–	–	–	–
Adjustment on sale of asset held for sale	–	–	–	–
Royalty costs	(1,015,352)	(97,313)	–	–
Net income/(loss) before finance income and finance costs	34,448,828	12,803,939	66,191	90,397
Finance income	9,949	16,395	51,496	178,656
Finance costs	(18,652)	–	(14,202)	(2,770,125)
Profit/(loss) before taxation	34,440,125	12,820,334	103,485	(2,501,072)
Taxation	(5,654,821)	2,045,881	(531,248)	(62,960)
Profit/(loss) after taxation before inter-company charges from continuing operations	28,785,304	14,866,215	(427,763)	(2,564,032)
Loss after taxation from discontinued operations	–	–	–	–
Profit/(loss) for the year	28,785,304	14,866,215	(427,763)	(2,564,032)
Inter-company transactions				
Management fees	(2,805,797)	(817,956)	5,673,540	(92,522)
Inter-company interest charges	(760,141)	–	(654,122)	2,778,372
Profit/(loss) after taxation after inter-company charges	25,219,366	14,048,259	4,591,655	121,818
Segmental assets (total assets excluding goodwill)				
Segmental liabilities	73,762,949	190,009,717	19,611,819	1,092,051
Goodwill	25,157,858	52,481,513	4,589,589	11,914,856
Net assets (excluding goodwill)[7]	21,000,714	–	–	–
Capital expenditure[8]	48,605,091	137,528,204	15,022,230	(10,822,805)
Adjusted EBITDA[9]	11,216,853	10,173,896	79,285	–
	39,198,250	13,553,312	(5,542,295)	90,397

[1] *All gold sales were made in the Republic of South Africa and the revenue was generated from South African financial institutions.*
[2] *Other (expenses)/income exclude inter-company management fees and dividends.*
[3] *During the current reporting period, Evander Mines' underground mining operations ceased mining on 31 May 2018. The ETRP buy-in operations remain as continuing operations (refer to note 14).*
[4] *Phoenix Platinum was classified as held for sale and as a discontinued operation at 30 June 2017. Phoenix Platinum's disposal was concluded on 6 November 2017 (refer to note 14).*
[5] *The disposal of Pan African Resources Coal Holdings Proprietary Limited and Uitkomst Colliery was completed on 30 June 2017 and this business was classified as a discontinued operation.*
[6] *Impairment costs associated with the continuing operations represent the carrying value of the Kinross and ETRP metallurgical plant infrastructure.*
[7] *All assets are held within South Africa. The segmental assets and liabilities above exclude inter-company balances.*
[8] *Capital expenditure comprises of additions to property, plant and equipment and mineral rights and intangible assets (refer to notes 17 and 18).*
[9] *Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments, discontinued operations and profit/(loss) on disposal of investments.*

Year ended 30 June 2017				
Discontinued operations				
Uitkomst Colliery[5]	Phoenix Platinum[4]	Evander Mines[3]	Reclassification GBP	Consolidated GBP
25,089,705	4,766,689	44,473,248	(74,329,642)	125,111,338
–	–	44,473,248	(44,473,248)	125,111,338
–	4,766,689	–	(4,766,689)	–
25,089,705	–	–	(25,089,705)	–
–	–	(810,539)	810,539	(1,015,504)
25,089,705	4,766,689	43,662,709	(73,519,103)	124,095,834
(21,741,484)	(5,007,705)	(58,563,038)	85,312,227	(75,443,545)
(706,407)	(870,020)	(4,994,269)	6,570,696	(5,498,795)
2,641,814	(1,111,036)	(19,894,598)	18,363,820	43,153,494
156,333	(117,318)	(1,762,585)	1,723,570	(239,960)
–	–	–	–	222,571
–	–	–	–	5,385,915
–	(5,950,757)	–	5,950,757	–
–	–	–	–	–
(70,218)	–	(222,366)	292,584	(1,112,665)
2,727,929	(7,179,111)	(21,879,549)	26,330,731	47,409,355
102,850	180	35,416	(138,446)	256,496
–	–	(12,244)	12,244	(2,802,979)
2,830,779	(7,178,931)	(21,856,377)	26,204,529	44,862,872
(782,022)	276,657	3,960,206	(3,454,841)	(4,203,148)
2,048,757	(6,902,274)	(17,896,171)	22,749,688	40,659,724
–	–	–	(22,749,688)	(22,749,688)
2,048,757	(6,902,274)	(17,896,171)	–	17,910,036
(438,989)	(260,870)	(1,257,406)	–	–
28,225	121,604	(1,513,938)	–	–
1,637,993	(7,041,540)	(20,667,515)	–	17,910,036
–	5,610,475	–	–	290,087,011
–	362,834	–	–	94,506,650
–	–	–	–	21,000,714
–	5,247,641	–	–	195,580,361
875,298	314,802	12,880,860	–	35,540,994
3,434,336	(358,334)	(16,885,280)	13,809,278	47,299,664

7. OPERATING LEASES

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

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Not later than one year	**899,979**	160,175	**–**	–
Later than one year and no later than five years	**2,920,478**	18,862	**–**	–
	3,820,457	179,037	**–**	–
Minimum lease payments under operating leases recognised as an expense in the year:	**206,243**	179,669	**–**	–

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

The majority of the group's lease arrangements relate to equipment leased on the mining operations. The material operating leases at year-end relate to the corporate office and metallurgical plant equipment leased on the mining operations, with the following terms at 30 June 2018.

	Corporate office lease	Aachen reactor equipment
Duration of lease	3 years	5 years
Commencement of lease	April 2018	August 2018
Remaining lease term	33 months	60 months
Escalation rate	8%	Consumer price index
Tenant/lessee	Pan African Resources Management Services Company Proprietary Limited	Evander Gold Mining Proprietary Limited
Landlord/lessor	Investec Property Fund Limited	Mealgwyn Mineral Services Africa Proprietary Limited
Monthly lease payments in GBP terms	12,785	44,286

8. OTHER (EXPENSES)/INCOME

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Dividends received – subsidiary				21,930,492
Dividends received – other investments	–	37,477	–	37,477
Management fees	–	(16,659)	–	637,681
Foreign exchange (loss)/gain	**(496,495)**	194,841	**(6,039)**	157,821
Operating leases (refer to note 7)	**(206,243)**	(179,669)	–	–
Non-mining depreciation	**(32,761)**	(31,072)	–	–
Non-mining amortisation	**(19,769)**	(27,827)	–	–
Non-executive directors' emoluments	**(179,550)**	(167,997)	**(179,550)**	(167,997)
Executive directors' emoluments	**(551,380)**	(1,789,955)	**(551,380)**	(1,789,955)
Equity-settled share option expense (refer to note 41)	**(440,385)**	(185,507)	–	–
Cash-settled share option income/(expense) (refer to note 30)	**680,887**	117,948	**196,591**	(1,792,385)
Auditors' fees	**(343,202)**	(271,954)	**(84,346)**	(95,213)
Salaries corporate office	**(1,430,423)**	(1,838,641)	–	–
Investor and public relations	**(170,257)**	(125,795)	**(70,253)**	(35,179)
Business development costs	**(820,748)**	(593,552)	**(543,817)**	(593,552)
Legal fees	**(52,841)**	(83,264)	**(43,436)**	(65,794)
Community projects	**(608,383)**	(217,826)	–	–
Profit arising from unrealised financial instruments (refer to note 32)	–	4,796,832	–	–
Profit arising from realised financial instruments (refer to note 32)	–	698,615	–	–
Profit on disposal of property, plant and equipment and mineral right	**874**	–	–	–
Rehabilitation funds fair value adjustments (refer to note 22)	**18,537**	(40,195)	–	–
Rehabilitation provision adjustment (refer to note 29)	**(236,275)**	258,815	–	–
Non-refundable deposition fee	**579,039**	–	–	–
Deferred consideration provision	**(778,611)**	–	**(778,611)**	–
Other income/(expense)	**804,435**	(774,575)	**(317,228)**	125,142
	(4,283,551)	(239,960)	**(2,378,069)**	18,348,538

9. FINANCE INCOME/(COSTS)

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Interest received – bank	**581,688**	244,985	**89,883**	51,496
Interest received – other	**424,839**	–	**178,323**	–
Interest income – rehabilitation funds	**484,309**	11,511	**–**	–
	1,490,836	256,496	**268,206**	51,496
Interest expense – bank	**(3,142,044)**	(2,784,929)	**(5,929)**	(2,575)
Interest expense – SARS	**(1,682)**	(18,050)	**–**	–
Interest expense – other	**(157)**	–	**–**	–
	(3,143,883)	(2,802,979)	**(5,929)**	(2,575)
Net finance (expense)/income[1]	**(1,653,047)**	(2,546,483)	**262,277**	48,921

[1] *Derived from financial assets and liabilities that are not measured at fair value through profit or loss except for interest income from rehabilitations funds.*

10. PROFIT/(LOSS) BEFORE TAXATION

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Profit/(loss) before taxation has been arrived at after charging:				
Equity-settled share option (expense)/income (refer to note 41)	**(440,385)**	185,507	**–**	–
Cash-settled share options (expense)/income (refer to note 30)	**680,887**	117,948	**196,391**	(1,792,385)
Mining depreciation	**(4,929,817)**	(5,498,795)	**–**	–
Continuing operations – Impairment costs	**(8,153,312)**	–	**–**	(6,352,320)
Fair value movement on asset held for sale	**–**	–	**(474,998)**	–
Staff costs	**(32,967,203)**	(32,448,758)	**(551,380)**	(1,789,955)
Royalty costs	**(415,010)**	(1,112,665)	**–**	–
Profits arising from realised and unrealised financial instruments	**–**	4,796,832	**–**	–
Business development costs	**(820,748)**	(593,552)	**(543,817)**	(593,552)
Non-refundable deposition fee	**579,039**	–	**–**	–
Deferred consideration provision	**(778,611)**	–	**(778,611)**	–
Operating leases	**(206,243)**	(179,669)	**–**	–

11. AUDITORS' REMUNERATION

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Fees payable to the company's auditors	1,687	1,145	1,687	1,145
Audit of the consolidated financial statements	287,562	223,756	82,659	53,655
Under provision of audit fee in the prior year	53,953	47,053	–	40,413
Total audit fees	343,202	271,954	84,346	95,213
Other services rendered by the auditors				
External auditors	13,114	–	–	–
Internal auditors	42,456	36,888	–	–
Total non-audit fees	55,570	36,888	–	–

All audit fees are paid locally in South Africa with the exception of the Deloitte UK fee of GBP84,346 (2017: GBP54,800 paid).

Details of the company's policy on the use of the statutory auditor's non-audit services and the safeguards to ensure their independence and objectivity are disclosed in the audit committee report on page 131. No services were provided pursuant to contingent fee arrangements.

12. STAFF COSTS

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Their aggregate remuneration comprised:				
Salaries and wages from continuing operations	(32,967,203)	(32,448,758)	(551,380)	(1,789,955)
Salaries and wages from discontinued operations	(26,962,283)	(26,346,315)	–	–
Retrenchment costs	(9,319,856)	(2,307,083)	–	–
	(69,249,342)	(61,102,156)	(551,380)	(1,789,955)
Included in staff costs above is other retirement costs (refer to note 33)	(5,171,970)	(6,255,465)	–	–

	Consolidated			
	Year ended 30 June 2018 Average	Year ended 30 June 2018 Closing	Year ended 30 June 2017 Average	Year ended 30 June 2017 Closing
Operating cost employees				
Corporate	16	17	16	16
Evander Mines	1,596	106	2,119	1,717
Phoenix Platinum	–	–	3	3
Uitkomst Colliery	–	–	125	–
Barberton Mines	1,762	1,742	1,738	1,781
	3,374	1,865	4,001	3,517
Capital employees				
Barberton Mines	206	203	193	225
Evander Mines	98	1	257	190
Phoenix Platinum	–	–	1	–
	304	204	451	415
Total number of employees	3,678	2,069	4,452	3,932

13. TAXATION

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Income taxation expense				
South African normal taxation				
– current year	**1,749,009**	4,372,157	**–**	–
– prior year	**(171,114)**	287,471	**–**	–
Deferred taxation[1]				
– current year	**(3,680,656)**	(456,480)	**(274,600)**	(408,704)
Total taxation (income)/expense	**(2,102,761)**	4,203,148	**(274,600)**	(408,704)
Profit/(loss) before taxation	**9,352,329**	44,862,872	**(1,061,755)**	18,611,097
Taxation at the domestic taxation rate of 28%	**2,618,653**	12,561,605	**(297,291)**	5,211,107
Taxation rate differential[2]	**(1,299,515)**	(2,920,911)	**–**	12,110
Exempt income				
Dividend income	**–**	–	**–**	(6,140,538)
Profit on sale of investment in subsidiary	**–**	(1,482,703)	**–**	(1,746,288)
Other exempt income	**(20,683)**	(248,811)	**–**	–
Rate change[3]	**(5,883,465)**	(3,527,710)	**–**	–
Non-deductible expenses				
Impairment	**2,215,384**	–	**–**	1,748,748
Other non-deductible expenses	**–**	984,823	**–**	521,035
(Over)/under provision – prior year	**(171,113)**	287,471	**–**	–
Capital gains taxation	**1,222,226**	(14,878)	**–**	(14,878)
Capital redemption	**(784,248)**	(1,435,738)	**–**	–
Taxation effect of utilisation of taxation losses	**–**	–	**22,691**	–
Taxation for the year	**(2,102,761)**	4,203,148	**(274,600)**	(408,704)
Effective taxation rates	**%**	%	**%**	%
South African statutory rate	**28.00**	28.00	**28.00**	28.00
Taxation rate differential[2]	**(13.90)**	(6.51)	**–**	0.07
Exempt income				
Dividend income	**–**	–	**–**	(32.99)
Profit on sale of investment in subsidiary	**–**	(3.30)	**–**	(9.38)
Other exempt income	**(0.22)**	(0.55)		
Rate change[3]	**(62.91)**	(7.86)	**–**	–
Non-deductible expenses				
Impairment	**23.69**	–	**–**	9.40
Other non-deductible expenses	**–**	2.20	**–**	2.80
(Over)/under provision – prior year	**(1.83)**	0.64	**–**	–
Capital gains taxation	**13.07**	(0.03)	**–**	(0.08)
Capital redemption	**(8.39)**	(3.20)	**–**	–
Taxation effect of utilisation of taxation losses	**–**	–	**(2.14)**	–
Effective taxation rate	**(22.49)**	9.39	**25.86**	(2.18)

[1] *Deferred taxation components are disclosed in note 31.*

[2] *Taxation rate differential is the difference between the statutory company's taxation rate of 28% and effective gold mining taxation rate calculated in terms of the gold mining formula.*

[3] *The rate change is as a result of a decrease in the deferred taxation rates applied to the taxable and deductible temporary differences prevailing at year-end within the group's entities (refer to note 31).*

South African income taxation 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, on condition that these deductions cannot result in an assessed loss.

13. TAXATION continued

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:

	Unredeemed capital expenditure[1]	
	30 June 2018 GBP	30 June 2017 GBP
Phoenix Platinum[2]	–	6,231,044
Evander Mines	**109,303,562**	34,591,790
	109,303,562	40,822,834

At year-end the group has the following assessed losses carried forward:

	Assessed losses	
	30 June 2018 GBP	30 June 2017 GBP
Phoenix Platinum[2]	–	502,789
Evander Mines	**31,298,590**	10,825,723
Pan African Resources PLC	**1,339,697**	236,090
Pan African Resources Management Services Company Proprietary Limited	**114,849**	95,924
Total	**32,753,136**	11,660,526

[1] *Deferred taxation assets have been recognised in respect of all assessed losses and unredeemed capital expenditure.*

[2] *Phoenix Platinum was sold on 6 November 2017 to Sylvania Platinum Limited, resulting in the derecognition of the unredeemed capital expenditure and assessed loss balances relating to this entity.*

14. DISCONTINUED OPERATIONS

Discontinued operations comprised the following at year-end:

- Evander Mines' underground operations, which includes 8 Shaft, 7 Shaft and the run-of-mine circuit in the Kinross metallurgical plant
- Phoenix Platinum
- Uitkomst Colliery.

Evander Mines' underground operations

Due to the cessation of mining at Evander Mines' underground operations, the financial result from this operation has been classified as a discontinued operation in the current reporting period. Evander Mines' continuing operations include the ETRP tailings operations and the treatment of other surface sources.

Phoenix Platinum

Pan African Resources PLC concluded the disposal of Phoenix Platinum to Sylvania Platinum Limited on 6 November 2017. Phoenix Platinum has been disclosed as a discontinued operation in the current and prior reporting period.

Uitkomst Colliery

Pan African Resources PLC concluded the disposal of the Uitkomst Colliery to MC Mining Limited on 30 June 2017. The Uitkomst Colliery has been disclosed as a discontinued operation in the prior reporting period.

14. DISCONTINUED OPERATIONS continued

	Discontinued operations						
	Year ended 30 June 2018			Year ended 30 June 2017			
	Evander Mines (underground operations) GBP	Phoenix Platinum GBP	Total GBP	Evander Mines (underground operations) GBP	Phoenix Platinum GBP	Uitkomst Colliery GBP	Total GBP
(Loss)/profit after taxation before inter-company charges from discontinued operations[1]	**(104,352,717)**	**(374,888)**	**(104,727,605)**	(17,896,171)	(6,902,274)	2,048,757	(22,749,688)
Earnings per share (pence)							
Basic earnings per share from discontinued operations (pence)	**(5.77)**	**(0.02)**	**(5.79)**	(1.14)	(0.44)	0.13	(1.45)
Diluted earnings per share from discontinued operations (pence)	**(5.77)**	**(0.02)**	**(5.79)**	(1.14)	(0.44)	0.13	(1.45)

	Year ended 30 June 2018			Year ended 30 June 2017			
	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Net cash flows by discontinued operations[2]							
Operating activities	**(12,324,599)**	**(155,660)**	**(12,480,259)**	(14,526,450)	(1,080,899)	(224,251)	(15,831,600)
Investing activities	**(84,551,940)**	**–**	**(84,551,940)**	(23,054,783)	1,177,223	(478,695)	(22,356,255)
Financing activities	**97,047,030**	**103,757**	**97,150,787**	37,820,870	76,737	(446,756)	37,450,851
Net change in cash and cash equivalents	**170,491**	**(51,903)**	**118,588**	239,637	173,061	(1,149,702)	(737,004)
Cash and cash equivalents at the beginning of the year	**319,037**	**51,903**	**370,940**	64,567	14,846	1,922,574	2,001,987
Effect of foreign exchange rate changes	**(37,181)**	**–**	**(37,181)**	14,833	(136,004)	11,149	(110,022)
Cash and cash equivalents at the end of the year	**452,347**	**–**	**452,347**	319,037	51,903	784,021	1,154,961

[1] *Refer to the segment report note 6 for additional disclosure regarding the discontinued operations.*

[2] *Cash flows disclosed for Evander Mines relate to continuing and discontinued operations. The separation of Evander Mines; continuing and discontinued operations cash flows could not be reliably quantified and have been collectively disclosed.*

14. DISCONTINUED OPERATIONS continued

Impairment costs continuing and discontinued operations

Evander Mines

The carrying value of the Evander Mines' continuing and discontinued operations was impaired, and the impairment costs have been summarised as follows:

	Continuing operations GBP	Discontinued operations GBP	Total GBP
Mineral rights and mining property	–	12,654,647	12,654,647
Buildings and infrastructure	–	9,357,299	9,357,299
Plant and machinery[1]	8,153,312	58,897,691	67,051,003
Intangible assets	–	24,039	24,039
Capital under construction	–	17,191,110	17,191,110
	8,153,312	98,124,786	106,278,098

[1] *The impairment costs recognised in the continuing operations relate to the plant and machinery of the ETRP and surface operations within the Evander Mines' Kinross metallurgical plant.*

Phoenix Platinum

During the prior reporting period an impairment charge of GBP5,950,757 (Separate: GBP6,352,320) was recognised against the plant and machinery of Phoenix Platinum. The carrying amount of GBP11,198,399 was impaired to its recoverable amount of GBP5,247,642, being the fair value less cost to sell to Sylvania Platinum Limited. The transaction was concluded on 6 November 2017 resulting in the derecognition of the asset held for sale as follows:

	Consolidated GBP	Separate GBP
Investment in Phoenix Platinum	–	4,209,696
Phoenix Platinum net asset value	(8,595,355)	–
Payables to company	13,645,596	13,645,596
Provision for impairment	–	(12,438,384)
Adjustment on sale of asset held for sale	(262,205)	474,998
Proceeds on sale of investment	(4,788,036)	(4,788,036)
Foreign currency translation reserve	–	(1,103,870)

14. DISCONTINUED OPERATIONS continued

Impairment costs continuing and discontinued operations continued

At 30 June 2018 there were no major classes of assets and liabilities classified as held for sale. In the prior reporting period, Phoenix Platinum and Uitkomst Colliery major assets and liabilities were presented as held for sale as follows:

	Year ended 30 June 2018 Uitkomst Colliery GBP	Year ended 30 June 2017 Phoenix Platinum GBP
ASSETS		
Non-current assets		
Property, plant and equipment and mineral rights	10,955,704	3,531,545
Long-term inventory	–	142,600
Current assets		
Inventories	1,071,606	321,135
Current taxation asset	221,535	–
Trade and other receivables	3,736,665	1,563,292
Cash and cash equivalents	784,021	51,903
LIABILITIES		
Non-current liabilities		
Long-term provisions	476,998	58,249
Long-term liabilities	–	54,446
Deferred taxation	3,014,280	53,933
Current liabilities		
Trade and other payables	2,297,196	195,508
Payable to Pan African Resources	8,844,340	698
Net asset value	2,136,717	5,247,641
Reconciliation of proceeds received for the sale of Uitkomst Colliery		
Share proceeds through assets for share transaction	7,522,632	–
Cash proceeds received upon loan ceding	7,370,283	–
Deferred consideration proceeds received upon loan ceding (refer to note 20)	1,474,057	–
Net proceeds received	16,366,972	–
Loan ceded to MC Mining Limited (Previously Coal of Africa Limited) on sale	(8,844,340)	–
Profit on disposal of Uitkomst Colliery	5,385,915	–

15. EARNINGS PER SHARE

Basic and diluted earnings per share continuing and discontinued operations

Basic and diluted earnings per share is 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 assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from total operations.

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net profit GBP	Weighted average number of shares[2]	Earnings per share Pence	Net profit GBP	Weighted average number of shares	Earnings per share Pence
Basic earnings per share	(93,272,515)	1,809,726,739	(5.15)	17 910 036	1,564,346,115	1.14
Dilutive potential ordinary shares	–	–	–	–	729,319	–
Diluted earnings per share	(93,272,515)	1,809,726,739	(5.15)	17 910 036	1,565,075,434	1.14

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 the continuing and discontinued operations (combined operations):

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net profit GBP	Weighted average number of shares[2]	Earnings per share Pence	Net profit GBP	Weighted average number of shares	Earnings per share Pence
Earnings as reported	(93,272,515)	1,809,726,739	(5.15)	17,910,036	1,564,346,115	1.14
Adjustments						
Profit on disposal of investments	–	–	–	(222,571)	–	(0.01)
Taxation on profit on disposal of Investment	–	–	–	49,856	–	–
Profit on disposal of subsidiary	–	–	–	(5,385,915)	–	(0.34)
Profit on sale of property, plant and equipment and mineral rights	(874)	–	–	(22,251)	–	–
Tax on profit on disposal of property, plant and equipment	245	–	–	6,230	–	–
Fair value movement on asset held for sale	262,205	–	0.01	–	–	–
Impairment costs	106,278,099	–	5.87	5,950,757	–	0.38
Headline earnings per share[1]	13,267,160	1,809,726,739	0.73	18,286,142	1,564,346,115	1.17
Dilutive potential ordinary shares	–	–	–	–	729,319	–
Diluted headline earnings per share	13,267,160	1,809,726,739	0.73	18,286,142	1,565,075,434	1.17

[1] *Headline earnings per share is required in terms of the Listings Requirements of the JSE Limited.*

[2] *The weighted average number of shares in issue factor in the elimination of the 306.4 million PAR Gold shares. On 30 May 2018, 130 million Pan African Resources shares held by PAR Gold s were disposed of at a price per share of R1.15 (refer to note 40).*

15. EARNINGS PER SHARE continued

Headline earnings per share continued

	Consolidated	
	30 June 2018 Pence	30 June 2017 Pence
Net asset value per share	**6.00**	12.04
Tangible net asset value per share[1]	**3.89**	10.70

Basic and diluted earnings per share for continuing operations

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net profit GBP	Weighted average number of shares[1]	Earnings per share Pence	Net profit GBP	Weighted average number of shares	Earnings per share Pence
Basic earnings per share	**11,455,090**	**1,809,726,739**	**0.63**	40,659,724	1,564,346,115	2.60
Dilutive potential ordinary shares	**–**	**–**	**–**	–	729,319	–
Diluted earnings per share	**11,455,090**	**1,809,726,739**	**0.63**	40,659,724	1,565,075,434	2.60

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

15. EARNINGS PER SHARE continued

Headline earnings per share for continuing operations

Reconciliation between earnings and headline earnings from continuing operations:

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net profit GBP	Weighted average number of shares[1]	Earnings per share Pence	Net profit GBP	Weighted average number of shares	Earnings per share Pence
Earnings as reported	11,455,090	1,809,726,739	0.63	40,659,724	1,564,346,115	2.60
Adjustments:						
Profit on disposal of investments	–	–	–	(222,571)	–	(0.01)
Taxation on profit on disposal of Investment	–	–	–	49,856	–	–
Profit on disposal of subsidiary	–	–	–	(5,385,915)	–	(0.34)
Profit on sale of property, plant and equipment and mineral rights	(874)	–	–	–	–	–
Taxation on profit on disposal of property, plant and equipment and mineral rights	245	–	–	–	–	–
Impairment costs	8,153,312	–	0.45	–	–	–
Headline earnings per share	19,607,773	1,809,726,739	1.08	35,101,094	1,564,346,115	2.24
Dilutive potential ordinary shares	–	–	–	–	729 319	–
Diluted headline earnings per share	19,607,773	1,809,726,739	1.08	35,101,094	1,565,075,434	2.24

16. DIVIDENDS

During the current reporting period the group paid a dividend of R185 million or GBP10.0 million (2016: R300 million or GBP17.1 million) on 21 December 2017, relating to the 2017 financial year. This dividend equated to R0.08279 per share or 0.44561 pence per share (2016: R0.15438 per share or 0.87668 pence per share). The group received a reciprocal dividend from PAR Gold of R36.1 million (2016: R67.4 million of the R300 million dividend), resulting in a net dividend of R148.9 million (2016: R232.6 million) paid to external shareholders.

17. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS

	Land[1] GBP	Mineral rights and mining property GBP	Exploration assets[2] GBP
Group			
Cost			
Balance at 1 July 2016	1,879,434	51,826,580	23,805,592
Transfers	–	–	–
Additions	–	24,340	–
Disposal of subsidiary	–	(9,553,127)	–
Disposal	–	–	–
Classified to long-term inventory	–	–	–
Transfer to asset held for sale	(14,417)	(4,973,866)	–
Foreign currency translation reserve	312,500	8,617,807	3,958,241
Balance at 30 June 2017	**2,177,517**	**45,941,734**	**27,763,833**
Transfer to intangibles	**–**	**–**	**–**
Additions	**–**	**–**	**–**
Disposal	**–**	**–**	**–**
Foreign currency translation reserve	**(136,020)**	**(2,869,771)**	**(1,734,281)**
Balance at 30 June 2018	**2,041,497**	**43,071,963**	**26,029,552**
Accumulated depreciation and impairment			
Balance at 1 July 2016	–	(9,712,365)	–
Transfers	–	–	–
Charge for the year	–	(2,014,143)	–
Disposal of subsidiary	–	679,770	–
Disposal	–	–	–
Impairment	–	–	–
Transfers to asset held for sale	–	1,247,206	–
Foreign currency translation reserve	–	(1,649,351)	–
Balance at 30 June 2017	**–**	**(11,448,883)**	**–**
Transfer to intangibles	**–**	**–**	**–**
Charge for the year	**–**	**(1,044,341)**	**–**
Disposal	**–**	**–**	**–**
Impairment	**–**	**(12,654,647)**	**–**
Foreign currency translation reserve	**–**	**1,693,550**	**–**
Balance at 30 June 2018	**–**	**(23,454,321)**	**–**
Carrying amount			
At 30 June 2017	2,177,517	34,492,851	27,763,833
At 30 June 2018	**2,041,497**	**19,617,642**	**26,029,552**

[1] *A land register is maintained at the offices of Barberton Mines and Evander Mines, which may be inspected by a member or their duly authorised agents. The group reviews the residual values used for purposes of depreciation calculations annually.*

[2] *Exploration assets comprise Evander South, Rolspruit and Poplar recognised on 1 March 2013 at the respective fair values in terms of IFRS 3: Business Combinations.*

[3] *Surface tailings relate to the Barberton Mines Harper tailings, which were reclassified to long-term inventory in the prior reporting period (refer to note 23).*

Refer to note 30 for property, plant and equipment pledged as security for revolving credit facilities.

Building and infrastructure GBP	Plant and machinery GBP	Capital under construction GBP	Shafts and exploration GBP	Surface tailings[3] GBP	Other GBP	Total GBP
27,385,699	93,806,495	10,472,371	32,251,308	505,561	291,442	242,224,482
–	238,613	(239,501)	–	–	–	(888)
4,052,810	10,759,147	15,412,825	4,688,625	289,855	290,575	35,518,177
(326,131)	(1,564,749)	–	–	–	(288,778)	(11,732,785)
–	(434,203)	–	–	–	–	(434,203)
–	–	–	–	(869,565)	–	(869,565)
–	(9,492,928)	(116,615)	–	–	(75,322)	(14,673,148)
4,622,817	15,774,090	2,004,824	5,442,711	74,149	53,427	40,860,566
35,735,195	**109,086,465**	**27,533,904**	**42,382,644**	**–**	**271,344**	**290,892,636**
–	**–**	**–**	**–**	**–**	**(14,149)**	**(14,149)**
183,133	**14,559,996**	**75,843,109**	**4,839,865**	**–**	**110,882**	**95,536,985**
–	**–**	**–**	**–**	**–**	**(4,295)**	**(4,295)**
(2,240,516)	**(7,474,123)**	**(5,157,803)**	**(2,866,836)**	**–**	**(21,140)**	**(22,500,490)**
33,677,812	**116,172,338**	**98,219,210**	**44,355,673**	**–**	**342,642**	**363,910,687**
(5,574,906)	(24,842,045)	(878,340)	(10,295,438)	–	(196,189)	(51,499,283)
–	888	–	–	–	–	888
(1,433,520)	(5,944,542)	(627,964)	(1,962,229)	–	(53,072)	(12,035,470)
7,932	154,249	–	–	–	13,122	855,073
–	50,657	–	–	–	–	50,657
–	(5,850,715)	–	–	–	–	(5,850,715)
–	9,854,933	–	–	–	39,464	11,141,603
(951,472)	(4,331,397)	(156,782)	(1,745,412)	–	(33,528)	(8,867,942)
(7,951,966)	**(30,907,972)**	**(1,663,086)**	**(14,003,079)**	**–**	**(230,203)**	**(66,205,189)**
–	**–**	**–**	**–**	**–**	**11,871**	**11,871**
(1,435,444)	**(6,113,229)**	**(862,858)**	**(1,605,887)**	**–**	**(32,760)**	**(11,094,519)**
–	**–**	**–**	**–**	**–**	**4,289**	**4,289**
(9,357,299)	**(67,051,003)**	**(17,191,110)**	**–**	**–**	**–**	**(106,254,059)**
1,250,243	**7,140,987**	**1,407,813**	**947,502**	**–**	**15,132**	**12,455,227**
(17,494,466)	**(96,931,217)**	**(18,309,241)**	**(14,661,464)**	**–**	**(231,671)**	**(171,082,380)**
27,783,229	78,178,493	25,870,818	28,379,565	–	41,141	224,687,447
16,183,346	**19,241,121**	**79,909,969**	**29,694,209**	**–**	**110,971**	**192,828,307**

17. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

Depreciation reconciliation to the statement of comprehensive income

	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Depreciation on property, plant and equipment and mineral right	**11,094,519**	12,035,470
Amortisation of intangible assets	**34,271**	92,920
Non-mining depreciation and amortisation	**(52,530)**	(58,899)
Depreciation and amortisation arising from discontinued operations	**(6,146,443)**	(6,570,696)
Total mining depreciation	**4,929,817**	5,498,795

Change in estimate in the prior reporting period

During the prior reporting period the group revised its method of depreciation on its mining operations' property, plant, equipment and mineral rights. The change in method was effectively a change in estimate on the depreciation rate calculations, comprised of a revision in residual values for property, plant and equipment that is expected to be recovered at the end of its useful life. Residual values are assessed on an annual basis and had the following impact on depreciation:

	Year ended 30 June 2018		Year ended 30 June 2017	
	Barberton Mines GBP	Evander Mines GBP	Barberton Mines GBP	Evander Mines GBP
Depreciation calculated before the reassessment of residual values	–	–	6,481,289	5,457,262
Reassessment of residual values	–	–	(737,647)	(707,840)
Depreciation recognised per the income statement	–	–	5,743,642	4,749,422

Impairment considerations

During the current year there was a change in the composition of the group's CGUs resulting in a more granular disclosure of asset balances and performance per asset group. In prior periods BTRP and Barberton underground mining operations were considered a collective CGU under Barberton Mines' and ETRP and Evander underground mining operations were considered a collective CGU under 'Evander Mines'. These classifications were viewed as appropriate as at the relevant reporting dates these CGUs were concluded to be the smallest identifiable group of assets that could generate cash inflows that were largely independent of the cash inflows from other assets of the group.

During the current year, following the discontinuation of Evander Mines' underground operations, management has reassessed the composition of CGUs in line with IAS 36: Impairment of Assets driven by the crystallisation of smaller asset groups' ability to generate cash independently from other assets in the group. The reassessment resulted in both the Barberton Mines' and Evander Mines' CGUs being split between 'Underground' and 'Tailings Retreatment Plant'. With the recognition of Evander underground as discontinued, management consequently believes the operational CGUs are as follows:

Barberton Mines

- Mining operations (Fairview, Sheba, Consort, BIOX®)
- Surface mining operations (BTRP).

During the prior financial year, Barberton Mines' BTRP and underground operations were considered as a collective CGU. In the current year the CGUs were split for the following reasons:

- The Barberton Mines' underground operations (which includes the Fairview, Sheba and Consort and the BIOX® plant) are reliant on a central BIOX® processing at the Fairview BIOX® plant. Therefore collectively all the mining operations' property, plant and equipment and the BIOX® plant are dependent on each other to generate cash flows as a CGU
- BTRP can continue independently of the Barberton Mines' underground operations assets, as the BTRP re-mines the remnant tailings, and has the ability to treat and smelt its own gold separately from the Barberton Mines' underground operations.

Evander Mines

- Underground operations (7 and 8 Shaft and run-of-mine circuit in the Kinross metallurgical plant)
- Elikhulu surface mining operation
- Egoli mining project.

17. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

Impairment considerations continued

Evander Mines continued

In the prior reporting period Evander Mines' underground operations, Egoli Project and the Elikhulu Project were treated as a collective CGU. During the current reporting period an independent feasibility study was completed on the Egoli Project. As a result of the positive findings of this study, the Egoli Project was treated as a separate CGU from the rest of the Evander Mines' operations. Although the Egoli Project is reliant on the 7 Shaft infrastructure, which is currently categorised as a discontinued operation, it will be re-categorised to continuing operations and included in the Egoli CGU, should the Egoli Project be developed.

The Elikhulu Project commenced construction during August 2017 and will be constructed in a manner that will generate cash flows independently of the rest of the Evander Mines' operations. In the prior year, the Elikhulu Project was classified as a development project undergoing technical and financial evaluation and was not categorized as its own CGU but included in the Evander Mines CGU.

The group derives the recoverable amounts by calculating the value in use for the respective CGUs. The value in use is determined by discounting the real future cash flows of the CGUs using the following key assumptions.

	Year ended 30 June 2018					Year ended 30 June 2017	
	Barberton Mines CGUs		Evander Mines CGUs			Barberton Mines CGUs	Evander Mines CGUs
	Mining operations	BTRP surface mining operations	Mining operations	Elikhulu surface mining operations	Egoli Mining Project	Mining and surface operations	Mining and surface operations
Real discount rate (post-tax) (%)	10.25	10.25	–	7.50	12.40	10.6	9.4
Real discount rate (pre-tax) (%)	11.05	11.05	–	9.24	13.17	11.3	10.0
Long-term real gold price (ZAR/kg)	550,000	550,000	–	550,000	550,000	550,000	550,000
Life-of-mine (years)	20	11	–	13	11	20	15

During the year, Evander Mines' underground operations were discontinued, resulting in an impairment charge recognised for operations categorised as discontinued and certain continuing operations (refer to note 14). Other than these impairments no other impairment indicators for the balance of the group's CGUs were identified

There is a degree of uncertainty associated with estimation of the long-term gold price forecast, and to provide for this risk management has considered a reasonable downside scenario by providing for a possible decline in the long-term real gold price from R550,000/kg to R525,000/kg, assuming all other variables remain constant. The result from this sensitivity analysis does not give rise to an impairment of goodwill for the rest of the group's CGUs.

18. OTHER INTANGIBLE ASSETS

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Software costs				
Balance at the beginning of the period	**72,426**	123,235	**–**	–
Transfer from property plant, equipment and mineral rights (refer to note 17)	**2,278**	–	**–**	–
Additions	**17,318**	22,817	**–**	–
Current year amortisation	**(34,271)**	(92,920)	**–**	–
Impairment[1]	**(24,039)**	–	**–**	–
Foreign currency translation reserve	**(2,092)**	19,294	**–**	–
Balance at the end of the period	**31,620**	72,426	**–**	–

[1] *Resulted from an impairment consideration of Evander Mines, described in notes 14 and 17.*

19. GOODWILL

Goodwill acquired in a business combination is allocated at acquisition. The group's goodwill was historically created upon the acquisition of Barberton Mines during July 2007, and was allocated to the Barberton Mines' mining operation CGU from which the expected benefit from the business combination will arise.

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 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 review which was performed in accordance to the group's accounting policies did not indicate that the goodwill carrying amount is impaired.

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculation include the discount rate, and changes to the gold price and direct costs expected over the life-of-mine. Management estimated the discount rate using a post-tax real discount rate of 10.3% (2017: 10.6%) 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. A real gold price of R550,000/kg (2017: R550,000/kg) was applied over the life of the Barberton Mines' underground operation's CGU. The Barberton Mines underground operation's life-of-mine was 20 years (2017: 20 years) at the end of the financial year.

There is a degree of uncertainty associated with estimation of the long-term gold price forecast, and to provide for this risk management has considered a reasonable downside scenario by providing for a possible decline in the long-term real gold price from R550,000/kg to R525,000/kg, assuming all other variables remain constant. The result from this sensitivity analysis does not give rise to an impairment of goodwill or the rest of the group's CGUs.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management and forecast future cash flows on a real basis.

20. LONG-TERM RECEIVABLES

	Consolidated		Separate	
	30 June 2018 GBP	30 June 2017 GBP	30 June 2018 GBP	30 June 2017 GBP
Deferred consideration receivable[1]	–	1,474,057	–	1,474,057
Other long-term loans receivable[2]	1,324,643	1,061,321	–	–
	1,324,643	2,535,378	–	1,474,057
Current portion of long-term receivables	949,681	–	779,425	–
Deferred consideration receivable[1]	1,522,742	–	1,522,742	–
Deferred consideration receivable provision[3]	(743,317)	–	(743,317)	–
Current portion of other long-term receivables	170,256	–	–	–

[1] *The MC Mining Limited deferred consideration accrues interest at the prime rate, and is repayable in full on 30 June 2019. At year-end, the balance of the loan was classified as a current asset due to its recoverability expected within the next 12 months.*

[2] *Other long-term loans receivable accrue interest at the prime rate with repayment terms of up to 24 months .The current portion of these loans has been disclosed in current assets (refer to note 24).*

[3] *The deferred consideration receivable was assessed at year-end in relation to the deferred consideration conditions and amended to GBP779,425 (2017: GBP1,474,057).*

The carrying value of long-term receivables approximates its fair value.

21. INVESTMENTS IN SUBSIDIARIES AND INVESTMENTS IN ASSOCIATE

At 30 June 2018 the company and group held the following shares in subsidiaries and available-for-sale investment:

	Country of incorporation	Principal activity	Registered address
Barberton Mines[1]	South Africa	Gold mining	The Firs, corner Biermann and Cradock Avenue, Rosebank, Johannesburg, 2196
Evander Gold Mining Proprietary Limited[1]	South Africa	Gold mining	
Evander Gold Mines Proprietary Limited (Evander Mines)	South Africa	Gold mining	
Funding Company[2]	South Africa	Treasury services	
Pan African Resources SA Holding Company Proprietary Limited (PAR SA Holdings)[3]	South Africa	Holding company	
Pan African Resources Management Services Company Proprietary Limited (PAR Management Services)[4]	South Africa	Services company	
Concrete Rose Proprietary Limited[5]	South Africa	BEE company	
PAR Gold Proprietary Limited (PAR Gold)[6]	South Africa	Holding company	
MC Mining Limited (MC Mining)[7]	Australia	Coal mining	Suite 8, 7 The Esplanade, Mt Pleasant WA 6153, Australia

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Investments reconciliation				
Opening balance	**7,522,632**	1,269,228	**126,527,682**	124,200,675
Investment in MC Mining	**–**	7,522,632	**–**	7,522,632
Subscription of shares in Pan African Resources Management Services Company Proprietary Limited	**–**	–	**–**	1,207,492
Investment in Phoenix Platinum classified as held for sale	**–**	–	**–**	(3,403,955)
Fair value adjustment on the available-for-sale investment	**(3,917,484)**	(94,938)	**(3,917,484)**	(94,938)
Proceeds from sale of available-for-sale investment	**–**	(1,381,005)	**–**	(1,381,005)
Subscription of shares in Emerald Panther Investments 91 Proprietary Limited	**–**	–	**34,681,754**	–
Disposal of investment	**–**	–	**(45,770,663)**	(924,193)
Foreign currency translation reserve	**(469,904)**	206,715	**(469,904)**	(599,026)
Closing balance	**3,135,244**	7,522,632	**111,051,385**	126,527,682

[1] The employees own 5% of the issued shares of Barberton Mines and Evander Mines, through an ESOP. During the current reporting period the group's South African investments were restructured, resulting in Barberton Mines and Elikhulu being transferred to PAR SA Holdings.

[2] Funding Company was established to centrally provide treasury services to the group entities.

[3] PAR SA Holdings is the group's South African holding company for the South African mining investments.

[4] PAR Management Services' purpose is to provide management services to the mining operations.

30 June 2018 statutory holding %	30 June 2017 statutory holding %	Holding effectively held by company for consolidation purposes %	Accounting method in separate company	Consolidated: Carrying amount 30 June 2018 GBP	Consolidated: Carrying amount 30 June 2017 GBP	Separate: Carrying amount 30 June 2018 GBP	Separate: Carrying amount 30 June 2017 GBP
95	95	100	Investment in subsidiary	**–**	–	**–**	45,770,663
95	95	100	No investment	**–**	–	**–**	–
100	100	100	No investment	**–**	–	**–**	–
100	100	100	Investment in subsidiary	**–**	–	**263**	263
89	100	100	Investment in subsidiary	**–**	–	**106,708,386**	72,026,632
100	100	100	Investment in subsidiary	**–**	–	**1,207,492**	1,207,492
49.9	–	100	No investment	**–**	–	**–**	–
49.9	50.1	100	No investment	**–**	–	**–**	–
9.3	9.3	9.3	Available-for-sale investment	**3,135,244**	7,522,632	**3,135,244**	7,522,632
				3,135,244	7,522,632	**111,051,385**	126,527,682

[5] *Concrete Rose is the group's new BEE entity following the BEE restructure concluded on 15 January 2018 (refer to pages 5 and 215). Concrete Rose is held 49.9% by Funding Company and 50.1% by the following strategic BEE partners though notional vendor financing:*

	Shareholding %
Alpha Investment Group Proprietary Limited	***9.90***
Mabindu Development Trust	***24.75***
Pan African Resources Management Trust	***10.50***
Pan African Resources Education Trust	***4.95***
	50.10

[6] *During the 2016 financial year, the group finalised a share buyback transaction in which 49.9% of PAR Gold's issued share capital was acquired with the notional vendor financed 50.1% BEE shareholding (Mabindu Development Trust). The transaction translated to a share buyback for accounting purposes due to Funding Company receiving the majority of the economic benefits of PAR Gold. Following the conclusion of the BEE restructure on 15 January 2018, PAR Gold's shareholders now reflects 49.9% Funding Company and 50.1% K2015200726 Proprietary Limited (K Company), of which 49.5% of the shares held by K Company derive no economic benefit although all the shares are entitled to a voting right. During the current reporting period PAR Gold disposed of 130 million shares in Pan African Resources PLC on 30 May 2018, resulting in their shareholding in Pan African Resources reducing to 13.7% (refer to note 40).*

[7] *As a result of the disposal of Pan African Resources Coal Holdings Proprietary Limited and Uitkomst Colliery on 30 June 2017, the company acquired 261,287,625 new ordinary shares in MC Mining or 13,064,381 shares following their recent share consolidation. The entity is an emerging coal exploration, development and mining company operating in South Africa. At year-end the company held 9.3% of MC Mining.*

22. REHABILITATION FUNDS

	Barberton Mines GBP	Evander Mines GBP	Total GBP
Funds held in trust fund			
Opening balance as at 1 July 2016	2,250,466	14,003,242	16,253,708
Interest earned on rehabilitation funds	6,497	5,014	11,511
Interest earned on the rehabilitation funds arising from discontinued operations	–	35,416	35,416
Fair value adjustment	(13,539)	(26,656)	(40,195)
Fair value adjustment arising from discontinued operations	–	(57,580)	(57,580)
Foreign currency translation reserve	374,075	2,327,619	2,701,694
Closing balance as at 30 June 2017	**2,617,499**	**16,287,055**	**18,904,554**
Capital fund contribution	**213,576**	**1,328,950**	**1,542,526**
Transfer to a rehabilitation fund insurance investment[1]	**–**	**(7,105,528)**	**(7,105,528)**
Interest earned on the rehabilitation fund	**135,904**	**348,405**	**484,309**
Interest earned on the rehabilitation fund arising from discontinued operations	**–**	**497,240**	**497,240**
Fair value adjustment	**12,860**	**69,988**	**82,848**
Fair value adjustment arising from discontinued operations	**–**	**10,030**	**10,030**
Foreign currency translation reserve	**(183,292)**	**(914,141)**	**(1,097,433)**
Closing balance as at 30 June 2018	**2,796,547**	**10,521,999**	**13,318,546**
Funds held in insurance investment product			
Opening balance as at 30 June 2017	**–**	**–**	**–**
Investment contribution[1]	**–**	**7,105,528**	**7,105,528**
Fair value adjustments	**–**	**(64,311)**	**(64,311)**
Foreign currency translation reserve	**–**	**(223,448)**	**(223,448)**
Closing balance as at 30 June 2018	**–**	**6,817,769**	**6,817,769**
Total rehabilitation funds at year-end (trust funds and insurance investment product)	**2,796,547**	**17,339,768**	**20,136,315**

[1] *The funds available from contributions are held within Pan African Resources Group Rehabilitation Trust and a Cenviro insurance investment product. The funds are invested in interest-bearing accounts and equity investments within the insurance investment product.*

The group has initiated the systematic transfer of rehabilitation funds invested within the group's rehabilitation trust to an insurance investment product. The funds upon transfer will be invested in an insurance investment product held by Cenviro Solution underwritten by Centriq Insurance Company Limited. The investments are in the respective names of the mining operations, Evander Mines and Barberton Mines. At year-end a portion of the Evander Mines funds was transferred to the insurance investment product as disclosed above.

Refer to note 29 for the associated rehabilitation provision disclosure.

23. INVENTORIES

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Consumable stores	**3,519,350**	3,950,752	**–**	–
Mineral stocks	**–**	1,028,291	**–**	–
Short-term portion of long-term inventory[1]	**204,160**	182,256	**–**	–
Provision for obsolete stock	**(1,022,497)**	(113,883)	**–**	–
	2,701,013	5,047,416	**–**	–
Long-term inventory[1]	**567,491**	684,432	**–**	–
	3,268,504	5,731,848	**–**	–
Inventory recognised as cost of production	**15,287,439**	16,740,872	**–**	–

[1] *The long-term inventory relates to the Harper TSF located at Fairview in Barberton Mines. These surface tailings were transferred from property, plant and equipment and mineral rights to long-term inventory following the commencement of remining activity on the TSF in the prior reporting period (refer to note 17).*

24. TRADE AND OTHER RECEIVABLES

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Trade receivables	**6,596,308**	7,734,977	**–**	–
Provision for doubtful debtors	**(76,046)**	(94,694)	**–**	–
Other receivables and prepayments	**1,900,488**	748,719	**4,849**	5,563
Current portion of long-term receivables	**–**	117,925	**–**	–
VAT receivable	**6,428,120**	5,237,181	**–**	–
	14,848,870	13,744,108	**4,849**	5,563

The group's credit risk is deemed to be minimal as it only sells gold to rated South African financial institutions after having being processed by Rand Refinery Limited. Given the creditworthiness of these institutions, no provision is made for doubtful debts pertaining to trade receivables. These financial institutions are the major customers, that represents more than 5%, of the gold mining subsidiaries. The amounts presented in the statement of financial position are net of allowances for doubtful debtors pertaining to other receivables. These are estimated by the group's management based on the current economic environment and the individual debtor circumstances.

The average credit period is:

	Consolidated	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Number of days	**17**	19
Trade receivables	**6,596,308**	7,734,977
Gold revenue	**108,506,068**	125,111,338
Gold revenue from discontinued operations	**46,981,251**	44,473,248
	155,487,319	169,584,586

The ageing of trade receivables remained consistent year-on-year and no interest is charged on trade receivables.

It is group policy to only sell gold, and transact its foreign exchange to rated South African financial institutions. The sale of gold and foreign exchange is executed on behalf of the group by Treasury One, an independent treasury consultancy firm.

The fair value of trade and other receivables is not materially different from the carrying value presented. Receivables have been pledged as security, in terms of the revolving credit facility and the term loan facility to the group's consortium of funding banks (refer to note 30).

25. 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 amounts of these assets approximate their fair value.

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Cash and cash equivalents	**699 116**	9 447 144	**203 991**	8 009 500

Cash and cash equivalents also include an overdraft of GBP0.07 million utilised within Funding Company at year-end.

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Credit facilities				
The group has the following credit facilities:				
Nedbank Limited revolving credit facility[1]	**18,426,387**	19,654,088	–	–
Rand Merchant Bank revolving credit facility[1]	**18,426,387**	19,654,088	–	–
Absa Bank Limited revolving credit facility[1]	**18,426,387**	19,654,088	–	–
Rand Merchant Bank term loan facility[2]	**29,021,559**	–	–	–
Ashburton Investments term loan facility[2]	**4,145,937**	–	–	–
Nedbank Limited term loan facility[2]	**11,055,832**	–	–	–
Absa Bank Limited term loan facility[2]	**11,055,832**	–	–	–
Nedbank Limited general banking facility[4]	**2,211,166**	–	–	–
Absa Bank Limited general banking facility[4]	**2,763,958**	2,948,113	–	–
Rand Merchant Bank general banking facility[4]	**2,763,958**	2,948,113	–	–
Absa Bank Limited credit card facilities	**82,919**	16,215	**55,279**	–
Guarantee[3]	**2,409,172**	2,835,019	**276,396**	–
Gold hedging facility (held with Rand Merchant Bank)	**14,925,373**	–	–	–
Precious metals hedging facility (held with Rand Merchant Bank)	**6,191,266**	–	–	–
Derivative settlement (held with Absa Bank and Rand Merchant Bank)	**26,107,131**	27,846,580	–	–
USD trading facility[5]	**20,176,893**	21,521,226	–	–
	188,190,157	117,077,531	**331,675**	–

[1] The group has a GBP55.3 million or R1 billion five-year revolving credit facility with Nedbank Limited, Absa Bank Limited and Rand Merchant Bank (a division of FirstRand Bank Limited), (refer to note 30).

[2] During the year the group secured a GBP55.3 million or R1 billion term loan facility with Rand Merchant Bank, Ashburton Investments, Absa Bank Limited and Nedbank Limited (refer to note 30).

[3] The guarantees relate to GBP1,359,486 (2017: GBP1,450,065) for Eskom Holdings SOC Limited (Electricity utility), GBP773,290 (2017: GBP824,812) for the DMR.

[4] The Absa Bank Limited, Nedbank Limited and Rand Merchant Bank general banking facilities are unsecured and GBP0.07 million utilised (2017: unutilised) at year-end. These facilities attract interest linked to prime.

[5] The USD trading facility relates to trading facilities held in the group for the purposes of trading gold and subsequent translation of USD gold sales into ZAR. The facility is held with the following financial institutions:

- *Absa Bank Limited*
- *Nedbank Limited*
- *Rand Merchant Bank.*

26. SHARE CAPITAL

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Issued				
Number of ordinary shares issued[1]	**2,234,687,537**	2,234,687,537	**2,234,687,537**	2,234,687,537
Treasury shares[2]	**(306,358,058)**	(436,358,058)	**–**	–
	1,928,329,479	1,798,329,479	**2,234,687,537**	2,234,687,537
Ordinary shares issued of GBP0.01 each	**22,346,875**	22,346,875	**22,346,875**	22,346,875

[1] *No additional ordinary shares were issued during the current reporting period (2017: 291.5 million shares issued at 14 pence per share).*

[2] *On 30 May 2018, PAR Gold disposed of 130 million Pan African Resources shares at GBP0.07 per share, resulting in a decrease in the treasury shares held (refer to note 40).*

27. TRADE AND OTHER PAYABLES

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Trade and other payables	**15,865,388**	15,859,875	**–**	–
Accruals and other payables	**11,650,031**	10,362,959	**295,123**	1,000,773
VAT payable	**406,429**	833,764	**58,552**	122,544
Total trade and other payables[1]	**27,921,848**	27,056,598	**353,675**	1,123,317

	Consolidated	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
The average credit period is:		
Number of days[2]	**42**	35
Trade and other payables	**15,865,388**	15,859,875
Cost of production	**(77,713,040)**	(75,443,545)
Cost of production from discontinued operations	**(59,512,431)**	(58,563,038)
	(137,225,471)	(134,006,583)

[1] *The fair value of trade and other payables is not materially different from the carrying value presented.*

[2] *Creditors' days have increased from the prior year, due to the additional trade payables associated with the construction of the Elikhulu Project.*

28. CURRENT TAXATION

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Current taxation asset	**690,657**	1,068,496	**75,136**	66,479
Current taxation liability	**577,888**	48,686	**–**	–

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

29. LONG-TERM PROVISIONS

	Consolidated	Separate
	Decommissioning and rehabilitation	
	GBP	GBP
Balance at 1 July 2016	10,432,986	–
Disposal of Uitkomst Colliery	(476,999)	–
Classified as held for sale	(58,249)	–
Unwinding of rehabilitation provision	92,721	–
Rehabilitation cost incurred for continuing operations in the current year	(57,117)	–
Unwinding of rehabilitation provision for discontinued operations	(13,131)	–
Foreign currency translation reserve	1,735,114	–
Balance at 30 June 2017	**11,655,325**	–
Rehabilitation cost incurred for continuing operations in the current year	**(29,925)**	–
Rehabilitation provision capitalised	**665,582**	–
Charge for the year arising from discontinued operations	–	–
Charge for the year	**3,757,587**	–
Foreign currency translation reserve	**(933,456)**	–
Balance at 30 June 2018	**15,115,113**	–

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 any deficit is funded by means of payments to a fund required by South African law. The provision represents the net present value of the best estimate of the expenditure to be incurred to decommission and rehabilitate environmental disturbances caused by mining operations. These costs are expected to be incurred over the respective lives of the mines.

The current year's movement in the group's rehabilitation liability has been impacted by the changes in the following assumptions relative to the prior year:

	Year ended 30 June 2018		Year ended 30 June 2017	
	Period to rehabilitation	Risk-free rate %	Period to rehabilitation	Risk-free rate %
Barberton Mines (Fairview)	**20**	**10.9**	20	11.6
Barberton Mines (Sheba)	**17**	**10.0**	20	11.6
Barberton Mines (Consort)	**7**	**9.0**	7	8.7
Barberton Mines (BTRP)	**11**	**9.7**	14	10.1
Evander Mines (8 Shaft and Kinross Plant)	**2**	**7.7**	15	9.9
Evander Mines (Elikhulu)	**13**	**9.9**	–	–
Phoenix Platinum	–	–	7	8.7
Uitkomst Colliery	–	–	17	8.9

30. LONG-TERM LIABILITIES

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Cash-settled share options				
Opening balance	**2,850,525**	5,541,351	**661,340**	–
(Income)/expense for the year for continuing operations	**(680,887)**	(117,948)	**(196,591)**	1,792,385
Income for the year from discontinued operations	**–**	(16,879)	**–**	–
Payments during the year	**(955,405)**	(3,299,545)	**(326,524)**	(1,111,484)
Classified as held for sale	**–**	(45,413)	**–**	–
Foreign currency translation reserve	**(112,000)**	788,959	**(17,599)**	(19,561)
Closing balance	**1,102,233**	2,850,525	**120,626**	661,340
Current portion	**(211,851)**	(1,353,914)	**(84,564)**	(207,055)
Long-term portion	**890,382**	1,496,611	**36,062**	454,285
Post-retirement benefits				
Opening balance	**62,846**	64,691	**–**	–
Utilised for the year from continuing operations	**(5,649)**	(6,139)	**–**	–
Utilised for the year from discontinued operations	**(5,660)**	(6,250)	**–**	–
Foreign currency translation reserve	**(3,413)**	10,544	**–**	–
Closing balance	**48,124**	62,846	**–**	–
Revolving credit facility				
Opening balance	**11,861,752**	15,693,937	**–**	–
Drawdowns	**44,422,738**	47,036,166	**–**	–
Finance costs incurred	**2,640,943**	2,448,752	**–**	–
Finance costs capitalised[1]	**885,929**	–	**–**	–
Repayments of capital	**(5,836,226)**	(53,964,004)	**–**	–
Repayments of finance costs	**(3,540,798)**	(2,402,769)	**–**	–
Foreign currency translation reserve	**(2,553,737)**	3,049,670	**–**	–
Closing balance	**47,880,601**	11,861,752	**–**	–
Current portion	**(4,873,834)**	(1,221,303)	**–**	–
Long-term portion	**43,006,767**	10,640,449	**–**	–
Term loan facility				
Opening balance	**–**	–	**–**	–
Drawdowns	**45,563,326**	–	**–**	–
Finance costs incurred	**336,207**	–	**–**	–
Finance costs incurred and capitalised	**1,255,325**	–	**–**	–
Repayments of finance costs	**(1,574,528)**	–	**–**	–
Foreign currency translation reserve	**(3,015,377)**	–	**–**	–
Closing balance	**42,564,953**	–	**–**	–
Current portion	**–**	–	**–**	–
Long-term portion	**42,564,953**	–	**–**	–

[1] *Finance costs capitalised, in terms of accounting standard IAS 23, relate to the portion of this facility utilised to fund the Elikhulu Project's construction costs.*

On 15 September 2017, the group concluded a term loan facility with a consortium of South African banks led by Rand Merchant Bank (a division of FirstRand Bank Limited). The term loan facility is used to fund the debt component of the Elikhulu Project's construction costs. Utilisation of the facility commenced during November 2017 and the facility has similar contractual terms to that of the revolving credit facility, which are disclosed below. The interest incurred on this facility during the financial year was capitalised in terms of accounting standard, IAS 23.

30. LONG-TERM LIABILITIES continued

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Gold loan				
Opening balance	**1,570,462**	4,137,041	**–**	–
Gold loan repayments	**(1,542,272)**	(3,191,991)	**–**	–
Foreign currency translation reserve	**(28,190)**	625,412	**–**	–
Closing balance	**–**	1,570,462	**–**	–
Current portion	**–**	(1,570,462)	**–**	–
Long-term portion	**–**	–	**–**	–

The gold loan has been designated as an instrument to be measured at amortised cost.

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Deferred executive incentive payments				
Opening balance	**90,396**	–	**90,396**	
Expense for the current year	**–**	88,876	**–**	88,876
Foreign currency translation reserve	**(5,648)**	1,520	**(5,648)**	1,520
Closing balance	**84,748**	90,396	**84,748**	90,396
Chief executive officer retention at 40%	**59,018**	62,952	**59,018**	62,952
Chief financial officer retention at 30%	**25,730**	27,444	**25,730**	27,444
Total accrued at 30 June 2018	**84,748**	90,396	**84,748**	90,396
Current portion	**(84,748)**	–	**(84,748)**	–
Long-term portion	**–**	90,396	**–**	90,396

The chief executive officer's and financial director's annual incentive is subject to a 40% and 30%, respectively, two-year retention period. Payment is subject to the Remco's approval of the fulfilment of the conditions to the incentive.

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Summary of current and non-current portions of long-term liabilities				
Current portion	**5,170,433**	4,145,679	**169,312**	207,055
Non-current portion	**86,510,226**	12,290,302	**36,062**	544,681
	91,680,659	16,435,981	**205,374**	751,736

30. LONG-TERM LIABILITIES continued

Terms of the revolving credit and term loan facilities

	Revolving credit facility	Term loan facility
Facility amount	R1 billion	R1 billion
Lenders	Rand Merchant Bank (a division of FirstRand Bank Limited), Absa Bank Limited, Nedbank Limited	Rand Merchant Bank (a division of First RandBank Limited), Absa Bank Limited, Nedbank Limited, Ashburton Investments
Borrower	Pan African Resources Funding Company Proprietary Limited	Pan African Resources Funding Company Proprietary Limited
Interest rate	One-month JIBAR at 6.73%, linked to a monthly payment period	Three-month JIBAR rate at 6.96%, linked to a quarterly payment period
Interest rate margin	2.5% (3% from 1 July 2018)	3.3% (3.8% from 1 July 2018)
Commitment fee	35% of the margin per annum, calculated on a day-to-day basis on the undrawn portion of the maximum available commitment. Payable semi-annually	0.95% calculated on a day-to-day basis on the undrawn portion of the maximum available commitment. Payable quarterly
Term of loan	Five years effective from 17 June 2015	Seven years effective from 15 September 2017
Repayment period	Full repayment of the outstanding balance at the end of the facility term with the following interim facility reductions: • R133.3 million on 17 June 2019 • R133.3 million on 17 December 2019 • R133.3 million on 17 June 2020 The above reductions in the facility capacity were re-negotiated from the original R80 million semi-annual instalment redemption profile, commencing on 17 June 2018	Fully payable in seven years from financial close being 15 September 2017. The facility has a two-year availability period from financial close after which the capital is repaid in equal quarterly instalments for five years
Final repayment date	17 June 2020	15 September 2024
Financial covenant	The following covenants must be complied to by the group at each semi-annual reporting period: • The ratio of the net debt to equity must be less than 1:1 (refer to note 32) • The interest cover ratio must be greater than four times (refer to note 32) • The ratio of net debt to adjusted EBITDA must be less than 2.5:1 (refer to note 32). This covenant will be tested from 31 December 2019, catering for the construction of the Elikhulu Project • The debt service cover ratio must be greater than 1.3 times (refer to note 32) The group re-negotiated these covenants, resulting in a waiver of all breaches at 30 June 2018. All anticipated covenant breaches on 31 December 2018 were also waived subject to the interest cover ratio being in excess of 2.3 times at that date	The following covenants must be complied to by the group at each semi-annual reporting period: • The ratio of the net debt to equity must be less than 1:1 (refer to note 32) • The interest cover ratio must be greater than four times (refer to note 32) • The ratio of net debt to adjusted EBITDA must be less than 2.5:1 (refer to note 32). This covenant will be tested from 31 December 2019, catering for the construction of the Elikhulu Project • The debt service cover ratio must be greater than 1.3 times (refer to note 32) The group re-negotiated these covenants, resulting in a waiver of all breaches at 30 June 2018. All anticipated covenant breaches on 31 December 2018 were also waived subject to the interest cover ratio being in excess of 2.3 times at that date

30. LONG-TERM LIABILITIES continued

Bonds as security for the facilities

The following bonds were registered in favour of the lenders:

- Mortgage bond B3644/2015 – Barberton Mines/Bowwood and Main No 40 (RF) Proprietary Limited
- Mortgage bond B3701/2015 – Evander Township Limited/Bowwood and Main No 40 (RF) Proprietary Limited
- Mortgage bond B6665/2015 – Evander Township Limited/Bowwood and Main No 40 (RF) Proprietary Limited
- General notarial bond BN15110/2015 – Barberton Mines/Bowwood and Main No 40 (RF) Proprietary Limited
- General notarial bond BN15357/2015 – Evander Mines/Bowwood and Main No 40 (RF) Proprietary Limited.

Ceded rights to the lenders as security for the facilities

- Bank accounts
- Debts
- Insurance proceeds.

Terms of the gold loan

In May 2014, a gold loan transaction of R200 million was entered into with Absa Bank Limited as a counterparty. The purpose of this gold loan was to provide funds for the ETRP construction at Evander Mines. The gold loan was repaid quarterly in gold ounces produced from the Evander Mines ETRP operation, with the repayments having commenced on 31 July 2014 and ending on 31 October 2017. Refer to terms below:

Effective delivery price per ounce	12,694
Effective delivery price per kilogram	408,129
Final repayment date	31 October 2017 (repaid in full)

	Delivery date	Ounces delivered
Gold loan repayment schedule during the current reporting period:	31 July 2017	1,055.50
	31 October 2017	1,042.69
		2,098.19

As repayment of the loan is made in the delivery of physical ounces of gold, revenue is recognised on 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 Remco 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 rights programme is subject to the agreement of a selected participant and acceptance by said participant of the rules and regulations governing the share appreciation rights programme.

The share appreciation rights 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 Remco, to surrender his/her notional shares and receive the share appreciation rights settlement at a date prior to the sixth anniversary date.

The share appreciation rights settlement is regarded as remuneration for income taxation 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.

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 have elapsed, in which event not more than 25% of the total number of notional shares allocated can be surrendered
- Three years have elapsed, in which event not more than 50% of the total number of notional shares allocated can be surrendered
- Four years have elapsed, in which event all of the notional shares allocated can be surrendered.

30. LONG-TERM LIABILITIES continued

Group cash-settled share options continued

Top-up issues

- One year have elapsed, in which event not more than 25% of the total number of notional shares allocated can be surrendered
- Two years have elapsed, in which event not more than 50% of the total number of notional shares allocated can be surrendered
- Three years have elapsed, in which event not more than 75% of the total number of notional shares allocated can be surrendered
- Four years have elapsed, in which event all of the notional shares allocated can be surrendered
- 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 rights settlement in respect thereof.

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

	Year ended 30 June 2018		Year ended 30 June 2017	
	Weighted average exercise price R	Number of options	Weighted average exercise price R	Number of options
Outstanding at the beginning of the year	1.86	62,628,144	1.65	94,301,588
Granted during the year	1.70	28,170,871	3.17	11,990,381
Exercised during the year	1.09	(10,913,826)	1.56	(25,250,473)
Forfeited in the year	2.02	(2,601,994)	1.81	(15,391,459)
Share options discontinued	2.80	(9,341,279)	3.41	(3,021,893)
Outstanding and exercisable at the end of the year	1.78	67,941,916	1.86	62,628,144

Cash-settled share options are valued annually at fair value.

The weighted average share price on redemptions was R2.39 (2017: R3.52).

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

	Year ended 30 June 2018	Year ended 30 June 2017
Weighted average share price	1.21	2.49
Weighted average exercise/strike price	2.07	2.00
Exercise price	1.15 – 3.93	1.15 – 3.93
Expected volatility (%)	47.0	40.0
Expected life (years)	3 – 6	6
Weighted average remaining life (years)	3.35	4.43
Risk-free rate (%)	7.37 – 7.74	7.04 – 8.37
Expected dividend yield (%)	4.0	4.0

30. LONG-TERM LIABILITIES continued

Group cash-settled share options continued

Expected volatility impacted by the following factors

- The historical volatility of the share price over the most recent period that is commensurate with the expected term of the option (taking into account the remaining contractual life of the option and the effect of expected early exercise)
- The length of time an entity's shares have been publicly traded. A newly listed entity may have a high historical volatility, compared with that of similar entities that have been listed for longer.

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

The group recognised an income of GBP1,404,201 (expense in 2017: GBP117,948) relating to cash-settled share-based payment transactions during the year, as a result of the share price decreasing.

During the prior years, the group entered into an employee share ownership scheme transaction at Barberton Mines and Evander Mines. The group recognised an expense of GBP723,313 (2017: GBP250,250) in relation to the employee share ownership scheme. Refer to note 39.

Executive director share incentive scheme

To incentivise the executive directors and align their interests with that of the group, and to ensure retention during the three-year contract term, the following long-term incentive were in issue at 30 June 2018.

Chief executive officer	Financial director
At year-end, under the original allotment, the share incentive scheme had 1,533,334 shares which are allocated but not yet vested. These shares should contractually have vested on 1 March 2018. However, given group performance during the past year, Remco, in consultation with the chief executive officer, deferred the vesting. Any future vesting will be conditional on the group achieving production, cost budgets and safety targets during the 2019 financial year	Allocation of 3,100,000 Pan African Resources shares, effective on 1 March 2018, vesting over a three-year period (1 March 2018 to 28 February 2021). Vesting will occur subject to total shareholder return (defined as share price performance and dividends distributed to shareholders) exceeding that of a set of gold sector peers on an annual basis for each of the three years to 2021. These shares only vest when Pan African Resources' total shareholder return outperforms that of the peer group, with a pro-rata vesting for superior performance up to 8%, whereafter all shares vest
Allocation of 5,000,000 Pan African Resources' shares effective on 1 March 2018, vesting over a three-year period (1 March 2018 to 28 February 2021). Vesting will occur subject to total shareholder return (defined as share price performance and dividends distributed to shareholders) exceeding that of a set of gold sector peers on an annual basis for each of the three years to 2021. These shares only vest when Pan African Resources' total shareholder return outperforms that of the peer group, with a pro-rata vesting for superior performance up to 8%, whereafter all shares vest The new issuance of long-term incentives, therefore, vest in approximately three years from date of original issue	The new issuance of long-term incentives, therefore, vest in approximately three years from the 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	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

At year-end the incentive scheme was treated as a cash-settled share option scheme and a liability of GBP87,342 (2017: GBP454,285) was recognised in the statement of financial position.

31. DEFERRED TAXATION

	Note	Consolidated		Separate	
		Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Deferred taxation liabilities					
Arising from temporary differences relating to:					
Property, plant and equipment		**14,913,959**	43,521,603	**–**	–
Provisions		**(571,107)**	(2,015,142)	**–**	–
Investment in rehabilitation fund		**–**	604,642	**–**	–
Prepayments		**–**	10,770	**–**	–
Assessed loss		**–**	(3,031,202)	**–**	–
Other		**–**	(143,445)	**–**	–
Net deferred taxation liabilities		**14,342,852**	38,947,226	**–**	–
Reconciliation of deferred taxation liabilities					
Net deferred taxation liabilities at the beginning of the year		**38,947,226**	40,616,337	**–**	–
Deferred taxation charge for the year from continuing operations	13	**(3,642,309)**	(8,908,141)	**–**	–
Deferred taxation charge for the year from discontinued operations	13	**(24,379,234)**	3,643,835	**–**	–
Classified as discontinued operation		**–**	(3,014,280)	**–**	–
Classified as held for sale		**–**	(53,933)	**–**	–
Transfer to deferred taxation asset		**4,579,840**	–	**–**	–
Foreign currency translation reserve		**(1,162,671)**	6,663,408	**–**	–
Net deferred taxation liabilities at the end of the year		**14,342,852**	38,947,226	**–**	–
Deferred taxation assets					
Arising from temporary differences relating to:					
Property, plant and equipment		**(1,736,278)**	–	**–**	–
Provisions		**2,442,291**	709,425	**276,764**	349,587
Assessed loss		**6,428,244**	92,964	**375,115**	66,105
Investment in rehabilitation fund		**(1,785,767)**	–	**–**	–
Prepayment		**–**	(39,886)	**–**	–
Other		**860,349**	–	**877,516**	–
Net deferred taxation assets		**6,208,839**	762,503	**1,529,395**	415,692
Reconciliation of deferred taxation assets					
Net deferred assets at the beginning of the year		**762,503**	1,117,092	**415,692**	–
Transfer from deferred taxes liabilities		**4,579,840**	–	**–**	–
Deferred taxation credit for the year	13	**38,347**	(531,249)	**274,599**	408,704
Deferred taxation credit for the year raised in equity		**919,181**	–	**919,181**	–
Foreign currency translation reserve		**(91,032)**	176,660	**(80,077)**	6,988
Net deferred taxation assets at the end of the year		**6,208,839**	762,503	**1,529,395**	415,692

31. DEFERRED TAXATION continued

	Assessed loss carried forward		Unredeemed capital carried forward		Total	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Phoenix Platinum	–	502,789	–	6,231,044	–	6,733,833
Evander Mines	**31,298,590**	10,825,723	**109,303,562**	34,591,790	**140,602,152**	45,417,513
Pan African Resources PLC	**1,339,697**	236,090	–	–	**1,339,697**	236,090
Pan African Resources Management Services Company Proprietary Limited	**114,849**	95,924	–	–	**114,849**	95,924
	32,753,136	11,660,526	**109,303,562**	40,822,834	**142,056,698**	52,483,360

Deferred taxation 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 rates used to calculate deferred taxation are based on the current estimate of future profitability when temporary differences will be recognised in the statement of comprehensive income. The respective rates are calculated based on management's best estimate through which the temporary difference will be realised over the life of the mining operations.

	Consolidated	
	Year ended 30 June 2018 %	Year ended 30 June 2017 %
Deferred taxation rates applied within the group:		
Barberton Mines	**23.1**	23.1
Evander Mines (Elikhulu)	**19.2**	–
Evander Mines (Other and mining rights)	**15.6**	23.1
Phoenix Platinum	–	28.0
Uitkomst Colliery	–	28.0
Other companies	**28.0**	28.0

The effect of the rate change on the effective taxation rate has been disclosed in note 13.

32. 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	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Components of capital and financial covenants:				
Cash and cash equivalents	**(699,116)**	(9,447,144)	**(203,991)**	(8,009,500)
Interest-bearing debt/gold loan	**90,445,554**	13,432,214	**–**	–
Net debt	**89,746,438**	3,985,070	**(203,991)**	(8,009,500)
Equity	**115,703,748**	216,581,075	**185,631,691**	216,814,209
Net debt to equity ratio[1]	**0.78**	0.02	**–**	0.04
Finance costs of the revolving credit facility	**3,526,872**	2,448,752	**–**	–
Finance costs of the term loan facility	**1,591,532**	–	**–**	–
Finance costs of the general banking facilities	**106,155**	–	**–**	–
Total finance costs for Interest-bearing facilities	**5,224,559**	2,448,752	**–**	–
Adjusted EBITDA[2]	**24,088,505**	47,299,664	**(1,799,030)**	18,348,538
Interest cover ratio	**4.61**	19.3	**–**	–
Net debt	**89,746,438**	3,985,070	**(203,991)**	(8,009,500)
Adjusted EBITDA	**24,088,505**	47,299,664	**(1,799,030)**	18,348,538
Net debt to adjusted EBITDA	**3.73**	0.08	**0.11**	0.44
Adjusted EBITDA	**24,088,505**	47,299,664	**(1,799,030)**	18,348,538
Net working capital change	**1,592,923**	3,341,368	**(805,554)**	869,747
Add: Non-cash flow items	**3,916,836**	(7,042,215)	**975,202**	1,882,781
Total capital expenditure less capital funded through permitted indebtedness	**–**	–	**–**	–
Less: Dividends paid	**(8,231,456)**	(13,290,429)	**(8,231,456)**	(13,290,429)
Less: Taxation paid	**(1,281,351)**	(8,003,338)	**(12,729)**	(57,232)
Free cash flow	**20,085,457**	22,305,050	**(9,873,567)**	7,753,405
Finance costs from interest-bearing facilities	**5,224,559**	2,448,752	**–**	–
Debt service cover ratio	**3.84**	9.1	**–**	–

[1] *Net debt is calculated on cash and cash equivalents less interest-bearing debt.*

[2] *Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation, impairments, discontinued operations and loss on disposal of investments.*

Financial covenant limits

The ratio of the net debt to equity must be less than 1:1 (measured semi-annually).

The interest cover ratio was revised to be greater than 2.3 times at 31 December 2018 and greater than 4 times from 30 June 2019 onwards (measured semi-annually).

The ratio of net debt to adjusted EBITDA must be less than 2.5:1 (measured semi-annually). This ratio is considered by the lenders effective 31 December 2019.

The debt service cover ratio must be more than 1.3 times (measured semi-annually).

32. FINANCIAL INSTRUMENTS continued

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Categories of financial instruments				
Financial assets[1]				
Loans and receivables				
Cash and cash equivalents	**699,116**	9,447,144	**203,991**	8,009,500
Long-term receivables	**2,274,324**	2,535,378	**–**	1,474,057
Receivables	**6,596,308**	7,734,977	**–**	–
Available-for-sale financial assets				
Listed available-for-sale Investment	**3,135,244**	7,522,632	**3,135,244**	7,522,632
Financial assets at fair value through profit and loss				
Designated as fair value through profit and loss				
Rehabilitation trust fund	**20,136,315**	18,904,554	**–**	–
Financial instruments asset	**219,598**	–	**–**	–
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	**27,515,419**	26,222,834	**295,123**	1,000,773
Gold loan	**–**	1,570,462	**–**	–
Revolving credit facility	**47,880,601**	11,861,752	**–**	–
Term loan facility	**42,564,953**	–	**–**	–
Financial liabilities at fair value through profit and loss				
Cash-settled share options	**1,102,233**	2,850,525	**120,626**	661,340

[1] *At year-end the group did not have trade receivables that are past overdue and not impaired.*

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, 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 GBP76,046 (2017: GBP94,694) relating to trade 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).

	Consolidated	
	30 June 2018 GBP	30 June 2017 GBP
Customers above 5%		
Financial institutions (trade receivables)	**6,202,701**	6,928,566
Provision for doubtful debtors (trade receivables)	**76,046**	94,694

32. FINANCIAL INSTRUMENTS continued

Credit risk continued

The group trades with reputable South African financial institutions and the trade receivable balances are neither past due nor impaired.

Included in long-term receivables is a deferred consideration receivable from MC Mining (a listed company). At year-end the deferred consideration was assessed based on the deferred consideration agreement conditions and amended to a recoverable amount of GBP779,425.

Market risk

The risk is that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and interest rate risk.

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.

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. 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. Please refer below where an interest rate sensitivity analysis has been performed.

Commodity price risk

The group is affected by the price volatility of certain commodities. 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.

	Year ended 30 June 2018		Year ended 30 June 2017	
	Closing rate	Average rate	Closing rate	Average rate
Currency and gold spot price				
GBP/ZAR exchange rate	**18.09**	**17.27**	16.96	17.25
USD/ZAR exchange rate	**13.71**	**12.86**	13.60	13.04

	Year ended 30 June 2018	Year ended 30 June 2017
Average gold spot price received (USD/oz)	**1,301**	1,242
Average gold spot price received (R/kg)	**538,100**	542,773

	Impact of 10% currency or gold price movement on profit GBP
Foreign currency/gold price sensitivity	
2018	**13,239,406**
2017	14,509,143

32. FINANCIAL INSTRUMENTS continued

Commodity price risk continued

The pound sterling carrying amount of the group's foreign currency denominated monetary assets and liabilities at statement of financial position date is as follows:

	GBP[1]	Impact of 10% currency movement on translation reserve GBP
2018		
Current assets	**20,108,935**	**18,280,850**
Current liabilities	**33,670,169**	**30,609,245**
2017		
Current assets	29,307,164	26,642,876
Current liabilities	31,250,963	28,409,966

[1] *The group's functional currency is ZAR, therefore the sensitivity details the effect of the ZAR/GBP exchange rate on the foreign currency translation reserve.*

The sensitivity assumptions used above represent a reasonable approximation of possible changes.

Commodity zero cost collar

The group entered into multiple 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 gain of GBP902,349 (2017: GBP698,615).

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Financial instruments (derivatives)				
Opening balance	–	(5,945,399)	–	–
Financial instruments (receipts)/settlements during the year	**(924,712)**	691,105	–	–
Profit arising from unrealised financial instruments	–	5,488,407	–	–
Profit arising from unrealised financial instruments from discontinued operations	**230,025**	–	–	–
Profit arising from realised financial instruments	–	698,615	–	–
Profit arising from realised financial instruments from discontinued operations	**902,349**	–	–	–
Foreign currency translation reserve	**11,936**	(932,728)	–	–
Closing balance	**219,598**	–	–	–
Cost collar derivative profits				
Gains from fair value measurement	**230,025**	5,488,407	–	–
Profits/(losses) realised on the statement of comprehensive income	**902,349**	698,615	–	–
	1,132,374	6,187,022	–	–

32. FINANCIAL INSTRUMENTS continued

Commodity zero cost collar continued

Cost collar derivative transactions entered into during the year:

	Bank	Entity	Original term	Volume oz	Remaining term	Status	Put option price R/kg	Call option price R/kg	Valuation at year-end R	Valuation at year-end GBP
Unrealised cost collars										
29 August 2017	Absa	Evander Mines	1 January 2018 – 31 December 2018	2,500	1 July 2018 – 31 December 2018	Open	550,000	631,018	(1,360,225)	(75,192)
18 June 2018	Nedbank	Evander Mines	1 July 2018 – 31 December 2018	10,000	1 July 2018 – 31 December 2018	Open	550,000	598,000	1,327,775	73,398
19 June 2018	RMB	Evander Mines	1 July 2018 – 31 December 2018	10,000	1 July 2018 – 31 December 2018	Open	560,000	605,500	2,377,128	131,406
19 June 2018	Nedbank	Evander Mines	1 July 2018 – 31 December 2018	5,000	1 July 2018 – 31 December 2018	Open	560,000	606,671	1,627,846	89,986
									3,972,524	219,598

	Bank	Entity	Original term	Volume oz	Remaining term	Status	Put option price R/kg	Call option price R/kg	Receipt at year-end R	Receipt at year-end GBP
Realised cost collars										
11 August 2017	Nedbank	Evander Mines	1 January 2018 – 31 December 2018	8,000	19 December 2017	Closed	550,000	640,428	4,895,000	293,666
19 December 2017	Nedbank	Evander Mines	1 July 2018 – 31 December 2018	4,500	19 December 2017	Closed	550,000	631,000	2,505,000	150,283
29 August 2017	Absa	Evander Mines	1 January 2018 – 31 December 2018	2,500	1 January 2018 – 30 June 2018	Open	550,000	631,018	1,983,559	116,400
10 August 2017	RMB	Evander Mines	1 January 2018 – 31 December 2018	8,000	21 December 2017	Closed	550,000	612,014	6,200,000	364,363
									15,583,559	924,712

Cost collar derivative transactions entered into during the prior year:

	Bank	Entity	Original term	Volume oz	Remaining term	Status	Put option price R/kg	Call option price R/kg	Receipt at year-end R	Receipt at year-end GBP
Realised cost collars										
1 April 2017	Absa	Evander Mines	1 April 2017 – 30 September 2017	9,645	1 April 2017 – 30 September 2017	Closed	550,000	591,881	3,900,000	226,087
14 April 2017	RMB	Evander Mines	1 October 2017 – 31 March 2018	9,645	1 October 2017 – 30 June 2018	Closed	550,000	640,000	8,039,123	466,036

32. FINANCIAL INSTRUMENTS continued

Interest rate risk

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

Interest rate sensitivity

The group's revolving credit and term loan facility incur interest based on the JIBAR rates (refer to note 30). Refer below to the interest rate sensitivity:

	Historical interest variation impact on the interest expense recognised for the revolving credit and term loan facilities				
	Interest incurred on facilities on a 10% decrease in interest rates	Interest incurred on facilities on a 5% decrease in interest rates	Interest incurred on facilities for the year	Interest incurred on facilities on a 5% increase in interest rates	Interest incurred on facilities on a 10% increase in interest rates
GBP	4,606,564	4,862,484	5,118,404	5,374,324	5,630,244

	Interest variation impact on the revolving credit and term loan facilities for the next 12 months				
	Interest incurred on facilities on a 10% decrease in interest rates	Interest incurred on facilities on a 5% decrease in interest rates	Interest at year-end base rate	Interest incurred on facilities on a 5% increase in interest rates	Interest incurred on facilities on a 10% increase in interest rates
GBP	7,922,759	8,362,912	8,803,066	9,243,219	9,683,372

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board, but is delegated to the executive management, which has established a liquidity risk management framework for the management of the group's short-term funding and liquidity requirements. This framework involves daily monitoring of the group's cash position, regular review of cash flow forecasts and maturity profiles of financial assets and liabilities. Liquidity risk is managed by maintaining adequate working capital reserves and borrowing capacity on banking facilities.

The group has access to financing facilities from the revolving credit facility, term loan facility and the general banking facilities, of which GBP47,816,473 (2017: GBP11,792,453) of revolving credit facility was utilised, and GBP42,564,953 (2017: nil) was utilised on the term loan facility. The general banking facility was utilised by GBP72,817 (2017: nil) at year-end. In the prior reporting period the gold loan had an amount outstanding of GBP1,570,462 and has subsequently been settled in full during the current reporting period (refer to note 30). The group expects to meet its obligations from its operating cash flows and the borrowing capacity on its existing banking facilities.

32. FINANCIAL INSTRUMENTS continued

Liquidity risk analysis

The following table discloses the group's maturity profile from its financial liabilities:

	Weighted average interest rate %	Less than 12 months GBP	1 – 5 years GBP	Total GBP
Group				
2018				
Trade and other payables	–	27,515,419	–	27,515,419
Long-term liabilities (non-interest-bearing)	–	211,851	938,506	1,150,357
Long-term liabilities (interest-bearing)	9.73	16,213,080	87,456,677	103,669,758
Financial instrument liabilities	–	–	–	–
Other short-term liabilities	–	–	–	–
2017				
Trade and other payables	–	26,222,834	–	26,222,834
Long-term liabilities (non-interest-bearing)	–	2,924,376	1,649,853	4,574,229
Long-term liabilities (interest-bearing)	9.84	1,152,864	13,231,620	14,384,484
Other short-term liabilities	–	–	–	–
Separate				
2018				
Trade and other payables	–	295,123	–	295,123
Long-term liabilities	–	169,312	36,062	205,374
Other short-term liabilities	–	–	–	–
2017				
Trade and other payables	–	1,000,773	–	1,000,773
Long-term liabilities	–	207,055	544,681	751,736
Other short-term liabilities	–	–	–	–

Fair value of financial instruments

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

Fair value hierarchy

Financial instruments are measured at fair value and 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.

32. FINANCIAL INSTRUMENTS continued

Fair value hierarchy continued

	Level 1 GBP	Level 2 GBP	Level 3 GBP	Level 4 GBP
30 June 2018				
Financial assets[1]	**3,135,244**	**–**	**–**	**3,135,244**
Rehabilitation fund[2]	**20,136,315**	**–**	**–**	**20,136,315**
Cash-settled share option liability[3]	**–**	**(532,471)**	**–**	**(532,471)**
ESOP transactions liabilities[4]	**–**	**–**	**(569,762)**	**(569,762)**
Derivative financial assets[5]	**–**	**219,598**	**–**	**219,598**
30 June 2017				
Financial assets[1]	7,522,632	–	–	7,522,632
Rehabilitation trust fund	18,904,554	–	–	18,904,554
Cash-settled share option liability[3]	–	(2,737,458)	–	(2,737,458)
ESOP transactions liabilities[4]	–	–	(113,067)	(113,067)

[1] The fair value of the listed investment is treated as level 1 per the fair value hierarchy, as its market share price is quoted on a stock exchange.

[2] The rehabilitation fund is treated as level 1 per the fair value hierarchy as the contributions are invested in an interest-bearing short-term deposits and equity share portfolios held in insurance investment products managed by fund 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 30 for further inputs.

[4] The group's ESOP liability is accounted for on a cash-settled 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, and was performed by ZAQFinance, independent consulting actuaries. The liability was valued as a European call option on the following assumptions used:

	Barberton Mines	*Evander Mines*
Notional vendor loan amount at issue	***99,500,000***	***Nil***
Fair value	***Determined using discounted cash flow model***	***Nil***
Strike price	***Preference share + preference dividend – dividends***	***Nil***
Remaining option life (years)	***6***	***Nil***
Volatility (%)	***44***	***Nil***
Risk-free interest rate	***Swap curve based***	***Nil***
Annual dividend yield (continuously compounding) (%)	***–***	***Nil***
Final valuation (refer to note 39 for complete reconciliation)	***569,762***	***–***

At year-end Evander Mines' ESOP liability was valued at nil, following the cessation of underground mining at this operation. The recognised unions requested closure of the ESOP entities and scheme following the conclusion of the retrenchment process.

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.

	Barberton Mines	*Evander Mines*
Sensitivity on changes in volatility		
Volatility at 34%	***535,876***	***–***
Volatility at 44%	***569,762***	***–***
Volatility at 54%	***606,473***	***–***
Sensitivity on changes in risk-free rate		
Risk-free rate -1%	***601,216***	***–***
Risk-free rate +1%	***540,354***	***–***
Sensitivity on discount to share price		
35% discount	***716,307***	***–***
45% discount	***569,762***	***–***
55% discount	***427,861***	***–***

[5] The derivative financial asset is treated as a level 2 of the fair value hierarchy due to the following market-related inputs used in the valuation:

	Evander Mines
USD gold price	***1,251***
ZAR gold price	***551,346***
Risk-free rate	***Zero coupon bond 3 months***

33. 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 Alexander Forbes Group Provident Fund. These are defined contribution funds and are registered under and governed by the South African Pensions Act, 1956 as amended. The assets of the schemes are held separately from those of the group in funds and they are in the control of the trustees. A total cost of GBP5,171,970 (2017: GBP6,255,465) was recognised in the statement of comprehensive income at a consolidated level and nil (2017: nil) at company level. This cost represents the employer's 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 SARS life expectancy tables as the benefits payable are a fixed amount per pensioner. The balance of post-retirement medical benefits was GBP48,124 (2017: GBP62,846).

34. COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

Group

Commitments

The group had contracted outstanding open orders at year-end of GBP24,009,876 (2017: GBP71,956,155). Outstanding orders in the current reporting period related primarily to the Elikhulu Project.

Authorised commitments for the new financial year, not yet contracted for, totalled GBP14,067,972 (2017: GBP19,379,781).

Contingent liabilities

The group identified no material contingent liabilities in the current or prior reporting period.

Guarantees

At 30 June 2018, the group had guarantees in place of GBP1,359,486 (2017: GBP1,450,065) in favour of Eskom Holdings SOC Limited and GBP773,290 (2017: GBP824,812) in favour of the DMR.

Separate

There were no commitments, contingent liabilities and guarantees for the company for the year ended 30 June 2018 (2017: nil), except for the operating lease commitments disclosed in note 7.

35. DIRECTORS' EMOLUMENTS

The key management personnel for which remuneration has been disclosed below are executive directors, non-executive directors and prescribed officers:

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Executive directors				
Emoluments	**996,517**	647,792	**996,517**	647,792
Share options exercised	**326,524**	1,142,163	**326,524**	1,142,163
Total	**1,323,041**	1,789,955	**1,323,041**	1,789,955
Non-executive directors				
Emoluments	**179,550**	167,997	**179,550**	167,997
Total	**179,550**	167,997	**179,550**	167,997
Total remuneration	**1,502,591**	1,957,952	**1,502,591**	1,957,952

35. DIRECTORS' EMOLUMENTS continued

	Share option taxable benefit GBP	Basic remune-ration GBP	Retirement fund GBP	Life and disability plan GBP	Allowances GBP	Leave payout GBP	Total GBP	Incentives[1] GBP
30 June 2018								
Executive directors								
JAJ Loots	**326,524**	**279,820**	**–**	**–**	**11,399**	**15,629**	**633,372**	**266,443**
GP Louw	**–**	**243,558**	**–**	**–**	**974**	**–**	**244,532**	**178,694**
Total	**326,524**	**523,378**	**–**	**–**	**12,373**	**15,629**	**877,904**	**445,137**

[1] *These incentives were paid early in the current financial year, but were related to and accrued for in the 30 June 2017 financial year.*

	Share option taxable benefit GBP	Basic remune-ration GBP	Retirement fund GBP	Life and disability plan GBP	Allowances GBP	Leave pay out GBP	Total GBP	Incentives GBP
30 June 2017								
Executive directors								
JAJ Loots	908,192	222,174	–	–	14,097	–	1,144,463	147,507
GP Louw	233,971	185,870	–	–	826	–	420,667	77,318
Total	1,142,163	408,044	–	–	14,923	–	1,565,130	224,825

During the 2018 financial year the executive directors and senior management, in consultation with the Remco, agreed to forgo any qualifying short-term incentives, as a result of the financial impact on the group following the cessation of underground mining at Evander Mines.

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

	Total 30 June 2018 GBP	Total 30 June 2017 GBP
Non-executive		
KC Spencer	**67,694**	63,339
HH Hickey	**40,110**	37,529
TF Mosololi	**37,285**	34,886
RM Smith	**34,461**	32,243
Total	**179,550**	167,997

	KC Spencer (Chairman) GBP	HH Hickey GBP	TF Mosololi GBP	RM Smith GBP
30 June 2018				
Board of directors	**55,266**	**22,032**	**22,032**	**22,032**
Remuneration committee	**–**	**–**	**5,650**	**8,475**
Audit committee (HH Hickey as chairman)	**–**	**8,475**	**5,649**	**–**
SHEQC committee	**8,474**	**5,649**	**–**	**–**
Nominations committee	**3,954**	**3,954**	**3,954**	**3,954**
	67,694	**40,110**	**37,285**	**34,461**

35. DIRECTORS' EMOLUMENTS continued

	KC Spencer (Chairman) GBP	HH Hickey GBP	TF Mosololi GBP	RM Smith GBP
30 June 2017				
Board of directors	51,710	20,615	20,615	20,615
Remuneration committee	–	–	5,286	7,928
Audit committee (HH Hickey as chairman)	–	7,929	5,285	–
SHEQC committee	7,929	5,285	–	–
Nominations committee	3,700	3,700	3,700	3,700
	63,339	37,529	34,886	32,243

No changes occurred during the year in respect of director appointments and resignations.

No fees were paid during the year for the board social and ethics sub-committees.

No retirement fund contributions are currently made by the company on behalf of non-executive directors.

	Share option taxable benefit GBP	Basic remune-ration GBP	Retire-ment fund GBP	Life and disability plan GBP	Allowances GBP	Other remune-ration GBP	Bonuses GBP	Total 30 June 2018 GBP	Total 30 June 2017 GBP
Prescribed officers									
AD van den Bergh	–	227,272	–	–	1,856	–	119,367	348,495	477,572
AA van den Berg	–	120,116	19,335	2,413	5,000	–	26,248	173,112	122,088
NA Reynolds	–	117,715	15,523	2,373	6,919	5,455	94,219	242,204	303,834
CA Strydom	134,440	139,494	14,426	–	3,578	–	41,885	333,823	333,184
JdV Thirion (Appointed 12 March 2018)	–	39,835	1,446	–	113,689	–	–	154,970	–
L Motshwaiwa	–	98,956	12,363	–	20,548	–	9,047	140,914	–
MS Ndlozi	19,290	79,318	8,368	–	7,322	–	–	114,298	188,561
JD Symington	12,093	90,208	11,758	1,797	7,942	–	24,498	148,296	179,801
MM Dlamini	–	75,562	9,797	1,497	1,734	4,008	17,499	110,097	87,942
P Naicker	–	101,509	20,089	–	3,207	–	32,885	157,690	150,141
BFM Malunga	–	–	–	–	–	–	–	–	92,503
P Tendaupenyu (Retrenched 9 March 2018)	–	97,727	9,575	–	517	51,840	7,026	166,685	76,064

35. DIRECTORS' EMOLUMENTS continued

Directors' dealings in shares

Financial year 30 June 2018

JAJ Loots participated in the following company shares transactions:

- On 22 February 2018, JAJ Loots entered into a contract for difference derivative (CFD) for 200,000 shares at a price of GBP0.08 per share
- On 27 September 2017, JAJ Loots purchased 108,000 shares at an average price of R2.35 per share
- On 29 September 2017, JAJ Loots entered into a CFD for 200,000 shares at an average of GBP12.747p per share.

JAJ Loots had 668,675 shares and 400,000 CFDs at period-end, representing 0.05% of the total issued shares.

GP Louw participated in the following company shares transactions:

- On 28 September 2017, GP Louw purchased 45,000 shares at an average price of R2.35 per share
- On 23 February 2018, GP Louw purchased 75,000 shares at R1.30 per share.

GP Louw had 257,450 shares at period-end, representing 0.01% of the total issued shares.

TF Mosololi, on 6 October 2017, purchased 20,000 shares at R2.30. TF Mosololi had 50,000 shares outstanding at period-end, representing 0.01% of total issued shares.

KC Spencer had 3,000,000 shares at period-end, representing 0.13% of the total issued shares.

No dealings in the securities by the directors of the company took place between the period-end and the date of approval of the annual financial statements.

Financial year 30 June 2017

During the prior reporting period JAJ Loots participated in the following company shares transactions:

- On 27 September 2016, purchased 20,000 shares and 200,000 shares at R3.57 per share and R3.58 per share, respectively
- On 28 September 2016, purchased 28,609 shares at R3.48 per share
- On 29 September 2016, purchased 491 shares at R3.59 per share
- On 30 September 2016, purchased 25,000 shares at R3.70 per share
- On 3 October 2016, purchased 25,000 shares at R3.78 per share
- On 5 October 2016, purchased 30,000 shares at R3.55 per share.

JAJ Loots had 560,675 shares outstanding at period-end, representing 0.03% of the total issued shares.

During the prior year GP Louw participated in the following company shares transactions.

On 27 September 2016, purchased the following shares:

- 4,300 shares at R3.57 per share
- 3,150 shares at R3.58 per share
- 35,000 shares at R3.62 per share
- 40,000 shares at R3.64 per share
- 12,836 shares at R3.66 per share
- 42,164 shares at R3.67 per share.

GP Louw had 137,450 shares outstanding at period-end, representing 0.01% of the total issued shares.

TF Mosololi had 30,000 shares outstanding at period-end, representing 0.01% of total issued shares.

KC Spencer had 3,000,000 shares at period-end, representing 0.13% of the total issued shares.

35. DIRECTORS' EMOLUMENTS continued

Cash-settled share options

	Total options 1 July 2017	Grant date	Exercise price pence	Options granted/ (exercised) during the period	Grant/ exercise date	Grant/ exercise price pence	Options forfeited/ discontinued	Total options 30 June 2018
Listed per grant/ exercise								
JAJ Loots	2,500,000	29 August 2013	0.13	–	–	–	–	2,500,000
JAJ Loots	4,500,000	28 February 2015	–	(2,966,666)	28 February 2018	0.10	–	1,533,334
JAJ Loots	–	–	–	5,000,000	1 March 2018	–	–	5,000,000
GP Louw	2,114,979	1 March 2015	0.12	–	–	–	–	2,114,979
GP Louw	–	–	–	3,100,000	1 March 2018	–	–	3,100,000
AD van den Bergh	1,230,199	1 May 2014	0.12	–	–	–	–	1,230,199
AD van den Bergh	2,822,167	30 July 2015	0.08	–	–	–	–	2,822,167
AD van den Bergh	–	–	–	3,268,219	2 August 2017	0.14	–	3,268,219
CA Strydom	–	–	–	1,533,789	2 August 2017	0.14	(1,533,789)	–
CA Strydom	317,051	1 May 2014	0.12	–	–	–	–	317,051
CA Strydom	2,823,697	30 July 2015	0.08	(941,232)	2 October 2017	0.13	–	1,882,465
P Human	1,876,026	30 July 2015	0.08	–	–	–	–	1,876,026
P Human	–	–	–	823,719	2 August 2017	0.14	–	823,719
P Naicker	1,074,126	13 July 2012	0.15	–		–	–	1,074,126
P Naicker	2,490,692	30 July 2015	0.08	–		–	–	2,490,692
P Naicker	–	–	–	517,138	2 August 2017	0.14	–	517,138
JD Symington	813,706	30 July 2015	0.08	(271,235)	29 September 2017	0.13	–	542,471
JD Symington	–	–	–	1,052,158	2 August 2017	0.14	–	1,052,158
MM Dlamini	100,000	27 May 2014	0.09	–		–	–	100,000
MM Dlamini	167,012	30 July 2015	0.08	–		–	–	167,012
MM Dlamini	–	–	–	1,097,576	2 August 2017	0.14	–	1,097,576
AA van den Berg	1,671,309	1 October 2016	0.20	–	2 August 2017	0.20	(1,671,309)	–
AA van den Berg	–	–	–	1,671,309	2 August 2017	0.14	–	1,671,309
MS Ndlozi	1,297,954	30 July 2015	0.08	(432,651)	6 October 2017	0.13	–	865,303
MS Ndlozi	–	–	–	571,542	2 August 2017	0.14	–	571,542
P Tendaupenyu	2,468,354	13 December 2016	0.18	–	–	–	(2,468,354)	–
NA Reynolds	750,442	1 May 2014	0.12	–	–	–		750,442
NA Reynolds	–	–	–	1,591,318	2 August 2017	0.14	–	1,591,318
NA Reynolds	1,676,713	30 July 2015	0.08	–	–	–	–	1,676,713
	30,694,427		0.10	15,614,984		0.08	(5,673,452)	40,635,959

36. RELATED PARTY TRANSACTIONS

The group entered into the following inter-group transactions and held the following year-end balances:

	Pan African Resources PLC GBP	Funding Company GBP	PAR Management Services GBP	Pan African Resources Coal Holding GBP
30 June 2018				
Statement of comprehensive income transactions				
Dividends received from subsidiaries	–	–	–	–
Management fee	**579,039**	**(115,808)**	**1,795,020**	–
Inter-company finance charges	–	**3,607,147**	**(343,408)**	–
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	**72,546,560**	**(72,028,690)**	**(517,870)**	–
Pan African Resources PLC payables	–	–	–	–
Funding Company receivables	–	**134,371,643**	**(4,447,338)**	–
Funding Company payables	**72,028,690**	**(81,211,868)**	–	–
PAR Management Services receivables	–	–	**4,387,649**	–
PAR Management Services payables	**517,870**	**4,447,338**	**(4,965,468)**	–
Payables to PAR Gold	–	–	–	–
Pan African Resources Coal Holding receivables	–	–	–	–
Barberton Mines receivables	–	–	–	–
Evander Mines payables	–	–	–	–
30 June 2017				
Statement of comprehensive income transactions				
Dividends received from subsidiaries	21,930,492	–	–	(1,360,000)
Management fee	637,681	(92,522)	5,035,859	–
Inter-company finance charges	–	2,778,372	(654,122)	–
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	97,008,814	(69,102,616)	–	–
Pan African Resources payables	(18,222,482)	–	4,348,591	–
Funding Company receivables	–	53,201,751	(9,056,072)	–
Funding Company payables	–	(1,360,343)	–	–
PAR Management Services receivables	–	–	6,390,298	–
PAR Management Services payables	–	–	–	–
Payables to PAR Gold	–	–	–	–
Pan African Resources Coal Holding receivables	–	–	–	–
Barberton Mines receivables	–	–	–	–
Evander Gold Mining Limited receivables	–	–	–	–
Evander Gold Mining Proprietary Limited payables	–	–	–	–

[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 (note 21) for the nature of relationships of the related parties to the company.

Refer to directors' emoluments (note 35), for key management remuneration under related parties.

Inter-company loans have no specific repayment terms but do bear interest in relation to treasury functions provided by Funding Company.

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	PAR Gold GBP	K Company GBP	Concrete Rose GBP
–	–	–	–	–	–	–		–
–	–	(1,968,732)	(289,519)	–	–	–	–	–
–	–	(299,060)	(2,945,399)	–	–	–	(19,280)	–
–	–	–	(69,948,457)	69,948,457	–	–	–	–
–	–	–	69,255,898	(69,255,898)	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
	–	(2,072,144)	(127,661,194)	–	(124)	–	(190,843)	–
–	–	–	–	–	–	9,178,772	–	4,406
–	–	(2,352,945)	(2,034,704)	–	–	–	–	–
–	–	–	–	–	–	–	–	260
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	(14,891,087)	–	–	14,891,087	–	–	–
–	–	–	(54,966,166)	54,965,093	1,073	–	–	–
–	–	(12,980,676)	(7,589,816)	–	–	–	–	–
(260,870)	(438,989)	(2,805,797)	(2,075,362)	–	–	–	–	–
121,604	28,225	(760,141)	(1,513,938)	–	–	–	–	–
–	–	–	(72,890,949)	72,890,949	–	–	–	–
–	–	–	72,169,256	(72,169,256)	–	–	–	–
(1,843,686)	–	–	(26,062,512)	–	–	–	–	–
–	–	8,580,398	–	5,284,837	8,656	–	–	–
–	–	(5,452,810)	(38,508,869)	–	(74)	–	(183,926)	–
1,251,156	–	–	–	–	–	109,187	–	–
(328,448)	–	(3,406,627)	(2,655,223)	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	30,047	(30,047)	–	–	–	–	–
–	–	–	1,144	–	(1,144)	–	–	–
–	–	–	(56,909,561)	56,909,561	–	–	–	–

37. EVENTS AFTER THE REPORTING PERIOD

No material subsequent events were noted after the reporting period.

38. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH (USED IN)/GENERATED BY OPERATIONS

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Profit before taxation from continuing operations	**9,352,329**	44,862,872	**(1,061,755)**	18,611,097
Loss before taxation from discontinued operations	**(129,149,818)**	(26,204,529)	**–**	–
Adjusted for:	**121,695,260**	7,945,507	**712,925**	1,620,222
Adjustments from continuing operations				
Impairment from continuing operations	**8,153,312**	–	**–**	6,352,320
Equity and cash-settled share options costs	**(240,502)**	50,680	**196,591**	1,792,385
Net finance income – bank	**(581,688)**	(244,985)	**(89,883)**	(51,496)
Net finance income – rehabilitation trust fund	**(484,309)**	(11,511)	**–**	–
Net finance income – other	**(424,682)**	–	**(178,323)**	–
Net finance expense – bank	**3,142,044**	2,784,929	**5,929**	2,575
Net finance expense – SARS	**1,682**	18,050	**–**	–
Profit on disposal of property, plant, equipment and mineral rights	**(874)**	(22,251)	**–**	–
Royalty costs	**415,010**	1,112,665	**–**	–
Deferred compensation	**–**	90,396	**–**	90,396
Deferred consideration provision	**778,611**	–	**778,611**	–
Fair value adjustment on financial instruments	**(230,025)**	(5,488,407)	**–**	–
Increase in provision for environmental rehabilitation	**236,275**	22,473	**–**	–
Profit on disposal of subsidiary	**–**	(5,385,915)	**–**	(6,343,387)
Fair value adjustment on rehabilitation funds	**(18,537)**	40,195	**–**	–
Non-mining depreciation and amortisation	**52,530**	58,899	**–**	–
Mining depreciation and amortisation	**4,929,817**	5,498,795	**–**	–
Gold loan amortisation	**(1,542,272)**	(3,191,991)	**–**	–
Profit on disposal of investment	**–**	(222,571)	**–**	(222,571)
Fair value adjustment on post-retirement benefits	**(5,649)**	(6,139)	**–**	–
Adjustments from discontinued operations				
Impairment	**98,124,786**	5,950,757	**–**	–
Net finance income – rehabilitation fund	**(497,240)**	(35,416)	**–**	–
Net finance expense – other	**–**	12,244	**–**	–
Increase in provision for environmental rehabilitation	**3,521,312**	–	**–**	–
Royalty costs	**234,906**	292,584	**–**	–
Fair value adjustment on rehabilitation fund	**(10,030)**	57,580	**–**	–
Mining depreciation and amortisation	**6,146,443**	6,570,696	**–**	–
Fair value adjustment on post-retirement benefits	**(5,660)**	(6,250)	**–**	–
Operating cash flows before working capital changes	**1,897,771**	26,603,850	**(348,830)**	20,231,319
Working capital changes	**1,592,923**	3,341,368	**(805,554)**	869,747
Decrease/(increase) in inventories	**2,463,344**	(648,603)	**–**	–
(Increase)/decrease in trade and other receivables	**(1,104,762)**	298,249	**714**	52,376
Increase/(decrease) in trade and other payables	**865,250**	8,313,363	**(769,642)**	865,480
Other non-cash items	**(630,909)**	(4,621,641)	**(36,626)**	(48,109)
Cash generated by/(used in) operations	**3,490,694**	29,945,218	**(1,154,384)**	21,101,066
Income taxes paid	**(1,804,255)**	(6,324,864)	**(12,729)**	(57,232)
Royalties refund/(paid)	**522,904**	(1,678,474)	**–**	–
Settlement of cash-settled share option costs	**(955,405)**	(3,299,545)	**–**	–
Net finance costs/income	**(4,454,313)**	(2,141,151)	**95,811**	49,124
Net cash (used in)/generated from operating activities before dividend	**(3,200,375)**	16,501,184	**(1,071,302)**	21,092,958

38. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH (USED IN)/GENERATED BY OPERATIONS

continued

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Taxation paid during the year:				
Taxation charge per the statement of comprehensive income	**(2,102,761)**	4,203,148	**(274,600)**	(408,704)
Taxation charge from discontinued operations	**(24,422,213)**	(3,454,842)	**–**	–
Less: Deferred taxation	**3,680,656**	4,416,686	**274,600**	408,704
Less: Deferred taxation from discontinued operations	**24,379,234**	–	**–**	–
	1,534,916	5,164,992	**–**	–
Taxation payable/(receivable) at the beginning of the year	**(322,259)**	205,941	**(66,479)**	(8,469)
Taxation payable at the end of the year	**338,777**	322,259	**75,137**	66,479
Foreign currency translation	**252,821**	631,671	**4,071**	(778)
Taxation paid during the year	**1,804,255**	6,324,863	**12,729**	57,232
Royalty paid during the year:				
Royalty costs (receivable)/payable at the beginning of the year	**(918,389)**	(594,498)	**–**	–
Royalty costs receivable at the end of the year	**(226,008)**	918,389	**–**	–
Royalty costs charge for the year	**415,010**	1,112,665	**–**	–
Royalty costs charge for the year from discontinued operations	**234,906**	292,585	**–**	–
Foreign currency translation	**(28,423)**	(50,667)	**–**	–
Royalty (refunded)/paid during the year	**(522,904)**	1,678,474	**–**	–
Reconciliation of loans from subsidiaries				
Opening balance	**–**	–	**(13,873,891)**	(7,038,314)
Repayments/(borrowings)	**–**	–	**3,707,527**	(4,410,628)
Restructuring non-cash items	**–**	–	**14,514,025**	–
Foreign currency translation	**–**	–	**(3,829,791)**	(2,424,949)
Closing balance	**–**	–	**517,870**	(13,873,891)
Reconciliation of loans to subsidiaries				
Opening balance	**–**	–	**90,816,537**	51,716,563
(Borrowings)/repayments	**–**	–	**(3,055,445)**	46,741,979
Restructuring non-cash items	**–**	–	**(14,511,287)**	–
Foreign currency translation	**–**	–	**(1,221,115)**	(7,642,005)
Closing balance	**–**	–	**72,028,690**	90,816,537

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 R99.5 million to Barberton Mines BEE Company Proprietary Limited who are 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 BEE Co for R99.5 million.

39. ESOP TRANSACTIONS continued

Evander Mines ESOP transaction

On 1 July 2015 Evander Gold Mines entered into an agreement with the Evander Gold Mining BEE Company and the Evander Gold Mining BEE Trust.

The agreement concluded Evander Gold Mines would issue 5% of its authorised share capital for R146 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 Mines employees of a Paterson Grading 'C' level and below.

The share issue was vendor financed by Evander Gold Mines against preference share capital issued by Evander Gold Mining BEE Company for R146 million.

On 31 May 2018 Evander Mines, as per the retrenchment agreement signed, agreed to the closure of the ESOP entities.

Preference share capital funding arrangement terms:

- Real interest rate of 2% per annum
- Vesting period of the BEE scheme is 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.

The retention percentage applied to dividends for repayment are 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 of South Africa requirements of liquidity and solvency.

The transaction is classified under IFRS 2 as a cash-settled share option scheme (refer to note 30) and has been summarised as follows:

The ESOP cash-settled share option liability for the Barberton Mines' gold operation was valued by independent actuaries at 30 June 2018. The ESOP cash-settled share option liability for Evander Mines' gold operations was not valued due to Evander Mines underground mining operations having ceased and discontinued during the financial year (refer to note 14). An agreement was reached with the relevant labour stakeholders to discontinue the scheme.

	Pound Sterling			
	Barberton Mines		Evander Mines	
	30 June 2018 GBP	30 June 2017 GBP	30 June 2018 GBP	30 June 2017 GBP
Statement of financial position				
ESOP cash-settled share options liability				
Opening balance	**105,366**	123,812	**7,701**	157,331
Dividend accrued[1]	**237,535**	313,555	**–**	194,611
Dividend paid	**(229,038)**	(289,507)	**–**	(139,672)
IFRS 2 revaluation expense	**493,341**	(38,377)	**(7,563)**	(172,834)
Foreign currency translation reserve	**(37,442)**	(4,117)	**(138)**	(31,735)
Closing balance	**569,762**	105,366	**–**	7,701
Statement of comprehensive income				
ESOP IFRS 2 expense	**(730,876)**	(228,473)	**7,563**	(21,777)

[1] *Relates to a trickle dividend after the repayment of the notional loan.*

40. TREASURY CAPITAL RESERVE

On 7 June 2016, the group concluded the purchase of shares in PAR Gold representing 23.83% of its issued share capital. The accounting effect of the transaction was a share buyback as the group acquired shares in a company that held an investment in the group's parent company.

Funding Company, a wholly owned subsidiary of the group, acquired the PAR Gold shares and funded it as follows:

	GBP
Share issue of Pan African Resources ordinary shares	16,633,382
Internally generated cash resources/funding facilities	8,665,713
Costs capitalised to the PAR Gold investment in Pan African Resources	77,648
Treasury capital reserve	25,376,743
The number of treasury shares eliminated on consolidation	436,358,058

On 30 May 2018, PAR Gold disposed of 130 million shares in Pan African Resources, as summarised below:

	GBP
Proceeds on sale of treasury shares	8,945,091
Treasury capital reserve book value disposed	(9,787,028)
Capital loss on sale of treasury shares	(841,937)
Proceeds per treasury share disposed	0.07

Treasury capital reserve reconciliation at year-end:

	GBP	Number
Opening balance	25,376,743	436,358,058
Disposal of treasury shares	(9,787,028)	(130,000,000)
Closing balance at year-end	15,589,715	306,358,058

41. SHARE OPTION RESERVE

The share option reserve consists of historical IFRS 2 charges relating to the equity-settled share option programme established by the company on 1 September 2005 to specific employees, officers, directors and qualifying consultants as was approved by the board.

On 15 January 2018, the group concluded a BEE restructuring exercise with Concrete Rose as the group's new BEE entity (refer to note 21). Concrete Rose is held 49.9% by Funding Company, and 50.1% by strategic BEE partners through a vendor-financed arrangement. The nature of the restructuring transaction gives Concrete Rose a 22.11% ownership in SA HoldCo, which acquisition was financed by means of a vendor-financing arrangement. The BEE entity's ultimate shareholding in SA HoldCo will be determined by reference to the value of SA HoldCo and the increase in the vendor loan on expiry of the scheme. On the effective date of the transaction the option was valued at GBP440,385 (2017: GBP185,507). The incremental value disclosed arose due to an extension of the original BEE scheme's term from 31 December 2018 to 31 December 2021, and an increase in the trickle dividend from 5% to 10%.

	Consolidated		Separate	
	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP	Year ended 30 June 2018 GBP	Year ended 30 June 2017 GBP
Opening balance	1,221,395	1,035,888	897,658	897,658
Charge for the year	440,385	185,507	–	–
	1,661,780	1,221,395	897,658	897,658

HYDRAULIC MINING

DREDGING | HYDRAULICKING

There are two types of placer mining

I HYDRAULIC MINING

This method found its origins in ancient Rome, using water to excavate soft underground deposits. Modern-day hydraulic mining came about in the 1850s during the California Gold Rush. While this method successfully extracted gold-rich minerals, prevalent use led to severe environmental consequences, such as erosion and flooding. Hydraulic mining is still used today in many third world countries, but is largely banned for gold extraction in developed regions.

Hydraulic mining is commonly used for weakly cemented near-surface ore deposits. The high-pressure water jet, or monitor, undercuts the placer bank base, causing it to erode. This high pressure caves the bank, disintegrates the ground and washes the material to and through sluice boxes situated downslope. The gold settles behind a filter, while the lighter waste material washes away.

Bucket-line dredges are highly efficient and capable of continuous excavation – mining, processing and disposing tailings in one constant stream.

Our bodies contain roughly 0.2 milligrams of gold, mostly in our blood.

The majority of earth's accessible precious metals come from meteorites that struck the earth over 200 million years after it formed.

SHAREHOLDERS' AND OTHER INFORMATION

2 DREDGE MINING

Dredge mining is a form of alluvial placer mining using a floating dredge or barge-like vessel with either a number of buckets to scoop gravel or a suctioning apparatus to vacuum gravel from a water body.

This type of placer mining exploits loose deposits, such as sand and gravels, to extract precious minerals relatively efficiently and cost effectively.

Coarse material is screened and disposed of through the back of the vessel, while the fine material passes through a sequence of sluices to recover the gold.

There are two types of dredging excavation methods:

Dragline:
This method is limited to shallow digging depths due to a less-controllable bucket system and reduced ability to reach valuable ore at the bottom of the water body.

Backhoe:
The digging reach of the backhoe extends over two metres below the surface and is low cost, with superior mobility and excavation ability.

The higher the gold carat rating, the greater the purity of gold.

AU

Being an excellent electrical conductor, gold is used in audio, video and USB cables.

SHAREHOLDERS' ANALYSIS

for the year ended 30 June 2018

Register date: 29 June 2018

Issued share capital: 2,234,687,537 shares

SHAREHOLDER SPREAD

	Number of shareholders	%	Number of shares	%
1 – 1,000 shares	976	17.98	355,316	0.02
1,001 – 10,000 shares	1,963	36.16	9,504,242	0.43
10,001 – 100,000 shares	1,768	32.57	59,481,238	2.66
100,001 – 1,000,000 shares	482	8.88	158,354,099	7.09
1,000,001 shares and over	240	4.42	2,006,992,642	89.81
Total	**5,429**	**100.00**	**2,234,687,537**	**100.00**

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	%	Number of shares	%
Banks	281	5.18	536,087,627	23.99
Brokers	16	0.29	12,242,182	0.55
Close corporations	44	0.81	2,792,565	0.12
Endowment funds	27	0.50	18,880,907	0.84
Individuals	4,321	79.59	104,679,175	4.68
Insurance companies	42	0.77	68,928,502	3.08
Investment companies	1	0.02	18,500	0.00
Medical aid schemes	6	0.11	7,813,655	0.35
Mutual funds	127	2.34	685,868,063	30.69
Nominees and trusts	245	4.51	24,969,881	1.12
Other corporations	47	0.87	2,050,519	0.09
Pension funds	168	3.09	443,881,422	19.86
Private companies	91	1.68	320,842,634	14.36
Public companies	13	0.24	5,631,905	0.25
Total	**5,429**	**100.00**	**2,234,687,537**	**100.00**

PUBLIC/NON-PUBLIC SHAREHOLDERS

	Number of shareholdings	%	Number of shares	%
Non-public shareholders	5	0.09	310,334,183	13.89
Director	4	0.07	3,976,125	0.18
Strategic holder (more than 10%)	1	0.02	306,358,058	13.71
Public shareholders	5,424	99.91	1,924,353,354	86.11
Total	**5,429**	**100.00**	**2,234,687,537**	**100.00**

BENEFICIAL SHAREHOLDERS HOLDING OF 3% OR MORE

	Number of shares	%
Allan Gray Investment Management	642,099,846	28.73
PAR Gold	306,358,058	13.71
Coronation Fund Managers	174,592,069	7.81
Investec Asset Management	158,022,456	7.07
Public Investment Corporation (PIC)	118,903,066	5.32
River and Mercantile Asset Management	75,000,000	3.38

NOTICE OF ANNUAL GENERAL MEETING

PAN AFRICAN RESOURCES PLC

(Incorporated and registered in England and Wales under Companies Act 1985 with registration number 3937466 on 25 February 2000)

Share code on AIM: PAF
ISIN: GB0004300496
Share code JSE: PAN

Notice is hereby given that the 2018 annual general meeting (AGM) of Pan African Resources PLC (the company or the group) will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on Tuesday, 20 November 2018 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 2018.
2. To re-elect JAJ Loots as a director of the company, who retires by rotation pursuant to the articles of association of the company (articles of association).
3. To re-elect GP Louw as a director of the company, who retires by rotation pursuant to the articles of association.
4. To re-elect HH Hickey as a member of the audit committee.
5. To re-elect KC Spencer as a member of the audit committee.
6. To re-elect TF Mosololi as a member of the audit committee.
7. To endorse the company's remuneration policy as set out in the remuneration report for the year ended 30 June 2018.
8. To endorse the company's remuneration implementation report as set out in the remuneration report for the year ended 30 June 2018.
9. To re-appoint Deloitte LLP as auditor of the company and to authorise the directors to determine their remuneration.

Brief CVs of the directors mentioned in resolutions 2 and 3 above are contained on page 101 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 resolutions 11 and 12 will be proposed as special resolutions:

10. That the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the UK Companies Act 2006 (the act) to allot equity securities (within the meaning of section 560 of the act) up to an aggregate nominal amount of GBP7,448,958.46, and this authority shall be in substitution for any previous authority granted under section 551 of the act and shall expire on the earlier of 31 December 2019 and the conclusion of the 2019 AGM of the company to be held in 2019, save that the company may, prior to such expiry, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this authority and the directors may allot equity securities pursuant to that offer or agreement as if this authority had not expired; and this authority shall be in substitution for any other authority to allot equity securities pursuant to section 551 of the act, but shall be without prejudice to the continuing authority of the directors to allot equity securities in pursuance of an offer or agreement made before the expiry of the authority pursuant to which such offer or agreement was made.

11. That, subject to and conditional upon resolution 10 above being passed, the directors be and they are hereby empowered pursuant to section 570 of the act to allot equity securities (within the meaning of section 560 of the act) for cash pursuant to the authority conferred by resolution 10 above and to allot equity securities (including where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the act) as if section 561(1) of the act did not apply to such allotment provided that this power shall be limited to:
    a) the allotment of equity securities in connection with a rights issue, open offer or other offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to their respective holdings of such equity securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised body or any stock exchange in any territory or by virtue of shares being represented by depositary receipts or any other matter);
    b) the allotment of equity securities (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of GBP2,234,687.54 and this power shall be in substitution for all such powers previously given but without prejudice to the continuing power of directors to allot equity securities pursuant to an offer or agreement made by the company before the date this resolution is passed and unless previously renewed, varied or revoked by the company in general meeting shall expire on the earlier of 31 December 2019 and the conclusion of the AGM of the company to be held in 2019.

    That, in accordance with the JSE Listings Requirements, the equity securities which are the subject of any issue for cash pursuant to the authority conferred by resolution 10 will be issued in accordance with the following requirements:
    - They must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue
    - Any such issue of shares shall be to 'public shareholders' as defined by the JSE Listings Requirements and not to 'related parties'
    - This authority shall only be valid until the earlier of 31 December 2019 and the conclusion of the 2019 AGM
    - An announcement giving full details will be published at the time of any issue of shares representing, on a cumulative basis within the period of this authority, 5% or more of the number of ordinary shares in issue prior to the issue

- Securities which are the subject of a general issue for cash may not exceed 10% of the company's listed equity securities as at the date of this notice of AGM seeking the general issue for cash authority (i.e. 335,203,130 ordinary shares), provided that:
  - any equity securities issued under this authority during the period must be deducted from the number above
  - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio
  - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of notice of this AGM, excluding treasury shares
- Any such general issues are subject to South African exchange control regulations and approval at that point in time
- In determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price on the JSE of ordinary shares measured over the 30 business days prior to the date that the price of issue is determined or agreed between the company and the party/ies subscribing for the shares.

12. 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 value of ordinary shares which may be purchased is GBP1,117,343.77 (representing approximately 5% 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 1 pence
    - the maximum price (excluding expenses) which may be paid for such ordinary share does not exceed: (i) 5% above the average closing price of such shares for the five business days on the London Stock Exchange prior to the date of purchase; and (ii) that stipulated by the EU Commission-adopted Regulatory Technical Standards pursuant to article 5(6) of the Market Abuse Regulation
    - this authority shall expire on the earlier of 31 December 2019 and the conclusion of the 2019 AGM, 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 JSE 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% 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/or 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 integrated annual report, as follows:

- major shareholders on page 218
- company share capital on page 187.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors of the company, whose names are given on page 133 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 12 as well as by the 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 2018 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% 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

19 September 2018

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 UK Companies Act 2006 to present to the meeting, the directors' and auditor's reports and the audited accounts for the year ended 30 June 2018. The report of the directors and the audited accounts for the year ended 30 June 2018 have been approved by the directors and the report of the auditor has been approved by the auditor, and a copy of each of these documents may be found in the integrated annual report and accounts of the company, for the year ended 30 June 2018.

2. Director re-election (resolutions 2 and 3)

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, JAJ Loots and GP Louw retire by rotation and offer themselves for re-election under this provision.

Biographical details of all the directors for the year ended 30 June 2018 are set out on page 101 of the integrated annual report and accounts of the company.

3. Audit committee members re-election (resolutions 4, 5 and 6)

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 2 and 3 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.

4. Endorsement of the remuneration policy as contained in the remuneration report (resolution 7)

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 page 114 of the integrated annual report for the year ended 30 June 2018, in terms of King IV™ principles and the JSE Listings Requirements.

In the event that 25% or more of the votes are cast against the resolution, the company undertakes to engage with shareholders as to the reasons therefor, and undertakes to make recommendations based on the feedback received.

5. Endorsement of the remuneration implementation report (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 implementation report as set out on page 122 of the integrated annual report for the year ended 30 June 2018, in terms of the King IV™ and the JSE Listings Requirements.

In the event that 25% or more of the votes are cast against resolution 8, the company undertakes to engage with shareholders as to the reasons therefor, and undertakes to make recommendations based on the feedback received.

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 auditor of the company and, in accordance with standard practice, gives authority to the directors to determine their remuneration.

The audit committee recommends such re-appointment following its review of the auditor and individual designated partners as required in terms of paragraph 22.15 of the JSE Listings Requirements.

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 this resolution is one-third of the company's issued ordinary share capital.

8. Disapplication of pre-emption rights (resolution 11)

This resolution will be proposed as a special resolution. Resolution 11 enables the directors if they so wish to allot new shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) without first offering these shares to shareholders in proportion to their existing holdings as company law requires. However, there may be circumstances when it is in the interests of the company to be able to allot new equity securities for cash other than on a pre-emptive basis.

The directors consider the authority in resolution 11 to be appropriate in order to allow the company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict requirements of the statutory pre-emption provisions.

If the authority sought under resolution 11 is given, it will expire at the same time as the allotment authority granted pursuant to resolution 10 (i.e. the earlier of 31 December 2019 and the conclusion of the 2019 AGM).

The directors have no present intention to exercise the authority conferred by resolution 11.

9. Authority to repurchase shares (resolution 12)

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 12 is for seeking general authority to effect such purchases within the limits set out in this resolution.

Purchases pursuant to the proposed authority will 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 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 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 12, 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, 11 and 12 will expire at the earlier of 31 December 2019 and the conclusion of the 2019 AGM.

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 16 November 2018, 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 16 November 2018, 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 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 Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4ZF or Computershare Investor Services Proprietary Limited, The Towers, 15 Bierman Avenue, Rosebank, Johannesburg 2196, South Africa (PO Box 61051, Marshalltown 2107, Johannesburg, South Africa) no later than 11.00 on 16 November 2018.

   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 Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4ZF or Computershare Investor Services Proprietary Limited, The Towers, 15 Bierman Avenue, Rosebank, Johannesburg 2196, South Africa (PO Box 61051, Marshalltown 2107, Johannesburg, South Africa).

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

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 Link Asset Services or Computershare Investor Services Proprietary Limited no later than 11.00 on 16 November 2018. 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 16 October 2018, the company's issued share capital comprised 2,234,687,537 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 16 October 2018 was 2,234,687,537.

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 and 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 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 16 November 2018 (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 provider(s) 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 provider(s) 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.

UNITED KINGDOM
FORM OF PROXY

(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 PLC (the company) to be held at 11.00 on Tuesday, 20 November 2018 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 auditor thereon				
2. To re-elect JAJ Loots as a director of the company				
3. To re-elect GP Louw as a director of the company				
4. To re-elect HH Hickey as a member of the audit committee				
5. To re-elect KC Spencer as a member of the audit committee				
6. To re-elect TF Mosololi as a member of the audit committee				
7. To endorse the company's remuneration policy				
8. To endorse the company's remuneration implementation report				
9. To re-appoint Deloitte LLP as auditor 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 the disapplication of pre-emption rights				
12. 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 __________ 2018

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 name(s) of your choice. Please initial such alteration.
4. To be effective, this form of proxy must be lodged at the company's Registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4ZF or Computershare Investor Services Proprietary Limited, The Towers, 15 Bierman Avenue, Rosebank, Johannesburg 2196, 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

PXS 1
34 Beckenham Road
BECKENHAM
BR3 4ZF

First fold

Third fold and tuck in flap

SOUTH AFRICA
FORM OF PROXY

(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 PLC (the company) to be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG at 11.00 on Tuesday, 20 November 2018 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 auditor thereon				
2. To re-elect JAJ Loots as a director of the company				
3. To re-elect GP Louw as a director of the company				
4. To re-elect HH Hickey as a member of the audit committee				
5. To re-elect KC Spencer as a member of the audit committee				
6. To re-elect TF Mosololi as a member of the audit committee				
7. To endorse the company's remuneration policy				
8. To endorse the company's remuneration implementation report				
9. To re-appoint Deloitte LLP as auditor 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 the disapplication of pre-emption rights				
12. 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 'Vote withheld' option is to enable you to abstain on the specified resolution. Please note a 'Vote withheld' has no legal effect and will not be counted in the votes 'For' and 'Against'.*

*** If you select 'Discretionary' or fail to select any of the given options, the proxy is authorised to vote (or abstain from voting) at his or her discretion on the specified resolution. The proxy is also authorised to vote (or abstain from voting) on any other business, which may properly come before the meeting.*

Print name: ____________________
(BLOCK CAPITALS)

Signature: ____________________

Address: ____________________

Dated this __________ day of __________ 2018

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 name(s) of your choice. Please initial such alteration.
4. To be effective, this form of proxy must be lodged at the company's Registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU or Computershare Investor Services Proprietary Limited, The Towers, 15 Bierman Avenue, Rosebank, Johannesburg 2196, 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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ALTERNATIVE PERFORMANCE MEASURES

SCOPE AND BOUNDARY

When assessing and discussing Pan African Resources' reported financial performance, financial position and cash flows, management refers to APMs of historical or future financial performance, financial position or cash flows that are not defined or specified under IFRS.

The APMs include financial APMs and non-financial APMs, as described below:

Financial APMs: These financial measures are usually derived from the financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the financial statements as they contain additional information, such as financial information from earlier periods or profit estimates or projections. The accounting policies applied when calculating APMs are, where relevant and unless otherwise stated, the same as those disclosed in the group's consolidated financial statements for the year ended 30 June 2018.

Non-financial APMs: These measures incorporate certain non-financial information which management believes is useful when assessing the performance of the group.

APMs are not uniformly defined by all companies and may not be comparable with APMs disclosures made by other companies, and they exclude:

- measures defined or specified by applicable reporting framework such as revenue, profit or loss or earnings per share
- physical or non-financial measures such as number of employees, number of subscribers, revenue per unit measure (when the revenue figures are extracted directly from the financial statements) or social and environmental measures such as gas emissions, breakdown of workforce by contract or geographical location
- information on major shareholdings, acquisition or disposal of own shares and total number of voting rights
- information to explain the compliance with the terms of an agreement or legislative requirement such as lending covenants or basis of calculating the director or executive remuneration.

APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

PURPOSE OF APMs

The group uses APMs to improve the comparability of information between reporting periods and reporting segments, either by adjusting for uncontrollable or once-off factors which impact upon IFRS measurements and disclosures, or by aggregating measurements and disclosures, to aid the user of the integrated annual report in understanding the activity taking place across the group. Their use is driven by characteristics particularly visible in the mining sector:

Earnings volatility: The sector is characterised by significant volatility in earnings driven by movements in macro-economic factors, primarily commodity prices and foreign exchange. This volatility is outside the control of management and can mask underlying changes in performance. As such, when comparing year-on-year performance, management excludes certain non-recurring items to aid comparability and then quantifies and isolates uncontrollable factors to improve understanding of the controllable portion of variances.

Nature of investment: Investments in the sector are typically capital intensive and occur over several years, requiring significant funding before generating cash. These investments are often made through debt and equity providers and the nature of the group's ownership interest affects how the financial results of these operations are reflected in the group's results, e.g. whether full consolidation (subsidiaries), consolidation of the group's attributable assets and liabilities (joint operations) or equity accounted (associates and joint ventures).

Portfolio complexity: At year-end the group's operating portfolio remains largely in commodities, mainly gold which accounts for 100% of the group's revenue at year-end. The cost, value of and return from each saleable unit (e.g. tonne or ounce) therefore does not differ materially between each operating business. This makes understanding both the overall portfolio performance, and the relative performance of each mining operation on a like-for-like basis, less challenging.

Consequently, APMs are used by the board and management for planning and reporting. A subset is also used by management in setting director and management remuneration. The measures are also used in discussions with the investment analyst community and credit rating agencies.

FINANCIAL APMs

Group APM	Closest equivalent IFRS measure	Adjustments to reconcile primary statements	Rationale for adjustments
Performance			
Cash costs	Gold cost of production	• Care and maintenance costs which are excluded from the calculation of cash costs	• Not direct production costs attributable to sold kilograms, therefore excluded from the direct cash costs' calculations
All-in sustaining cash costs	Gold cost of production	• Other related costs as defined by the World Gold Council, including royalty costs, community costs, sustaining and development capital (excluding non-gold operations)	• Indicates whether the group is generating sufficient revenue to cover other indirect production costs and sustaining capital which is imperative for ongoing production
All-in costs	Gold cost of production	• Once-off capital (excluding the Elikhulu capital expenditure)	• Indicates and measures group's ability to fund once-off capital with internal cash flows
Adjusted EBITDA	Profit after taxation	• Taxation • Mining depreciation and amortisation • Net finance costs • Impairments • Profit after taxation from discontinued operations • Profit on sale of investments • Profit on sale of subsidiary	• Excludes the impact of non-recurring items or certain accounting adjustments that can mask underlying changes in performance
Headline earnings and headline earnings per share **Headline earnings per share from continuing operations**	Profit after taxation	Profit after taxation adjusted for: • Profit on disposal of investment • Profit on disposal of subsidiary • Adjustment on sale of asset held for sale • Taxation on sale of treasury shares • Profit on disposal of property, plant and equipment • Impairment	• Excludes the impact of non-recurring items to reflect the true performance of the business
Group net asset value		• Shareholder return	• Indicates to shareholders robustness of the group's financial position per share issued
Financial position			
Net debt	Interest-bearing borrowings less cash	• Revolving credit facility • General banking facilities • Gold loan • Cash	• Summarises the group's long-term interest-bearing borrowings against available cash resources

FINANCIAL APMs PERFORMANCE

30 June 2018 USD million	30 June 2017 USD million		30 June 2017 R million	30 June 2018 R million
186.5	170.9	**Cash costs**	2,322.3	2,397.5
184.3	170.1	Gold cost of production	2,311.6	2,369.9
3.7	2.3	Realisation costs	31.5	47.1
(1.5)	(1.5)	Care and maintenance costs	(20.8)	(19.5)
218.1	204.2	**All-in sustaining costs**	2,772.7	2,802.1
186.5	170.9	Cash costs	2,322.3	2,397.5
0.9	1.7	Royalties	23.0	11.3
1.1	1.7	Community costs related to gold operations	22.7	13.6
(0.1)	(0.2)	By-product credits	(3.3)	(1.9)
7.3	6.9	Corporate general and administrative costs	93.1	94.4
9.1	10.7	Development capital (sustaining)	145.4	116.5
13.3	12.5	Maintenance capital expenditure (sustaining)	169.5	170.7
238.7	214.6	**All-in costs**	2,914.3	3,067.8
218.1	204.2	All-in sustaining costs	2,772.7	2,802.1
8.1	7.4	Capital expenditure (non-sustaining)	100.8	104.7
12.5	3.0	Voluntary severance pay (non-sustaining)	40.8	161.0

30 June 2018	30 June 2017	Metric		Metric	30 June 2017	30 June 2018
1,162	986	USD/oz	**Cash cost**	ZAR/kg	430,863	480,439
186.5	170.9	USD million	Cash costs	ZAR million	2,322.3	2,397.5
160,444	173,285	oz	Gold sold	kg	5,390	4,990
1,358	1,177	USD/oz	**All-in sustaining cost**	ZAR/kg	514,435	561,468
218.1	204.0	USD million	All-in sustaining costs	ZAR million	2,772.7	2,802.1
160,444	173,285	oz	Gold sold	kg	5,390	4,990
1,487	1,237	USD/oz	**All-in cost**	ZAR/kg	540,693	614,713
238.7	214.4	USD million	All-in costs	ZAR million	2,914.3	3,067.8
160,444	173,285	oz	Gold sold	kg	5,390	4,990

30 June 2018 GBP million	30 June 2017 GBP million		30 June 2017 R million	30 June 2018 R million
24.2	47.3	**Adjusted EBITDA**	816.0	416.0
(93.3)	17.9	(Loss)/profit after taxation	309.9	(1,556.9)
(2.1)	4.3	Taxation	72.4	(36.3)
3.2	2.8	Finance costs	48.4	54.3
(1.5)	(0.3)	Finance income	(4.4)	(25.7)
8.2	–	Impairments	–	136.6
–	(5.4)	Profit on disposal of subsidiary	(91.3)	–
–	(0.2)	Profit on disposal of investment	(4.6)	–
4.9	5.5	Mining depreciation and amortisation	94.9	85.1
104.8	22.7	Profit after taxation on discontinued operations	390.7	1,758.9

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE

30 June 2018 GBP million	30 June 2017 GBP million		30 June 2017 R million	30 June 2018 R million
(93.3)	17.9	**Basic earnings**	309.9	(1,556.9)
	(0.2)	Profit on disposal of investment	(4.6)	–
	–	Taxation on profit on disposal of investment	1.0	–
–	(5.4)	Profit on disposal of subsidiary	(91.3)	–
0.3	–	Adjustment on sale of asset held for sale	–	4.9
–	–	Profit on disposal of property, plant and equipment	(0.4)	–
–	–	Taxation on profit on disposal of property, plant and equipment	0.1	–
106.3	6.0	Impairment	100.9	1,781.1
13.3	18.3	**Headline earnings**	315.6	229.1
0.73	1.17	Headline earnings per share	20.17	12.66
0.73	1.17	Diluted headline earnings per share	20.17	12.66

HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS

30 June 2018 GBP million	30 June 2017 GBP million		30 June 2017 R million	30 June 2018 R million
11.5	40.6	**Basic earnings**	700.6	202.0
–	(0.2)	Profit on disposal of Investment	(4.6)	–
	–	Taxation on profit on disposal of Investment	1.0	–
–	(5.4)	Profit on disposal of subsidiary	(91.3)	–
–	–	Profit on disposal of property, plant and equipment	–	–
–	–	Tax on profit on disposal of property, plant and equipment	–	–
8.2	–	Impairment	–	136.6
19.7	35.0	**Headline earnings**	605.7	338.6
1.08	2.24	Headline earnings per share	38.72	18.71
1.08	2.24	Diluted headline earnings per share	38.72	18.71

	30 June 2017 Shares million	30 June 2018 Shares million
Group net asset value per share	201.3	104.6
Total shares issued at year-end	2,235.7	2,234.7
Treasury shares	(436.4)	(306.4)
	1,799.3	1,928.3
Net asset value (R million)	3,620.5	2,016.7

FINANCIAL POSITION

30 June 2018 GBP million	30 June 2017 GBP million		30 June 2017 R million	30 June 2018 R million
89.8	4.1	**Net debt**	67.6	1,623.60
47.9	11.9	Revolving credit facility	201.2	866.2
42.6	–	Elikhulu term loan facility	–	770.0
–	1.6	Gold loan facility	26.6	–
(0.7)	(9.4)	Cash and cash equivalents	(160.2)	(12.6)

NON-FINANCIAL (APMs)

Group APM	Category	Purpose
Gold sold	• Production	• Primary driver of group revenue
Historical dividend yield	• Shareholder return	• Highlights the group's strength of constantly delivering to dividend policy and maintaining an attractive dividend yield over its peers for the last five years of dividend declaration. In the 2013 financial year, no dividend was declared due to the acquisition of the Evander Gold Mines which resulted in cash outflow of R1.3 billion

NON-FINANCIAL APM

	30 June 2018 Shares million
Historical dividend yield	
In excess of	**4.0**
Dividend yield 30 June 2018	**4.0**
Dividend yield 30 June 2017	**5.0**
Dividend yield 30 June 2016	**5.1**
Dividend yield 30 June 2015	**6.3**
Dividend yield 30 June 2014	**5.6**

GLOSSARY

DEFINITION OF TERMS USED IN THIS REPORT

AGM	Annual general meeting
Aids	Acquired immune deficiency syndrome
AIM	Alternative Investment Market, the London Stock Exchange's international market for smaller growing companies
APMs	Alternative performance measures
Barberton Mines	Barberton Mines Proprietary Limited
BBBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
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
BMTT	Barberton Mines' Transformation Trust
the board	The board of directors of Pan African Resources, as set out on pages 100 and 101
Brownfield project	Project based on prior work or rebuilt from a previous one
BTRP	Barberton Tailings Retreatment Plant, a gold recovery tailings plant owned by Barberton Mines, which commenced production in FY2014
CIL	Carbon-in-leach
CIM	Canadian Institute of Mining
Co_2e	Carbon dioxide emissions
Companies Act of South African	Companies Act 71 of 2008 (SA Companies Act)
Concrete Rose	Concrete Rose Proprietary Limited
COP	Code of practice
COR 046	Certificate of registration issued by the National Nuclear Regulator
CREST	UK-based central securities depository that holds UK and Irish securities and gilts
CSDP	Central securities depository participant
CSI	Corporate social investment
Deloitte	Deloitte LLP and Deloitte & Touche
DMR	Department of Mineral Resources
DRA Global	A global engineering group delivering mining, mineral processing, energy water treatment and infrastructure services
Elikhulu	Elikhulu Tailings Retreatment Plant in Mpumalanga province
Elikhulu term loan facility	Revolving credit facility of R1 billion and R1 billion term loan facility
EMP	Environmental Management Plan
EMTT	Evander Mines' Transformation Trust
Eskom	Electricity Supply Commission, South African electricity supplier
ESOP	Employee share ownership scheme
ETRP	Evander Tailings Retreatment Plant commissioned in October 2015
EU	European Union
EUI	Euroclear UK and Ireland Limited – the central securities depository for the UK and Ireland
Evander Mines	Evander Gold Mines Limited and Evander Gold Mining Proprietary Limited
Exco	Executive committee of Pan African Resources
FIFR	Fatal-injury frequency rate
FRC	UK Financial Reporting Council
FTSE	The Financial Times Stock Exchange's 100 Index
Funding Company	Pan African Resources Funding Company Proprietary Limited
GBP	British pound
GDP	Gross domestic product
GHG	Greenhouse gas
GHG Protocol	Greenhouse Gas Protocol
GJ	Gigajoule
GRI	Global Reporting Initiatives
GSSA	Geological Society of South Africa

DEFINITION OF TERMS USED IN THIS REPORT continued

g/t	Grams/tonne
HDSA	Historically disadvantaged South African
HIV	Human immunodeficiency virus
HODs	Heads of departments
HR	Human Resources
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ILO	International Labour Organisation
ISO	International Standards Organisation
IT	Information technology
JSE	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
King IV™	King IV™ Report on Corporate Governance for South Africa, 2016
km	Kilometres
Koz	Thousand ounces
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
LED	Local economic development
LSE	London Stock Exchange
LTIFR	Lost-time injury frequency rate
Manco	Management committee on operations
MC Mining	MC Mining Limited (previously known as Coal of Africa Limited)
MCF	Mine call factor
Metorex	Metorex Limited
Mining Charter	Charter to facilitate the sustainable transformation and development of the South African mining industry
MMR	Main Maiden Reef
Moz	Million ounces
MPRDA	Mineral and Petroleum Resources Development Act
MQA	Mining Qualifications Authority
MR&MR	Mineral Resources and Mineral Reserves Report
MRC	Main Reef Complex
MRM	Mineral Resource Management
Mt	Million tonnes
NEMA	The National Environmental Management Act
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
OEM	Original equipment manufacturer
Opsco	Operations committee of Pan African Resources
PACOS	Pan African Corporate Option Scheme (new revised scheme for corporate senior managers, effective from 1 July 2018)
Pan African Resources	Holding company – Pan African Resources PLC
PAR Gold	PAR Gold Proprietary Limited (previously Shanduka Gold Proprietary Limited)
PASABP	Pan African Share Appreciation Bonus Plan (previous scheme for corporate senior managers)
PAYE	Pay as you earn income taxation
PGE	Platinum group elements: platinum, palladium, rhodium and gold
PGM	Platinum group metals
Phoenix Platinum	Phoenix Platinum Mining Proprietary Limited, a subsidiary of Pan African Resources
POPI	Protection of Personal Information Act
Prescribed officers	A person is a prescribed officer of the company for all purposes of the 2008 Companies Act if that person: • exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company, or • regularly participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company

DEFINITION OF TERMS USED IN THIS REPORT continued

PwC	PricewaterhouseCoopers Inc.
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
SA	South Africa
SACNASP	South African Council for Natural Scientific Professions
SARS	South African Revenue Services
SA Holdco	Pan African Resources SA Holdings Proprietary Limited
SAICA	South African Institute of Chartered Accountants
SAMREC Code	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2016 edition
SDL	Skills Development Levy
SHEQC	Safety, health, environment, quality and community
SLP	Social and labour plan
SOP	Standard operating procedures
t	Tonnes
TB	Tuberculosis
TSF	Tailings storage facility
the current year or the year under review	The financial year ended 30 June 2018
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 financial year ended 30 June 2017
the report	Pan African Resources' 2018 integrated annual report
the UK Code	UK Corporate Governance Code, which sets out standards of good practice in relation to board leadership
TRIFR	Total recordable injury frequency rate
UASA	United Association of South Africa
UIF	Unemployment Insurance Fund
Uitkomst Colliery	Uitkomst Colliery Proprietary Limited
UK	United Kingdom
UK Code	United Kingdom Corporate Governance Code
UK Companies Act 2006	An act of the Parliament of the United Kingdom which forms the primary source of UK company law
USD	United States dollar
VAT	15% value added tax in South Africa
VCT	Voluntary counselling and testing
ZAR or R	South African rand
ZK	Swartkoppies Shaft at Sheba Mine

FREQUENTLY USED FINANCIAL TERMS

Adjusted EBITDA	Earnings before interest, taxation, depreciation and amortisation, impairments, discontinued operations and profit/(loss) on disposal of investments
Capex	Capital expenditure
CFD	Contract for difference
CGU	Cash-generating unit
CPI	The consumer price index of South Africa, a primary indicator of South Africa's inflation
CTC	Cost to company
DPS	Dividend per share
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EPS	Earnings per share
FVTPL	Fair value through profit and loss
GBF	General banking facilities
HEPS	Headline earnings per share
IRR	Internal rate of return
JIBAR	Johannesburg Inter-bank Acceptance Rate
NAV	Net asset value
NPV	Net present value
OCI	Other comprehensive income
PPI	Producer price inflation
RCF	Revolving credit facility
STI	Short-term incentive
WACC	Weighted-average cost of capital

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SHAREHOLDERS' DIARY

Financial year-end	30 June 2018
Preliminary annual results announcement	19 September 2018
Annual report posted	31 October 2018
Annual general meeting	20 November 2018
Interim results announcement	20 February 2019

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.

Pan African
RESOURCES
PLC

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