PAN AFRICAN
RESOURCES

PROFITABLE / SUSTAINABLE / STAKEHOLDERS / GROWTH

INTEGRATED ANNUAL REPORT

for the year ended 30 June 2020

Report navigation

The following tools will assist you throughout the report:

- For further reading on our website at https://www.panafricanresources.com/
- For further reading in this report
- Alternative performance measures (APMs)

Throughout our integrated annual report, the following icons are used to show connectivity between sections:

CAPITALS

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

STAKEHOLDERS

- Providers of capital
- Security exchanges
- Customer
- Suppliers
- Employees
- Unions
- Communities
- Government and regulatory bodies
- The environment

MATERIAL MATTERS

- Capital structure
- Value-accretive growth
- Capital allocation
- Geological complexity
- Energy availability
- Technological interconnectivity
- Health and safety
- Organised labour
- Regulatory compliance
- Societal/community relationships
- External operational disruption
- Climate change
- Environmental impact

PAN AFRICAN
RESOURCES

Our new logo features the honey badger.

On a continent gifted with the most incredible array of wildlife on the planet, including elephant, rhino and lion, why would you choose the honey badger to represent the spirit of your organisation?

Of course, those other animals are photogenic and majestic and are used endlessly as symbols of strength and leadership. But the honey badger doesn't care about any of this because he is hard at work in the background, low-key but incredibly productive, just doing work and getting things done. Too busy taking care of business to pose for tourists' pictures.

Honey badgers are small but incredibly fierce, they have been known to face down lions and win. They are hard-working loners, entrepreneurs really, scouting the veld and finding the honeycomb of the aggressive African bee with uncanny skill. Then they extract it with claws ideally suited to the task, protected from bee stings by the thick protective black and white fur that is so distinctive. They dig deep, protect their families with a fierceness that is unmatched and never stop working, through rain or drought.

When you look at the honey badger like this, see it the way we do, how could we have chosen any other animal?

A little thing that you may not have noticed is the shape of the sun rising over the landscape hidden in the image of the badger. This is a subconscious nod to our commitment to being a sunrise organisation, uncompromisingly forward-focused and future-proofed with innovative technologies, practices and values woven into every aspect of our operation.

Contents

About this report

BOUNDARY AND SCOPE

This report provides information about Pan African's business model, strategy, material issues, risks, opportunities, governance, stakeholders, operational and financial performance for the financial year 1 July 2019 to 30 June 2020. This report covers the activities of the Pan African Group and our operating subsidiaries located in Mpumalanga, South Africa.

The Group's subsidiaries are incorporated in South Africa and their functional currency is the South African rand (rand or ZAR). The Group's business is conducted in rand and the accounting records are maintained in this currency, except precious metal product sales, which are conducted in United States dollars (dollar or US$) before conversion into rand. The ongoing review of the results of the operations, conducted by executive management and the board, is also performed in rand. The Group reports in US$.

REPORTING COMPLIANCE

The report is compiled and presented in accordance with the standards, codes, guidelines and principles contained in the following:

- International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (<IR> Framework)
- AIM Rules of the LSE
- JSE Listings Requirements
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV™)
- International Financial Reporting Standards (IFRS)
- South African Institute of Chartered Accountants (SAICA) Financial Reporting Guidelines
- UK Companies Act 2006 (Companies Act 2006)
- South African Companies Act 71 of 2008
- Global Reporting Initiative (GRI) Standards
- United Nations Sustainable Development Goals (UN SDGs)
- Principles of the United Nations Global Compact (UNGC)
- South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves 2016 edition (SAMREC Code)
- South African guideline for the reporting of environmental, social and governance (ESG) parameters in the mining and oil and gas industries (SAMESG)
- Mining Charter III and Social and Labour Plan (SLP).

MATERIALITY

We focus on matters that have the potential to materially impact our ability to create and sustain value over the short (one year), medium (two to three years) and long term (beyond three years). The process for determining and prioritising material matters is discussed on page 14. Our determination of materiality in integrated reporting is based on the guidelines of the IIRC and the GRI.

Throughout this report, we provide information identified as being of material interest to allow stakeholders the opportunity to make an informed assessment of Pan African's ability to create sustainable value. Management is not aware of any information that was unavailable or any legal prohibitions to the publication of any information.

STRATEGIC REPORT

Our strategic report including the investment case from pages 1 to 101 was reviewed and approved by the board on 16 September 2020.

ALTERNATIVE PERFORMANCE MEASURES

We use a range of financial and non-financial measures to assess our performance. Management uses these APMs to monitor the Group's financial performance, alongside IFRS measures, as they assist in illustrating the underlying financial performance and position of the Group. We define and explain the purpose of each of these measures on pages 210 to 216 and include reconciliations to the 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. These APMs may not be comparable with similarly titled measures and disclosures by other companies, including those in the gold mining industry.

FORWARD-LOOKING STATEMENTS

Certain statements in this integrated annual report may be regarded as forward-looking statements or forecasts but do not represent an earnings forecast. All forward-looking statements are based solely on the views and considerations of the directors. Those statements have not been reviewed and reported on by the external auditor.

ASSURANCE

Our external auditor, PricewaterhouseCoopers LLP (PwC), has independently provided assurance on the fair presentation of the annual financial statements for the year ended 30 June 2020. Their unmodified audit report is set out on pages 137 to 141.

The extracts from the annual financial statements in this integrated annual report are from audited information but are not themselves audited.

BOARD APPROVAL

The Pan African board assumes ultimate responsibility for the integrity of this integrated annual report. The board has applied its collective mind in the preparation and presentation of the information in this report and is satisfied that the report addresses all material matters and fairly presents the Group's performance for the financial year 1 July 2019 to 30 June 2020. The report is an accurate reflection of our strategic commitments for the short, medium and long term.

On the recommendation of the audit and risk committee, the board approved the integrated annual report and the consolidated annual financial statements on 16 September 2020. They are signed by the board:

Keith Spencer
Chairman

Hester Hickey
Director

Thabo Mosololi
Director

Yvonne Themba
Director

Charles Needham
Director

Cobus Loots
Chief executive officer

Deon Louw
Financial director

OUR REPORTING SUITE

Our **integrated annual report**. A limited number of hard copies are available on request from the company secretary, whose details appear on the inside back cover.

Our integrated annual report is available on our website at https://www.panafricanresources.com/investors/financial-reports/

Our **sustainable development report**, which contains additional non-financial disclosures referencing GRI.

It is available on our website at https://www.panafricanresources.com/investors/gri-and-sustainability/

Our **Mineral Resources and Mineral Reserves report**, which provides technical information in line with the SAMREC Code.

It is available on our website at https://www.panafricanresources.com/operations-at-a-glance-2/mineral-resource-mineral-reserve-2/

Our **governance report**, which contains more information about our governance structures and execution, including a comprehensive King IV™ compliance checklist.

It is available on our website at https://www.panafricanresources.com/about/corporate-governance/

FEEDBACK

We welcome any feedback stakeholders may have on our reports.
Please contact info@paf.co.za.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda for Sustainable Development and 17 associated UN SDGs balance the three dimensions of sustainable development – economic, social and environmental – making them actionable for business leaders. We identified the eight UN SDGs in colour as those where we believe we can have the most meaningful impact:

About Pan African Resources PLC

THE AFRICAN-FOCUSED GOLD PRODUCER

Pan African Resources PLC (Pan African or the Company or the Group) is a mid-tier African-focused gold producer, dual-listed on the Alternative Investment Market (AIM) on the London Stock Exchange (LSE) and the Main Board of the Johannesburg Stock Exchange (JSE), with an unrelenting commitment to zero harm.

We own and operate a portfolio of high-quality, high-margin South African operations with a production capacity of approximately 200,000oz of gold per annum.

OUR PURPOSE

To safely extract gold from mineral deposits in a manner that creates sustainable value for our stakeholders.

OUR VISION

To continue growing Pan African as a mid-tier gold producer that delivers on its purpose.

OUR VALUES

OUR STRATEGIC PILLARS

Profitability

We strive to be the lowest all-in sustaining cost (AISC) producers of gold in Southern Africa.

Sustainability

We focus on sustainable, high-margin and safe gold production in a socially responsible manner and strive towards minimal environmental harm.

Stakeholders

We adopt an integrated approach to operate sustainably for the benefit of all stakeholders. We prioritise the health and well-being of our employees and that of the host communities in which we operate.

Growth

We grow our business in a value-accretive manner, prioritising:

- organic growth projects within our portfolio
- production-enhancing and value-accretive projects.

Value created in 2020

Gold sold

Gold sold
173,864oz
(2019: 171,706oz)

Revenue
US$273.7 million
(2019: US$217.4 million)

ATTRIBUTED TO:

Providers of our capital

Headline earnings
US$44.2 million
(2019: US$22.9 million)

Dividend paid
US$3.4 million
(2019: US$nil)

Return on shareholder funds
24.1%
(2019: 23.0%)

Interest paid to debt funders
US$10.7 million
(2019: US$14.1 million)

Our suppliers

AISC
US$1,147/oz
(2019: US$988/oz)

Local procurement expenditure
US$159.2 million
(2019: US$137.8 million)

Our employees

Salaries, wages and benefits paid
US$52.5 million
(2019: US$59.7 million)

Skills and development training
US$1.7 million
(2019: US$1.0 million)

Our communities

Corporate social investment (CSI), local economic development (LED) programmes and bursaries
US$1.3 million
(2019: US$1.9 million)

Government

South African government taxes
US$16.1 million
(2019: US$14.1 million) paid (excluding value-added tax (VAT) but including employee taxes)

The environment

Environmental rehabilitation expenditure
US$2.6 million
(2019: US$4.0 million)

Group value-creation journey

Market capitalisation*

2000

- Incorporated as Viking Internet PLC

2001 to 2006

- Exploration phase

2007 — US$169.1 million

- Acquired 74% of Barberton Mines Proprietary Limited (Barberton Mines) from Metorex Limited
- Admission to AIM on 31 July 2007
- Listed on the JSE on 6 September 2007

2009 — US$176.3 million

- Acquired the remaining 26% of Barberton Mines
- Exercised option to acquire 100% of Phoenix Platinum Proprietary Limited (Phoenix Platinum)

2013 — US$388.2 million

- Finalised acquisition of 100% of Evander Gold Mining Proprietary Limited (Evander Mines) from Harmony Gold Mining Company Limited
- Commissioned the Barberton Tailings Retreatment Plant (BTRP)

2015 — US$206.9 million

- Commissioned the Evander Tailings Retreatment Plant (ETRP)

* *Source: JSE's Trading and Market Services. Calculated at the end of each calendar year at quoted prices and the closing US$/ZAR exchange rate.*
\# *Source: JSE's Trading and Market Services. Calculated at 30 June 2020 using the quoted price and the closing US$/ZAR exchange rate at that date.*

2016 — US$364.7 million

- Acquired Uitkomst Colliery Proprietary Limited (Uitkomst Colliery)
- Bought back shares in Pan African via the acquisition of shares in PAR Gold Proprietary Limited (PAR Gold) held by third parties. PAR Gold currently has a 13.7% shareholding in Pan African

2017 — US$433.0 million

- Development of Elikhulu Tailings Retreatment Plant (Elikhulu): received approval, raised equity and secured debt financing
- Disposed of Uitkomst Colliery
- Disposed of Phoenix Platinum

2018 — US$248.7 million

- Finalised Group 26% broad-based black economic empowerment (B-BBEE) ownership restructure
- Cessation of large-scale underground operations at Evander Mines
- Elikhulu first gold pour in August 2018 and commissioned in September 2018 – ahead of schedule and within budget

2019 — US$344.7 million

- Commissioned mining feasibility study on Evander Mines' Egoli project
- 8 Shaft pillar access development completed

2020 — US$477.1 million#

- Commenced commercial production at Evander Mines' 8 Shaft (8 Shaft) pillar project
- Completed the mining feasibility study on Evander Mines' Egoli project
- Completed a bankable feasibility study on a 10MW solar photovoltaic plant (solar photovoltaic plant) at Evander Mines and approved the project for construction
- Approved funding for the first phase of the 45ha blueberries project at Barberton Mines
- The COVID-19 pandemic impacted global markets and the Group's operations
- Established an American Depository Receipt (ADR) programme through the Bank of New York Mellon to access the United States

Market capitalisation*

What differentiates us

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

Creating sustainable stakeholder value

Low production cost

We rank among South Africa's lowest-cost gold producers, with AISC per ounce of **US$1,147/oz** (2019: US$988/oz)

Agile and flexible

We have strategically positioned ourselves as a relatively high-margin, long-life gold producer – **50.5%** (2019: 46.5%) of the Group's production is from high-margin surface tailings operations

Tailings expertise

We pride ourselves on a track record of designing, constructing and commissioning tailings retreatment plants on time and within budget

Cost management

We manage our operations actively to ensure a focus on reducing and managing operational costs

Portfolio

Our competitive portfolio includes:

- underground and tailings operations
- organic growth and brownfield exploration projects

Health and safety

Our focus is on sustainable and safe gold production and the well-being of our employees

Sustainable local communities

We focus on creating self-sustaining communities through our long-life mines, agriculture, healthcare, infrastructure, supplier development, renewable energy and environmental best practices

Capacity

Our operations have a production capacity of approximately 200,000oz of gold per annum

We expect to produce approximately **190,000oz** for the 2021 financial year

We produced **179,457oz** for the 2020 financial year (2019: 172,442oz), demonstrating our ability to meet and exceed our revised production guidance of 176,000oz

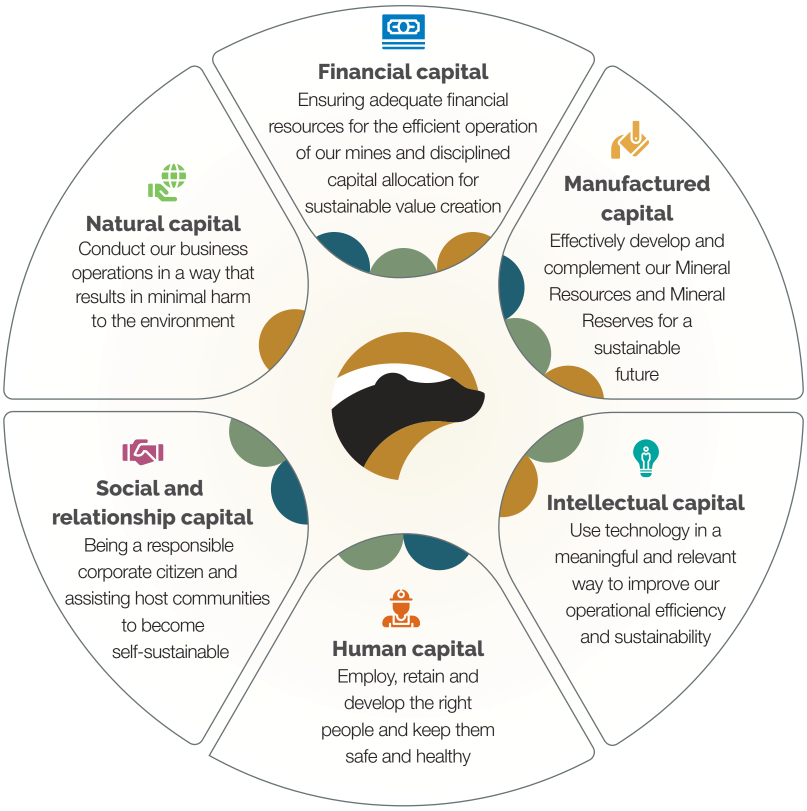
Our strategy

To safely extract gold from our mineral deposits utilising our combined acumen, and to continue investing in our assets in a manner that generates compelling returns to ensure the long-term sustainability of our operations.

OUR STRATEGIC INITIATIVES

We will focus on the following to achieve our strategy:

- Short-term focus
- Medium-term focus
- Long-term focus



KEY ENABLERS

The key enablers at our disposal to achieve our strategy are:

People

Fostering relationships through integrity and honesty

Resources

Quality orebodies and infrastructure enables sustainable value creation

Entrepreneurial culture and innovation

Through leadership, control, planning and action, our culture enables us to create sustainable value for stakeholders by capitalising on organic and acquisitive growth opportunities

This will ultimately deliver sustainable stakeholder value. To fulfil our purpose, we have considered our material matters (refer to pages 14 and 15).

Our gold mining assets

BARBERTON MINES

Three underground gold mines: Fairview Mine, Sheba Mine and New Consort Mine

BTRP

BARBERTON MINES	2020	2019
Employees	1,829	1,875
Contractors	710	620
Life-of-mine	20 years	20 years

A low-cost, high-grade operation comprising three underground mines: Fairview, Sheba and New Consort. Located in the Barberton greenstone belt. Acquired 74% in 2007 and the remaining 26% in 2009.

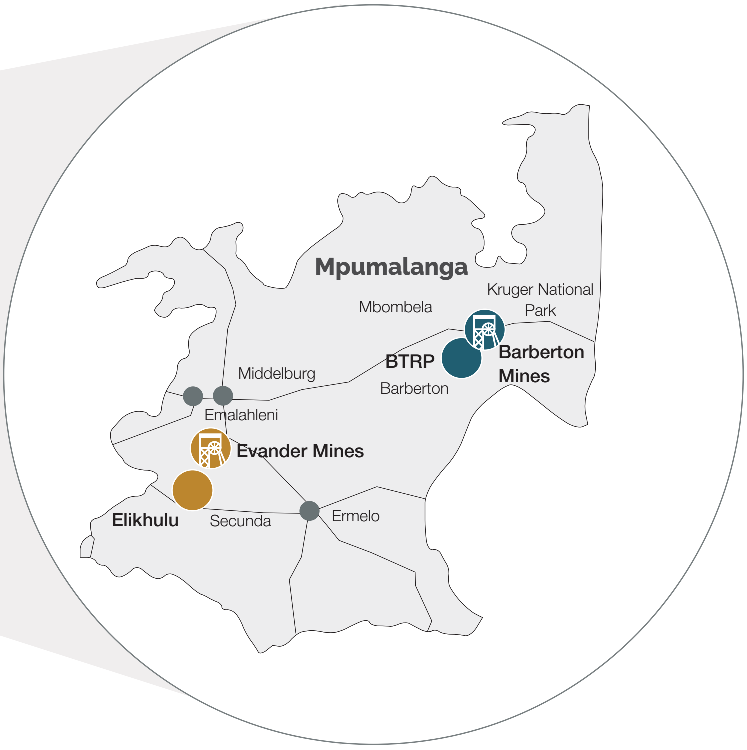
	2020	2019
Production (tonnes milled)	337,404	293,264
Produced (oz/annum)	68,129	75,356
Capacity (oz/annum)	110,000	110,000
Tonnage (capacity per annum)	432,000	432,000
Sustaining capital	US$11.8 million	US$9.9 million
Mineral Resources	24.0Mt @ 4.77g/t (3.7Moz)	12.1Mt @ 7.85g/t (3.1Moz)
Mineral Reserves	15.5Mt @ 3.33g/t (1.66Moz)	8.0Mt @ 5.65g/t (1.4Moz)
Recovered grade	6.3g/t	8.0g/t
Cash cost	US$1,110/oz	US$1,046/oz

BARBERTON TAILINGS RETREATMENT PLANT	2020	2019
Employees	74	75
Contractors	–	–
Life-of-mine	6 years*	9 years

Construction commenced in April 2012. Inaugural gold pour and steady-state production from June 2013. Located at Barberton Mines.

	2020	2019
Production (tonnes milled)	958,106	1,114,923
Produced (oz/annum)	20,135	24,007
Capacity (oz/annum)	25,000	25,000
Tonnage (capacity per annum)	1,200,000	1,200,000
Sustaining capital	US$0.1 million	–
Mineral Resources	20.7Mt @ 1.26g/t (0.8Moz)	21.6Mt @ 1.28g/t (0.9Moz)
Mineral Reserves	8.8Mt @ 1.70g/t (0.5Moz)	9.9Mt @ 1.66g/t (0.5Moz)
Recovered grade	0.7g/t	0.7g/t
Cash cost	US$786/oz	US$552/oz

** There has been a decline in the life-of-mine of BTRP from nine years to six years following mining depletion and upgrades to the floor contours of the remaining feed source dams.*



EVANDER MINES

Elikhulu

8 Shaft pillar mining

ELIKHULU TAILINGS RETREATMENT PLANT

	2020	2019
Employees	104	91
Contractors	314	287
Life-of-mine	12 years	13 years

Elikhulu exploits historically generated gold tailings deposited in the Kinross, Leslie/Bracken and Winkelhaak tailings storage facilities (TSFs). Construction commenced in July 2017. Located at Evander Mines. Inaugural gold pour in August 2018.

	2020	2019
Production (tonnes)	13,093,574	10,848,209
Produced (oz/annum)	59,616	46,201
Capacity (oz/annum)	75,000	75,000
Tonnage (capacity per annum)	14,400,000	14,400,000
Sustaining capital	US$0.6 million	–
Mineral Resources	183.1Mt @ 0.28g/t (1.7Moz)	203.6Mt @ 0.29g/t (1.9Moz)
Mineral Reserves	156.5Mt @ 0.28g/t (1.4Moz)	170.6Mt @ 0.27g/t (1.5Moz)
Recovered grade	0.1g/t	0.13g/t
Cash cost	US$554/oz	US$555/oz

8 SHAFT PILLAR MINING

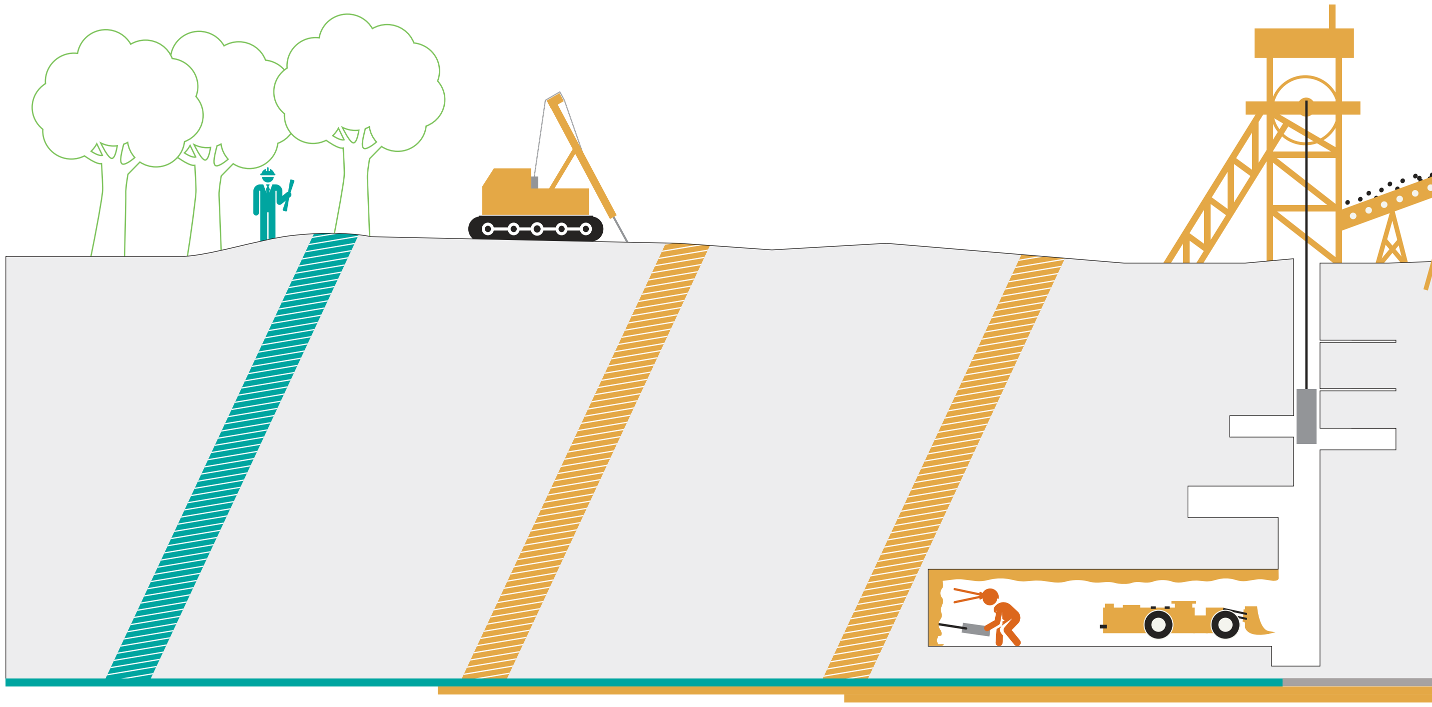
	2020	2019
Employees	100	90
Contractors	863	586
Life-of-mine	3 years	3 years

Expected to contribute 20,000oz to 30,000oz per annum for three years. Primary pillar development completed February 2019. Initial mining commenced July 2019, with first gold produced in August 2019. Located at Evander Mines.

	2020	2019
Production (tonnes milled)	51,436	63,971
Produced (oz/annum)	20,670	16,879
Capacity (oz/annum)	40,000	40,000
Tonnage (capacity per annum)	138,000	138,000
Sustaining capital	US$1.9 million	–
Mineral Resources	22.6Mt @ 10.51g/t (7.6Moz)	17.3Mt @ 11.53g/t (6.4Moz)
Mineral Reserves	0.3Mt @ 9.83g/t (0.1Moz)	0.4Mt @ 8.54g/t (0.1Moz)
Recovered grade	9.1g/t	8.2g/t
Cash cost	US$1,328/oz	US$1,761/oz

Our value-creating business model

We are committed to producing high-margin ounces in a safe and efficient manner, while investing in local communities and minimising the environmental impact of our operations.



BUSINESS ACTIVITIES

EXPLORE

On-mine growth projects contribute to our Mineral Resources, which extend the life of our underground mining operations

DEVELOP

Successful development of our orebodies and execution of our capital projects improves our costs and production profile and increases the economic life of our operations

MINE

We extract gold-bearing ore through underground mining and vamping and process gold-bearing tailings through hydro mining. Gold is extracted from the concentrate after being processed by our plants at Elikhulu and BTRP

PROCESS

Refractory gold-bearing ore is treated by our Biological Oxidation (BIOX®) plant at Barberton Mines. Specialised bacteria break down insoluble sulphide minerals which expose the gold for efficient extraction. The BIOX® concentrate is fed to the cyanide circuit at Fairview Mine for chemical processing, whereafter gold doré is produced

Non-refractory gold-bearing ore undergoes physical and chemical processing at our Fairview, New Consort, Sheba, BTRP, Elikhulu or Kinross plants into gold doré

Third-party gold-bearing ore is processed on a toll treatment agreement

KEY VALUE CONTRIBUTORS

Explore

- Organic growth projects
  - Royal Sheba
  - Egoli
  - Evander Mines' 9 Shaft A-block

Develop

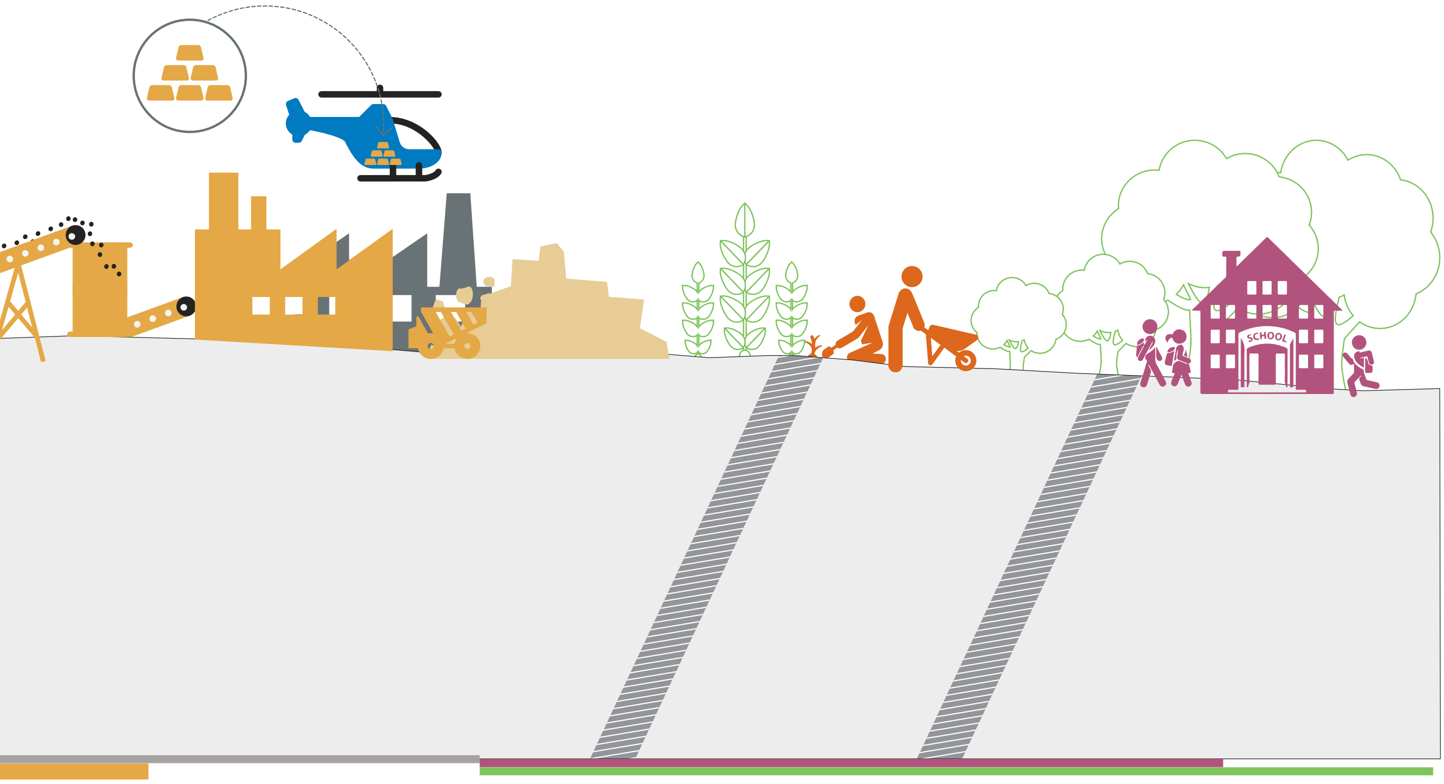
- Experienced management team
- Leveraging asset base

Mine

- High-grade underground mining
- Substantial gold-bearing tailings Mineral Reserves
- Long-life underground mining operations
- Profitable mining
- Excellent safety record – zero fatalities for the past three years

Process

- Environmentally friendly processing
- Efficient extraction of gold from the ore



SALES

Gold doré is transported to Rand Refinery, where it is refined into gold bullion

Gold sales transactions are entered into with authorised bullion banks and other credible parties. Our customer and gold investors include major financial institutions involved in the gold bullion export market, Rand Refinery, Gold Exchange Traded Funds (ETFs) and the makers of bullion bars, coins and gold jewellery

CARE FOR COMMUNITIES

The LED projects in our SLPs and additional sustainable development initiatives aim to create parallel economies that will not rely solely on mines for communities to be sustainable and thereby prevent ghost towns being left behind

END OF LIFE

At the end of the life-of-mine, we responsibly and safely manage the closure of our mines to ensure minimal disruption to the natural resources post mine closure. The Group's rehabilitation liabilities are fully funded

BUSINESS ACTIVITIES

KEY VALUE CONTRIBUTORS

Sales:
- Rand hedge
- 173,864oz of gold sold (2021: production guidance – 190,000oz)

Care for communities:
- Sustainable job creation through eco-tourism and agri-projects
- Construction of solar photovoltaic plant ensures reliable electricity supply at reduced cost and can supply electricity to communities post closure

End of life:
- Reduced tailings footprint to free up land for alternate uses, such as agriculture and housing
- Approved end of life-of-mine closure strategy

THE CAPITALS WE EMPLOY

INPUTS
Our capital resources

TRADE-OFFS MADE
Capital stocks are traded, depleted, grown or combined in executing our strategy

FINANCIAL CAPITAL

Inputs

Our financial capital includes equity, cash generated from our operating activities and our debt facilities

To drive sustainable cash flows and create value for our stakeholders, we have a disciplined approach to financial capital management

Shareholder equity
US$183.6 million
(2019: US$183.6 million)

Cash generated by operating activities
US$53.8 million
(2019: US$37.7 million)

Available debt facilities

Revolving credit facility
US$43.3 million
(2019: US$71.0 million)

Elikhulu term loan facility
US$46.2 million
(2019: US$71.0 million)

General banking facility
US$8.1 million
(2019: US$9.9 million)

Trade-offs made

We have no control over the US$ gold price or the US$/ZAR exchange rate

We mitigate their potentially adverse impact through strict cost management, strategic currency and commodity price hedging and disciplined financial capital management

MANUFACTURED CAPITAL

Inputs

Our manufactured capital includes:

- underground mining and surface infrastructure at Barberton Mines and Evander Mines
- two surface tailings retreatment operations (Elikhulu and BTRP)
- BIOX® plant at Barberton Mines

Through our mining and prospecting rights, we have access to Mineral Resources and Mineral Reserves

Mineral Resources
Gold 37.61Moz
(2019: 35.97Moz)

Mineral Reserves
Gold 10.87Moz
(2019: 10.92Moz)

Investment in infrastructure
US$34.6 million
(2019: US$55.1 million)

Life-of-mine

Barberton Mines	20 years	(2019: 20 years)
BTRP	6 years	(2019: 9 years)
Elikhulu	12 years	(2019: 13 years)
8 Shaft pillar mining	3 years	(2019: 3 years)

Trade-offs made

Ongoing investment in our mining assets for long-term sustainability:

- 8 Shaft pillar project reached commercial production
- Completed the mining feasibility study on Evander Mines' Egoli project
- Completed a bankable feasibility study to construct a solar photovoltaic plant at Evander Mines

INTELLECTUAL CAPITAL

Inputs

We develop our management expertise and train our employees

We have more than 130 years of mining experience on the Barberton Greenstone Belt orebodies, one of only two greenstone gold complexes actively mined on a large scale in South Africa

- Mining and prospecting rights
- Technical know-how
- Key personnel for managing the complex processes
- Management and the board's combined expertise
- Expansion and integration of technologies at our operations
- Ethical and effective leadership

Trade-offs made

Investing in technology and processes

We are growing our tailings processing expertise due to financial capital allocations to manufactured capital

Through the use of pseudo pillar packs and other technologies, we ensure safe and efficient extraction of the 8 Shaft pillar

Improved employee management, productivity and safety through the implementation of the biometric time and attendance system at Barberton Mines

OUTPUTS The results of our business operations	OUTCOMES What we ultimately wish to achieve	MATERIAL MATTERS	RISKS	STAKEHOLDERS who may be affected
Revenue US$273.7 million (2019: US$217.4 million) **Paid to suppliers** US$159.2 million (2019: US$137.8 million) **Interest payments to debt funders** US$10.7 million (2019: US$14.1 million) **Profit after taxation** US$44.3 million (2019: US$38.0 million) **Dividend paid** US$3.4 million (2019: US$nil)	We focus on managing our operational costs, achieving our production targets and optimising the performance and stability of our mining operations We seek to improve the long-term outcomes of our activities while meeting the short-term expectations of our stakeholders	Capital structure Value-accretive growth Capital allocation Energy availability Societal/community relationships External operational disruption	• Heightened social and political uncertainty and instability which may result in business disruption • Infrastructure dependency and constraints • Macroeconomic volatility which may give rise to financial duress • Interruption to stable power supply • Strategic capital allocation	Providers of capital Security exchanges Suppliers
Gold produced 179,457oz (2019: 172,442oz) per annum **AISC** US$1,147/oz (2019: US$988/oz) **Tonnes milled and processed** 14,728,762t (2019: 13,392,400t) **Mining depreciation and amortisation** US$21.5 million (2019: US$16.2 million)	Safety performance and cost-effectiveness underpins excellence in operational performance Move pipeline of projects up the value curve to pre-feasibility and bankable feasibility stages and eventual production Mining of historical tailings frees up land for rehabilitation that can be used more productively	Capital allocation Geological complexity Energy availability Technological interconnectivity Climate change Environmental impact	• Infrastructure dependency and constraints • Geological variability in the Mineral Resources and Mineral Reserves • Interruption to stable power supply • Strategic capital allocation • Environmental impact of mining activities • Heightened social and political uncertainty and instability which may result in business disruption • Macroeconomic volatility which may give rise to financial duress	Providers of capital Customer Suppliers Employees Communities
• Maximised resource utilisation • Effective and efficient technology at Elikhulu	Investments in technology processes and our employees ensure a sustainable and competitive advantage	Capital allocation Geological complexity Energy availability Technological interconnectivity	• Interruption to stable power supply • Strategic capital allocation • Geological variability in the Mineral Resources and Mineral Reserves • Infrastructure dependency and constraints	Providers of capital Security exchanges Customer Suppliers Employees Government and regulatory bodies

Our value-creating business model continued

	INPUTS Our capital resources		TRADE-OFFS MADE Capital stocks are traded, depleted, grown or combined in executing our strategy
HUMAN CAPITAL	Our people are fundamental to the success and sustainability of our business We focus on ensuring that we have the requisite skills, culture and employees in place	**Employees' skills and experience** 2,126 employees (2019: 2,148 employees) • Skilled and experienced board and management • Labour stability • Investing in skills development and training • Adult education and training for mineworkers	Tailings retreatment is less labour intensive which has contributed to improved safety performance Employee earnings are a major source of income for local communities which strengthens our social and relationship capital A three-year wage agreement at Barberton Mines allows for human capital stability
SOCIAL AND RELATIONSHIP CAPITAL	Our licence to operate depends on the quality of our relationships with our various stakeholders Building and maintaining relationships based on trust, mutual respect and credibility is integral to our growth, value creation and long-term sustainability	• Social licence to operate • Investing in our communities – SLP investment, bursaries and human resource development, training and skills development, small business development, LED and sustainable development initiatives • Ongoing stakeholder engagement with a focus on community engagement	Investing in socio-economic development reduces short-term financial capital, yet secures our social licence to operate It enables stable long-term operations and financial investments and assists in creating self-sustaining small businesses through accredited skills development
NATURAL CAPITAL	We require natural capital such as water, air, land and fuel for energy to operate our manufactured capital In return, we aspire to do minimal harm to the environment	• Stewardship of our Mineral Resources and Mineral Reserves • Complying with applicable environmental legislation and regulations	We extract Mineral Resources through responsible mining techniques while mitigating the environmental impacts of mining through land rehabilitation Our environmental footprint reduces as tailings retreatment initiatives are expanded Rehabilitation programmes increase social and relationship capital through local supplier development and job creation opportunities

** Regretfully, an employee at Fairview Mine in Barberton lost his life in a fall-of-ground accident on 21 July 2020.*

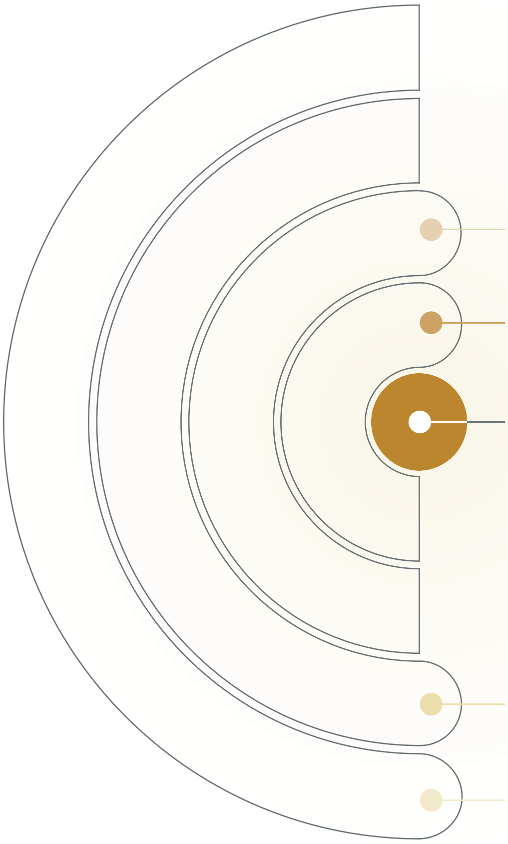
OUTPUTS The results of our business operations	**OUTCOMES** What we ultimately wish to achieve	**MATERIAL MATTERS**	**RISKS**	**STAKEHOLDERS** who may be affected
Fatalities The Group had no fatalities in the current and prior financial years* **Total recordable injury frequency rate** (per million man hours) 9.12 (2019: 10.71) **Skills development and training** US$1.7 million (2019: US$1.0 million) **Employee remuneration** US$52.5 million (2019: US$59.7 million) **Women employed at our mines** 255 (2019: 223) **COVID-19 prevention and support for our operations** US$0.6 million (2019: US$nil) **Cases reported** COVID-19: 2 (2019: nil) Tuberculosis: 27 (2019: 21) Silicosis: 10 (2019: 12)	A safer working environment through the expansion of the tailings operations, with competencies and values built around safety, operational excellence and innovation Alternative employment opportunities created outside of the mine through local supplier development initiatives, geo-tourism, renewable energy and large-scale agri-project developments	Health and safety Organised labour	• Health performance – COVID-19 pandemic • Safety incidents	Providers of capital Employees Unions Communities Government and regulatory bodies
CSI, LED projects and bursaries US$1.3 million (2019: US$1.9 million) • Constructive stakeholder relationships • Regular union meetings and appointment of a full-time community liaison officer at each operation **South African government taxes paid (excluding VAT but including employee taxes)** US$16.1 million (2019: US$14.1 million) **Preferential procurement** US$62.8 million (2019: US$64.3 million)	Investment in stakeholder engagement and socio-economic development builds trust and secures our social licence to operate Alternative employment opportunities outside of the mines through local supplier development initiatives, geo-tourism, renewable energy and large-scale agri-project developments	Health and safety Regulatory compliance Societal/community relationships External operational disruption	• Health performance – COVID-19 pandemic • Heightened social and political uncertainty and instability which may result in business disruption • Adverse regulatory consequences and fiscal impositions • Interruption to stable power supply	Providers of capital Security exchanges Customer Suppliers Unions Communities Government and regulatory bodies
Electricity consumption 1,334,249GJ (2019: 1,228,501GJ) **Water consumption** 13,417m³ (2019: 13,369m³) **Carbon emissions** 1.47CO_2 e/t milled (2019: 1.34CO_2 e/t milled) **Independent rehabilitation closure cost assessments** conducted at all operations	Reducing our environmental footprint as tailings retreatment initiatives are expanded Responsible extraction is supported by our environmental management programme and rehabilitation strategy Land is made available for housing and agriculture that could sustain communities beyond mining	Geological complexity Energy availability Climate change Environmental impact	• Environmental impact of mining activities • Geological variability in the Mineral Resources and Mineral Reserves	Providers of capital Communities Government and regulatory bodies The environment

Our material matters

Material matters are those issues with the potential to substantially impact our performance or ability to create value in the short, medium and long term. Identifying these material matters forms an integral part of our strategic planning activities.

OUR MATERIALITY CATEGORIES

In March 2020, we conducted an in-depth and externally-facilitated materiality assessment to determine the matters most material to the Group. We classified our material matters according to our spheres of influence, which reflect our increasing ability to drive value creation, as follows:



Licence to operate
Factors that directly affect our licence to operate

Operational execution
We endeavour to enhance our capitals for the benefit of all our stakeholders

Value creation
Our goal is to create sustainable value for our stakeholders

Strategy
To safely extract gold from our mineral deposits, utilising our combined acumen, and to continue investing in our assets in a manner that generates compelling returns to ensure the long-term sustainability of our operations

Operating environment
The macroeconomic environment within which we operate materially affects us, despite our inability to directly control this environment

For a discussion on **our operating environment**, including more information on these items, refer to page 28.

Refer to page 31 for more detail on the measures introduced by the South African government to counter the COVID-19 pandemic and the actions we took in response thereto.

Our **strategy** is to safely extract gold from our mineral deposits utilising our combined acumen, and to continue investing in our assets in a manner that generates compelling returns to ensure the long-term sustainability of our operations. We provide more information on our strategy on page 5.

Our operating environment encompasses significant issues which have the potential to substantially impact our performance or ability to create value. As these items are almost entirely outside our control, they are not included in our list of material matters. These issues include:

COVID-19 pandemic	In 2020, our operating environment was overshadowed by the COVID-19 pandemic. The unfolding, global COVID-19 pandemic is a human crisis of historic scale and complexity
Gold price	The US$ gold price has a direct impact on our profitability and capital allocation decisions
US$/ZAR exchange rate	As the rand is our functional currency, the US$/ZAR exchange rate influences our revenue
Resilience	The fragile South African economy and its impact on societal stability affects our operations
Uncertainty	Regulatory uncertainty and uncertainty associated to the COVID-19 pandemic adversely affects investor confidence and capital allocation decisions
Lawlessness/ corruption/security	Civil disruption and a lack of law enforcement adversely impacts our operational stability

Financial capital
Manufactured capital
Intellectual capital
Human capital
Social and relationship capital
Natural capital

OUR MATERIAL MATTERS AND THE CAPITALS THEY AFFECT

Licence to operate

Regulatory compliance
Interpreting and applying the Mining Charter and other regulations can be challenging

Societal/community relationships
Managing the sometimes unrealistic expectations of the communities in which we operate

Climate change
We are conscious of the potential impact of climate change on our future sustainability

Operational execution

Capital allocation
We diligently deploy and manage our capital to create sustainable value for all stakeholders

Geological complexity
We focus on improving underground mining flexibility and optimising our tailings operations

Energy availability
We manage the reliability of the energy supply and respond proactively to disruptions

Technological interconnectivity
We keep abreast of technological advancements and apply selected, proven methodologies and technology

Health and safety
Consistently high health and safety standards are fundamental to retaining the support of employees, regulators, investors and communities

Organised labour
We maintain constructive and transparent relationships with the unions representing our labour force

External operational disruption
We actively monitor and respond to external threats of disruption to our operations

Environmental impact
We monitor the impact of our pollution, tailings, water usage, greenhouse gases (GHGs) and carbon footprint on the environment

Value creation

Capital structure
We continuously consider means to improve our return on capital

Value-accretive growth
We have a pipeline of internal growth projects and also regularly evaluate acquisition opportunities

We address these material matters, which we have influence over, under each of the capitals on pages 36 to 73, where additional information is provided on our:

- achievements to date
- targets
- the importance of the selected targets
- related risks
- short- to medium-term focus
- long-term objectives.

Our risks and opportunities

Pan African evaluates all actual and potential risks that may impact stakeholders or threaten profitability and future sustainability and adjusts its strategy accordingly.

RISK MANAGEMENT APPROACH AND PROCESS

Pan African has an established risk management process which is dynamic and designed to adapt to changes in the risk profile of the Group over time. Our risk management is based on a structured and systematic process which takes into account risks that arise from operational matters or events outside of our control.

Risks and opportunities are managed on four tiers:

Board
The board oversees the Group's risk management process and is guided by its committees, own experience, internal risk assessments and reviews of risk reports. The tone, risk management culture and risk appetite are set and overseen by the board. Each year, the board reviews the Group's risk appetite for ongoing relevance in relation to the Group's strategy. The board monitors the effectiveness of the Group's risk management process and monitors the implementation of risk mitigating strategies against key risk indicators

Board committees
The audit and risk committee supports the board and is complemented by the safety, health, environment, quality and community (SHEQC) committee, which oversees and provides feedback to the board on safety, health and environmental aspects

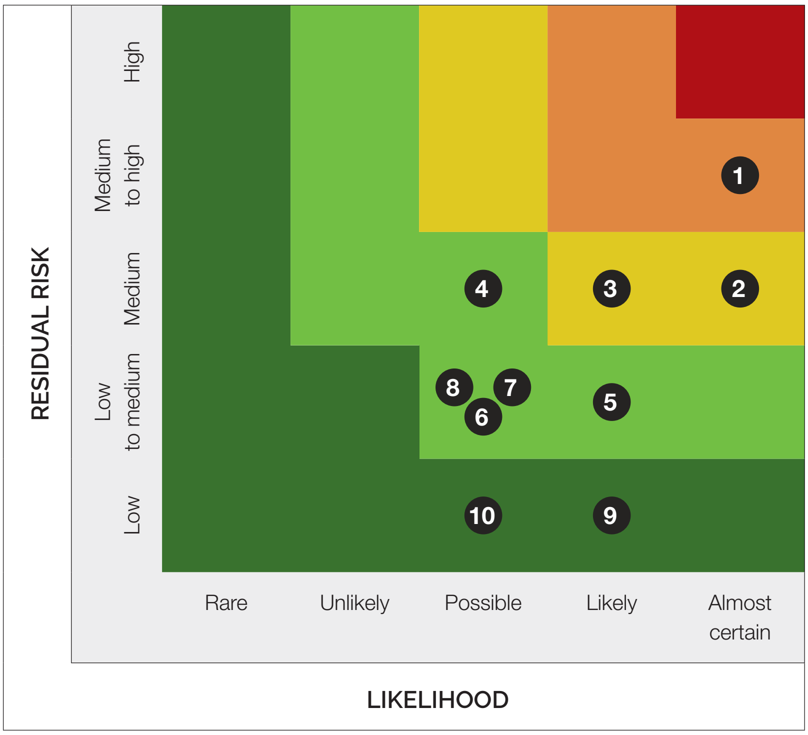
Executive management
Management at operational levels implement and monitor day-to-day compliance with the Group's risk management process. Risk awareness and a safety culture is embedded in day-to-day operations

Employees
We continually reinforce the message that managing risk is the responsibility of everyone at Pan African

OUR TOP 10 RISKS

We identified the top risks that pose a potential threat to the execution of our business strategy and assessed these risks based on the impact and severity of the risk event should it materialise, as well as the likelihood of the risk occurring.

The identified risks within the Group can have a safety, health, financial, environmental, operational or reputational impact. The identified risks are benchmarked against risks noted by our mining peers to ascertain if these risks are industry-wide. The Group's top 10 risks are reflected on the heat map below:



The risk assessment approach followed by Pan African's management is a collective effort. The assessment of the risks faced by the Group and the effectiveness of the risk mitigating controls is subjective to a large extent. Through mitigating actions and controls, inherent risks are reduced to an acceptable residual risk level.

RISK RANKING

2020	2019	Key risks	Internal	External
1	New	Health performance – the COVID-19 pandemic	X	X
2	2, 4	Heightened social and political uncertainty and instability which may result in business disruption		X
3	7	Infrastructure dependency and constraints	X	
4	11	Environmental impact of mining activities	X	X
5	3	Adverse regulatory consequences and fiscal impositions		X
6	New	Geological variability in the Mineral Resources and Mineral Reserves	X	X
7	6	Macroeconomic volatility which may give rise to financial duress		X
8	1	Interruption to stable power supply		X
9	5	Safety incidents	X	
10	10	Strategic capital allocation	X	

THE IMPACT OF RISK ON OUR STRATEGY

Each of the risks described in the following pages can have an impact on the Group's material matters which are an integral part of the Group's strategic planning and activities. Refer to page 5 for more on the Group's strategy.

Our risks and opportunities continued

For each of the top 10 risks on page 17, we list below the mitigating actions we take, the related opportunities we have identified and link them to the stakeholders (refer to page 23) affected, the material matters (refer to page 14) that we have identified and show which of the capitals the risks can potentially impact:

Health performance – the COVID-19 pandemic

2020	2019
1	New

Stakeholders affected
- Providers of capital
- Employees
- Unions
- Communities

Material matters linked
- Health and safety
- Organised labour
- Regulatory compliance
- Societal/community relationships

Capitals impacted

Risks observed
- Confined working conditions at mining facilities increases the risk of spreading COVID-19
- The risk of an employee infected with COVID-19 entering mining operations undetected leading to an increase in the infection rate of employees and the potential disruption of mining operations
- The rapid spread of COVID-19 in host communities may lead to transmissions and an increase in the infection rate of employees, leading to the potential disruption of mining operations

Mitigating actions taken/ opportunities identified
- Implemented standard operating procedures (SOPs) to assist in preventing the transmission of COVID-19 at the Group's operations and corporate office which address the following:
  - Education and communication on the prevention of COVID-19
  - Active measures to prevent the spread of COVID-19 at the operations
  - Dealing with suspected cases of COVID-19 infections, including isolation and quarantine protocols
  - Monitoring and reporting on the spread of COVID-19 and its impact on the operations
  - The phased re-integration and screening of returning employees
- Proactively procured personal protective equipment (PPE) and screening equipment to prevent the spread of COVID-19 – all employees, contractors and visitors at the operations are required to wear face masks at all times and have their body temperatures tested upon entry and exit to the plant and offices

Heightened social and political uncertainty and instability which may result in business disruption

2020	2019
2	2, 4

Stakeholders affected
- Providers of capital
- Customer
- Suppliers
- Communities

Material matters linked
- Societal/community relationships
- External operational disruption

Capitals impacted

Risks observed
- Social discord due to a lack of local government service delivery, a sense of disempowerment and unemployment (compounded by the COVID-19 pandemic) which is further compounded by the lack of economic growth, is manifesting in the form of increasing service delivery protests
- The country's high violence and organised crime rates, including criminal mining activities and armed robberies, threaten the safety of our employees and contractors, which has the potential to cause business disruptions and may result in the Group not achieving its production targets. This risk is further heightened by a lack of effective law enforcement and prosecution to curtail such criminal activity
- The prevalence of criminal mining activities near the Group's operations leads to employees also being drawn into such criminal activities

Mitigating actions taken/ opportunities identified
- Intensified engagement with host communities to understand their concerns and deal decisively with material issues where possible
- Community liaison managers at the operations regularly engage with community leaders to address community concerns and manage expectations
- Adherence to SLP and CSI initiatives which go beyond compliance requirements and contribute to LED
- Job creation programmes continue to be rolled out to assist in alleviating local unemployment, which is directly linked to the occurrence of illegal mining and other petty crime at our facilities
- Enhanced security coordination and information management on crime-related matters – including cooperation with relevant law enforcement agencies and prosecution authorities
- Ongoing monitoring and evaluation of third-party security service provider activities to ensure a high standard of service delivery

Financial capital
Manufactured capital
Intellectual capital
Human capital
Social and relationship capital
Natural capital

Infrastructure dependency and constraints

2020	2019
3	7

Stakeholders affected

- Providers of capital
- Customer
- Suppliers

Material matters linked

- Value-accretive growth
- Capital allocation

Capitals impacted

Risks observed

- Breakdowns or failures in mining infrastructure have the potential to threaten the safety of employees and disrupt production which may lead to injuries and expensive and time-consuming repairs
- Tailings dam, mine shaft failure or shaft pillar collapse could result from:
  - inadequate maintenance or corrosion
  - seismic activity, flooding or fire
  - an unforeseen major shaft accident
  - unavailability of critical engineering equipment
  - overtopping of the TSF
  - significant movement of outer slope or high phreatic (saturated water level) surface pore pressures in the TSF
- Major equipment failure in the event that backup spares are not available or cannot be readily sourced
- The majority of the Group's TSFs are located in close proximity to residential areas
- Infrastructure constraints which result in excessive travelling distances to underground workplaces adversely impact productivity
- A hydrocarbon spillage can affect the efficiency of the BIOX® process and adversely impact gold recovery rates
- The risk of insufficient economically viable surface sources for sustained production at BTRP

Mitigating actions taken/ opportunities identified

- Third-party independent contractors have been appointed to design, build and operate the Group's TSFs
- Tailings and dam management is overseen by an appointed competent person at each of the Group's TSF sites to ensure compliance with legislation and the Group's internal code of practice
- Regular inspections and meetings are held between mine management, third-party TSF operators and appointed competent persons tasked with monitoring and compliance
- Active management of engineering risk registers for all operations
- Ongoing expenditure on expansionary capital and maintenance of infrastructure to proactively address infrastructure concerns
- Prioritised capital expenditure on the upgrade of steel infrastructure at the Kinross plant and both the 7 and 8 Shafts at Evander Mines
- Critical spares registers are managed and minimum spares levels are maintained
- The prioritisation and allocation of sustainable capital expenditure is based on the Group's investment criteria which include thorough risk assessments
- Critical safety and engineering equipment is supported by alternative power sources that are regularly serviced and maintained
- Ongoing identification and acquisition of appropriate surface sources and the development of the Royal Sheba project to increase available material for retreatment at the BTRP
- Improved mining flexibility at Barberton Mines by increasing processing capacity at both the Sheba and New Consort plants as well as connecting 38 Level (Sheba) and 23 Level (Fairview) to accommodate cross-tramming between Sheba and Fairview operations (Project Dibanisa)
- Improved infrastructural capacity at Barberton Mines following construction of the Fairview sub-vertical shaft and shaft infrastructure at Sheba and New Consort
- Infrastructure replacement with improved technology, improving both safety and operating costs

Our risks and opportunities continued

Environmental impact of mining activities

2020	2019
4	11

Stakeholders affected

- Providers of capital
- Communities
- Government and regulatory bodies
- The environment

Material matters linked

- Climate change
- Environmental impact

Capitals impacted

Risks observed

- The risk of environmental damage due to pollution (including cyanide) and the consequential environmental, reputational and financial impact
- Barberton Mines is in close proximity to a World Heritage Site and the majority of its mining right falls within a nature reserve
- The risk of environmental damage following a tailings dam failure
- Residue pipeline breakages and spillages due to vandalism

Mitigating actions taken/ opportunities identified

- The environmental impact of our mining operations is closely monitored and managed in accordance with environmental management plans, with annual reports submitted to the Department of Mineral Resources and Energy (DMRE)
- Rehabilitation liabilities are fully funded, which enables the Group to mitigate and rehabilitate most of the environmental effects of mining
- The Group conducts ongoing rehabilitation where possible
- Continuous monitoring by means of environmental damage detection systems
- Barberton Mines' cyanide detoxification plant and water treatment processes comply with cyanide disposal guidelines and reduces weak acid dissociable cyanide residue levels to less than 50ppm
- All cyanide is transported by a certified and approved hazardous substances service provider
- The Group works closely with nature conservation authorities in Barberton to minimise the adverse impact of its mining operations on the environment
- Specific action plans are in place to deal with flooding and spillage incidents
- Monitoring the rate of rise of active TSFs and the structural integrity of the TSFs by independent advisers
- The design of the new TSF provides for a flood plain in the event of a breach of its integrity – no human settlements are present in the immediate vicinity of the flood plain
- Regular environmental campaigns are hosted to reinforce environmental awareness
- Residue pipelines are patrolled to mitigate the risk of damage due to theft and vandalism. Throughput and pressure of these pipelines are monitored to mitigate the risk and impact of ruptured pipes and spillages

Adverse regulatory consequences and fiscal impositions

2020	2019
5	3

Stakeholders affected

- Providers of capital
- Security exchanges
- Communities
- Government and regulatory bodies

Material matter linked

- Regulatory compliance

Capital impacted

Risks observed

- Regulatory changes leading to an uncertain investment environment which is a disincentive to raising capital for the Group's funding requirements and growth aspirations
- Regulatory changes which may give rise to resource nationalism
- The risk of a delay in the environmental permitting process due to COVID-19 restrictions
- The risk that the renewals of the mining rights for Fairview Mine, Sheba Mine and New Consort Mine at Barberton Mines are rejected
- Changes in environmental legislation and compliance with global standards such as the global industry standard on tailings management which may increase compliance risk

Mitigating actions taken/ opportunities identified

- Engaging with industry representative bodies and regulators to influence proposed legislation
- Seeking independent legal advice on proposed regulatory changes to manage the potential consequences thereof
- Engagement with senior government officials to ease restrictions on the permitting process for the mining industry
- The mining right renewal processes are followed in strict accordance with the Mineral and Petroleum Resources Development Act (MPRDA)
- The mining right submission and application process is subject to internal and external legal review to ensure regulatory compliance
- An appeal and legal review process is available to the Group in the event that the renewal application is refused
- The mining right renewal process is expected to add an additional 30 years to each mining right

Geological variability in the Mineral Resources and Mineral Reserves

2020	2019
6	New

Stakeholders affected
- Providers of capital
- Customer

Material matters linked
- Value-accretive growth
- Capital allocation
- Geological complexity
- Environmental impact

Capitals impacted

Risks observed
- The inherent risk in the Mineral Resources and Mineral Reserves estimates which are functions of set criteria using geological, technical and economic parameters. Geological complexity in the Group's operations, specifically the hydrothermal lode gold deposits in the Barberton Greenstone Belt, may result in production targets not being met in the short to medium term
- Geological complexities experienced in the operations result in ad hoc changes to the orebody geometry and grades which may adversely impact the Group's ability to meet its planned short- to medium-term production targets
- The Rolspruit project's Probable Mineral Reserves of 23.4Mt at 8.60g/t with a metal content of approximately 6.5Moz represents the single largest constituent of the Group's Mineral Reserves portfolio. The project is located directly down-dip of the current deep level (24 Level) 8 Shaft workings, more than 3km below surface. To access the orebody, a new vertical and sub-vertical shaft system is required. Within the current economic and political environment, there is limited appetite for investment into such a deep level and long-term project

Mitigating actions taken/ opportunities identified
- Modifying factors, as defined in the Mineral Reserves conversion, are based on actual modifying factors achieved over the preceding three years which supports the Group's mine planning and forecast production
- The Group's mining operations have consistently exploited the same orebodies with the same infrastructure over the past three years, providing confidence in its predictive ability, notwithstanding the geological complexity of these orebodies
- The introduction of high-resolution tight grid reserve delineation drilling practices on the top three orebodies at Barberton Mines, to more accurately define orebody geometry and grade variability within the operational three-year plan
- Geological complexity inherently holds opportunities for exploration and delineation of additional ore deposits. This is evident in the rich project pipeline within the Group's active exploration and mining rights

Macroeconomic volatility which may give rise to financial duress

2020	2019
7	6

Stakeholders affected
- Providers of capital
- Security exchanges
- Suppliers

Material matters linked
- Capital structure
- Value-accretive growth
- Capital allocation

Capital impacted

Risks observed
- The Group's ability to access, service and redeem its debt is directly dependent on its ability to generate cash flows
- Cash flow generation is affected by volatility in macroeconomic variables such as exchange rates and commodity prices
- Excessive debt in the Group's capital structure may adversely impact the Group's financial sustainability and restrict the Group's ability to fund its capital maintenance and development programmes
- Access to debt and equity sources of capital and markets is critical to sustaining generic or acquisitive growth
- Mineral Resources and Mineral Reserves are valued based on economic and technical assumptions and the prevailing investment environment at a point in time. Should these assumptions or the investment environment change, the carrying value of these Mineral Resources and Mineral Reserves may be subject to a downward adjustment

Mitigating actions taken/ opportunities identified
- The Group's centralised treasury function at Pan African Resources Funding Company Proprietary Limited (Funding Company) manages all Group funding requirements, liquidity and risk management initiatives
- The ability to dispose of non-strategic assets held by PAR Gold and access to alternative sources of liquidity such as prepaid facilities or gold loans
- Daily monitoring of working capital levels and monthly reviews of capital expenditure, cash flow generation and Group debt levels
- Regular reviews and monitoring of operational and financial performance against planned production and budgets
- Financial risk management through strategic currency and commodity price hedging when appropriate and within predetermined limitations, to decrease volatility in cash flow management
- Hedging strategies are aligned to the Group's financial risk management policies to ensure that derivative risk remains within board-approved limits
- Capital structure management by raising equity and debt capital timeously and within prudent limits
- Maintaining good relationships with shareholders and bankers through regular engagement and interaction
- Ability to restructure the Group's term facilities to better match cash flow generation with debt redemptions
- Mineral Resources and Mineral Reserves are independently valued and subject to annual impairment assessments
- The board assesses the appropriateness of the Group's capital structure to fund new organic projects in the context of the prevailing economic environment and long-term funding requirements of the Group

Our risks and opportunities continued

Interruption to stable power supply

2020	2019
8	1

Stakeholders affected

- Providers of capital
- Customer
- Suppliers

Material matters linked

- Capital allocation
- Energy availability
- Technological interconnectivity

Capitals impacted

Risks observed

- Mining operations are dependent on Eskom for electricity supply and distribution
- Extended electricity supply interruptions threaten the safety of employees and contractors, especially at underground operations, and may damage electrical equipment
- Heightened risk of increased production cost and reduced profit margin if the Group does not achieve its production targets

Mitigating actions taken/ opportunities identified

- Completion of the feasibility study for the installation of a solar photovoltaic plant at Elikhulu, with the intent of reducing reliance on Eskom power
- Maintaining a constructive working relationship with Eskom, which enables the Group to proactively manage power curtailments. Quarterly meetings are held with Eskom to ensure stable power supply to the Group's mines
- Alternative power sources such as standby generators to support critical infrastructure and equipment

Safety incidents

2020	2019
9	5

Stakeholders affected

- Providers of capital
- Employees
- Unions
- Government and regulatory bodies

Material matters linked

- Health and safety
- Organised labour
- Regulatory compliance

Capital impacted

Risks observed

- Safety incidents can adversely impact employee and contractor health and safety, production, affect the Group's reputation, lead to litigation and decrease the Group's overall value
- Mining operations are inherently dangerous and present safety risks to our employees and may have a direct impact on the Group's operational performance and strategic objectives

Mitigating actions taken/ opportunities identified

- Safety standards and procedures are in place and subject to independent compliance reviews by regulators and safety experts
- Technical and engineering experts ensure compliance with operational safety standards
- Daily, monthly and quarterly health and safety compliance and awareness inspections are conducted by operational health and safety representatives with accurate records being maintained
- Training for emergencies has been conducted with appointed emergency service providers present at each operational site
- Continually introduce new safety initiatives and awareness programmes

Strategic capital allocation

2020	2019
10	10

Stakeholders affected

- Providers of capital
- Security exchanges

Material matters linked

- Capital allocation
- Value-accretive growth
- Technological interconnectivity

Capitals impacted

Risk observed

- The risk of investments which result in sub-optimal returns, adversely impacting stakeholder value creation

Mitigating actions taken/ opportunities identified

- All capital allocation decisions are subject to rigorous analysis and predefined risk-adjusted return parameters to ensure disciplined capital allocations
- Potential investments that do not earn a minimum return of 15% per annum on equity after adjusting for project-specific and sovereign risks are declined
- In addition to the return requirement, any capital investment is assessed for execution risk to ensure that it falls within the Group's execution capability

Our key stakeholder relationships

Financial capital	Human capital
Manufactured capital	Social and relationship capital
Intellectual capital	Natural capital

Our licence to operate depends on the quality of our relationships with our various stakeholders. Building and maintaining relationships based on trust, mutual respect and credibility is integral to our growth, value creation and long-term sustainability.

Our stakeholders represent one of our four strategic pillars (refer to the inside front cover) and stakeholder interaction is based on our values. Authentic interaction at all levels of the Group is essential for shaping our strategy, managing risks, identifying opportunities and safeguarding our reputation.

Our key stakeholder groups, their interests and concerns and how we engage with them are outlined below:

Providers of capital | Investors, shareholders, fund managers, analysts and financial institutions

Their significance
- Essential for business growth
- Aligning expectations

Material matters linked
- Capital structure
- Value-accretive growth
- Capital allocation
- Energy availability
- Health and safety
- Societal/community relationships
- External operational disruption
- Climate change
- Environmental impact

How we engage
- One-on-one meetings
- Site visits
- Media releases
- Results announcements
- Results presentations and roadshows
- Advertisements
- Media articles
- Regulatory communications
- Integrated annual report
- Sustainable development report
- Investor fact sheets
- Annual general meeting (AGM)
- Website
- Social media

Their key interests
- Safe mining
- Return on investment
- Financial performance
- Operational performance
- Management's track record
- Union relationships
- Accreditations and regulatory compliance
- Mineral Resources and Mineral Reserves reporting
- Sustainability matters
- ESG matters
- Country risk

Capitals impacted

How feedback informs strategy
- Poll results, feedback from presentations and one-on-one meetings
- Discussion at operational, executive and board level

Security exchanges

Their significance
- Attract capital and investors
- Inclusion in stock market indexes
- Provides a fair and appropriate market valuation of the Company
- Provides frameworks for corporate governance and stakeholder interaction

Material matters linked
- Capital structure
- Regulatory compliance
- Societal/community relationships

How we engage
- Sponsor (JSE) and nominated adviser (AIM) review and oversight
- Panel review of reported information

Their key interests
- Compliance with listings requirements
- Regulatory compliance
- Financial performance

Capitals impacted

How feedback informs strategy
- Discussion at executive and board level
- Consideration of additional exchanges to provide access to a wider shareholder base

Our key stakeholder relationships continued

Customer

Significance
- Reliable gold supply

Material matters linked
- Value-accretive growth
- Capital allocation
- Energy availability
- External operational disruption

Capitals impacted

How we engage
- Regular interaction with the refinery

Key interests
- Quality
- Timeous delivery
- Price
- Volume

How feedback informs strategy
- Discussion at executive management and board level

Suppliers

Their significance
- Deliver safely into production guidance

Material matters linked
- Value-accretive growth
- Capital allocation
- Energy availability
- External operational disruption

Capitals impacted

How we engage
- One-on-one meetings
- Tender and procurement processes
- Open days for emerging suppliers

Their key interests
- Group financial performance
- Payment track record
- Growth project pipeline
- Loyalty
- Operational disruption

How feedback informs strategy
- Discussion at operational and executive level

Employees

Their significance
- Enable execution of strategy
- Fundamental to business sustainability

Material matters linked
- Technological interconnectivity
- Health and safety
- Organised labour
- Regulatory compliance

Capitals impacted

How we engage
- Bargaining council forums
- Shaft committees
- Health and safety structures
- Supervisory and disciplinary structures
- Social media
- Performance assessments
- Celebrate milestones reached
- Publicity and posters
- Policy and procedure documents
- One-on-one supervision
- Contract negotiations
- Future forum meetings

Their key interests
- Safety
- Transformation
- Job security
- Reward and incentives
- Holistic and occupational health
- Skills development and training
- Environmental exposure
- Sustainability matters

How feedback informs strategy
- Discussion at operational, executive and board level

Unions

Their significance
- Harmonious working relationship in the workplace
- Underpin meeting production targets

Material matters linked
- Health and safety
- Organised labour
- Regulatory compliance
- Societal/community relationships

Capitals impacted

How we engage
- Employee committees
- Branch committees
- Shaft committees
- Mine committees
- Mine future forums
- Representation at community meetings

Their key interests
- Fair remuneration and reward
- Health and safety
- Transformation
- Job security

How feedback informs strategy
- Discussions between unions and management occur on the mines
- Discussion at operational, executive and board level

Communities

Their significance
- Directly influences our social licence to operate

Material matters linked	How we engage	Their key interests
Health and safety Societal/community relationships External operational disruption Climate change Environmental impact	• Community meetings and forums • Community liaison officers • Media (print and radio) • CSI initiatives	• Job creation • CSI • Environmental conservation/protection • Local procurement opportunities • Local supplier development
Capitals impacted	**How feedback informs strategy** • Discussion at the SHEQC committee and at executive and board level	

Government and regulatory bodies | including local authorities

Their significance
- Issue mining and prospecting rights
- Develop policies and implement regulations

Material matters linked	How we engage	Their key interests
Health and safety Regulatory compliance Societal/community relationships Climate change Environmental impact	• Regular communication with government departments: DMRE, Labour, Water Affairs, Environment, Education and Public Works • Annual SLP progress reports and implementation plans to maintain licence to operate	• Transformation • Mining Charter III compliance • Job creation • Safe mining • Profitable mining • Environmentally responsible mining • Compliance audits for SLP performance
Capitals impacted	**How feedback informs strategy** • Discussion at executive and board level	

The environment

Significance
- Fundamental to business sustainability

Material matters linked	How we engage	Key interests
Climate change Environmental impact	• Regular communication with government departments • Interviews and meetings • Media releases • Compliance reports • Independent audits • Site inspections	• Environmental compliance • Restoration of land to its original state
Capital impacted	**How feedback informs strategy** • Discussion at executive management and board level	

Refer to page 1 for the value we created for our stakeholders in 2020.

Chairman's statement

Pan African has positioned itself as a profitable and high-margin gold producer with a sustainable business model.

KEITH SPENCER
Chairman

OUR OPERATING ENVIRONMENT

The past year was unique in many respects. COVID-19 and the resultant government lockdowns have wreaked havoc on lives, health systems and economies globally. Unfortunately, South Africa was not spared, and we continue to struggle with the fallout in most areas of our business and personal lives.

Gold is traditionally viewed as a safe-haven investment in times of economic and political uncertainty. The pandemic has served to accentuate this belief and assisted the increasing trend in gold prices over the past few years.

Locally, some parts of the mining industry proved to be the beacon of hope during the storm, as we were one of the first sectors to be called upon to restart the economy, not least because of our status as significant providers of jobs and socio-economic upliftment in our host communities. The mining industry has been at the forefront in combatting infectious diseases such as HIV/Aids and tuberculosis (TB), and therefore has the systems and protocols in place to protect employees and assist in the prevention of the spread of COVID-19.

The pandemic came as yet another shock to the South African economy, which was already suffering from persistently weak business sentiment and periods of constant electricity disruption, resulting in low gross domestic product (GDP) growth and negative investor sentiment. At the same time, input costs are rising, particularly the cost of mining at depth, salaries and wages, capital expenditure and the cost of electricity. Record unemployment poses serious risks to economic recovery and social cohesion. The weak financial health of state-owned enterprises (SOEs), especially Eskom, is likely to put additional pressure on public finances. Even though the outlook for South Africa is challenging, in the past year, a weaker local currency has expanded the margins for exporters such as ourselves. We expect this trend to continue in the year ahead.

The socio-economic challenges caused by the ailing economy add to disruptions to operations caused by service delivery protests and illegal mining. We continue our quest to resist this trend and convince the authorities of its threat to social cohesion to the detriment of all our stakeholders. Our community development projects are therefore aimed at infrastructure development and promoting self-sustaining businesses that will create employment in a manner not solely dependent on the mining industry. We also continue to contribute towards constructive engagement with government on mining legislation and regulations, including the Mining Charter III.

We are mindful of the significant role of climate change on the planet and continue to conduct our operations in such a way that we will cause the least possible harm to the environment.

Refer to pages 28 to 31 for a more detailed analysis of **our operating environment** and how it has affected Pan African's operations and future strategy.

OUR STRATEGY

Pan African has intentionally differentiated itself from the rest of the industry. We repositioned our business to focus on operations with attractive margins, with a lower cost of production than most of our Southern African peers. We also now source approximately half of our overall gold production from lower-risk and lower-cost surface operations.

We have a clear strategy to safely extract gold from our mineral deposits, utilising our combined acumen, and to continue investing in our assets in a manner that generates compelling returns and that ensures the long-term sustainability of our operations.

HIGHLIGHTS FOR THE YEAR

All of our operations were profitable and positively contributed towards earnings and cash flows. Profit after taxation increased by 16.6% to US$44.3 million (2019: US$38.0 million), and the Group managed to significantly reduce its senior debt facilities to US$95.2 million (2019: US$134.3 million).

Elikhulu, commissioned in the previous financial year, has already had a significant and positive impact on the Group by producing safe and profitable ounces, complementing the steady contribution by Barberton Mines. Elikhulu is now one of the lowest-cost producers of gold in Africa.

We are particularly proud of our safety record as the safety and well-being of our employees and communities remains our paramount focus.

DIVIDEND

The board is pleased to propose a final dividend ZAR 312.9 million (approximately US$18.7 million) building on the resumption dividend of ZAR50 million (US$3.4 million) we were able to pay in respect of the previous year.

COVID-19

As mentioned in my overview of our operating environment above, COVID-19 continues to impact our business. For more information on how we are managing this impact, please refer to pages 31 to 35.

OUR COMMITMENT TO SUSTAINABILITY

Pan African recognises that its role lies foremost in delivering on its strategy of gold extraction and continued investment to enhance returns for stakeholders. We also acknowledge our responsibility of doing so in a truly sustainable manner. We therefore welcome the magnified focus on our ESG performance and initiatives. We are proud of our commitment to the sustainable operation of our business according to our own standards, which normally exceed minimum legal requirements.

We take responsibility for the health of our relationships with all our stakeholders, including the environment, in meeting our desire to create value on a sustainable basis.

For more information on Pan African's sustainability efforts, refer to our **sustainable development report**, which is available on our website at www.panafricanresources.com

GOVERNANCE

Good corporate governance supports the achievement of our vision to create sustainable value for our stakeholders.

During the year, the Pan African board was strengthened with the appointment of two new independent non-executive directors. We welcome Yvonne Themba and Charles Needham to the board and look forward to their contributions. As a result, the board is satisfied with its composition in terms of the diverse skills and experience available to guide the Group.

Please refer to pages 102 to 111 for more information on the Group's **corporate governance**.

OUTLOOK

We firmly believe that the Group's governance structures will support the executive team in delivering on our stated strategy, in what remains a challenging environment. We are confident and hopeful that the strength of the gold market combined with the Group's operational sustainability will continue to underwrite our commitment to value creation for all our stakeholders.

APPRECIATION

I thank my fellow board members for their valuable contributions during the past year and extend my gratitude to the Group's executive management and employees for their continued commitment and dedication to Pan African, especially in the trying circumstances of this past year.

Keith Spencer
Chairman

16 September 2020

Despite the economic challenges and disruptions caused by COVID-19, Pan African had a very successful year with increased gold sales resulting in improved profits and earnings per share.

Research and development assists in improving the efficiency of our operations.

Our operating environment

Our operating environment has a material impact on our operations and strategy:

COVID-19

THE PANDEMIC WILL HAVE A PROFOUND EFFECT ON US ALL

The environment and how it affects us

Our operating environment in 2020 was dominated by the COVID-19 pandemic.

The unfolding, global COVID-19 pandemic is a human crisis of historic scale and complexity. It is straining healthcare systems, government fiscal capacity, global markets and economies and the ability of many organisations to cope with the changes wrought by the virus and the response thereto, which includes worldwide lockdowns.

Our response

Refer to pages 31 to 35 for more detail on the measures introduced by the South African government to counter the COVID-19 pandemic and our responses thereto.

Gold price

THE US$ GOLD PRICE HAS A DIRECT IMPACT ON OUR PROFITABILITY AND CAPITAL ALLOCATION DECISIONS

The environment and how it affects us

Gold is considered a **safe haven** during economic or political uncertainty. Overall, the average US$ gold price received increased by 28.4% during the year under review as fears of a possible deep global recession triggered massive demand, setting an all-time high level in the process.

Global sentiment and gold's supply and demand fundamentals support the belief that the gold price **should continue to improve** over the next few years.

Mining and its related supply industries are critical to South Africa's **socio-economic development and sustainability**. The sector accounts for more than a third of the market capitalisation of the JSE and traditionally attracts foreign investment to the country.

Our response

Pan African is well positioned to **capitalise** on the increase in the gold price.

We make a significant **contribution to economic activity** in the regions where we operate through job creation, local supplier development and socio-economic contributions. We are the largest employer in the Barberton area.

The South African government also earns revenue from our operations through **company tax**, **royalties** and **employee taxes**, which it can use for many of its initiatives, including social protection services ranging from social grants, free and subsidised housing to the provision of clean water, electricity and education.

During the year, the Group paid US$16.1 million (2019: US$14.1 million) in taxes to the South African government (excluding VAT but including employee taxes).

US$/ZAR exchange rate

AS THE RAND IS OUR FUNCTIONAL CURRENCY, THE US$/ZAR EXCHANGE RATE INFLUENCES OUR REVENUE

The environment and how it affects us

South Africa's flagging economy, compounded by **ratings downgrades** by all the major agencies, has had a significant negative effect on the rand.

With the drive of foreign investors to sell emerging market currencies in response to **COVID-19**, the rand depreciated to unprecedented levels. The weakness has been most pronounced against currencies acting as safe havens, most notably the US dollar (US$), British pound (GBP) and the Swiss franc.

The rand is likely to remain volatile for the foreseeable future.

Our response

The 37.3% increase in the average rand gold price received from ZAR577,573/kg to ZAR793,121/kg has greatly benefited Pan African's revenue during the period.

Financial capital
Manufactured capital
Intellectual capital
Human capital
Social and relationship capital
Natural capital

Resilience

THE FRAGILE SOUTH AFRICAN ECONOMY AND ITS IMPACT ON SOCIETAL STABILITY AFFECTS OUR OPERATIONS

The environment and how it affects us

The South African economy has been hit by short-term shocks, persistently weak business sentiment and periods of electricity load shedding. **GDP growth** for the 2019 calendar year slowed to 0.2%, the weakest outcome since the 2009 recession.

Headline **inflation** reached a nine-year low of 3.6% year on year in November 2019, reflecting weak demand and persistent slack in the economy, but improved to 4% in December 2019.

At the same time, **input costs** are rising, particularly the cost of mining at depth, salaries and wages, capital expenditure and electricity.

South Africa's structural reform programme, aimed at reviving the country's struggling economy, is only seeing gains at a slow pace. Record **unemployment**, particularly among the youth (53% of people under the age of 35 are unemployed according to the Bureau for Economic Research (BER) at Stellenbosch University), poses serious risks to economic recovery and social cohesion. The financial health of **SOEs**, especially Eskom, is likely to put additional pressure on public finances, and ongoing electricity outages are curbing economic growth and placing the sustainability of smaller businesses at risk.

The government's **reform** programme requires the rebuilding of state institutions, pragmatic public finance management, curtailing corruption, policymaking that supports investment and aims to make conducting business easier and less costly.

Our response

Pan African has created a sustainable mining business, with a solid platform for launching new projects and creating additional jobs.

Skilled employees are essential to the sustainability of the gold mining industry. **Training and development** in the industry focuses on developing the scarce skills required for mining operations and improving the employability of local community residents. We continue to focus on the development of our human capital. During the year, we invested US$1.7 million (2019: US$1.0 million) in the training and development of our employees.

During the year, the Group's employees received US$52.5 million (2019: US$59.7 million) in **salaries**, **wages** and **benefits**.

Local **procurement** expenditure to suppliers increased to US$159.2 million (2019: US$137.8 million).

Regulatory uncertainty

REGULATORY UNCERTAINTY ADVERSELY AFFECTS INVESTORS' CONFIDENCE AND CAPITAL ALLOCATION DECISIONS

The environment and how it affects us

Political **discontent** raises the risk of reactionary policymaking and inconsistent implementation, leading to deteriorating sovereign credit ratings and foreign direct investment, critically required to stimulate economic growth. In addition, persistent uncertainty undermines business confidence.

There is a need for higher **public and private investment** in development of people's capabilities, as well as labour-intensive economic sectors to improve productivity, promote lifelong learning and generate wider benefits for society. Fair remuneration, gender equality and transparency in remuneration, fair working hours and health and safety protection will be required.

Violations of **human rights** and sexual and gender-based violence fuel conflict and instability.

Changes in the already **complex regulatory landscape** affect multiple parts of a business and implementing effective controls adds cost and is human resource intensive.

Our response

Mining is among the most regulated industries in South Africa. Changes in labour legislation, employment equity legislation, as well as the reform of the environmental regulatory system, create a dynamic context for mining legislation's evolution. Minerals and mining policy, which is necessarily broad in its scope, needs to be coordinated with other policies that fall within the remit of other forums.

We have seen a move towards greater industry consultation and certainty in the local regulatory environment. The revised **Mining Charter III** came into effect in March 2019, however, certain elements of the revised charter remain a concern and are the subject of a legal challenge.

The **carbon tax** implementation is on track, but there is lack of clarity on the draft National Climate Change Bill and its practical implementation.

Lawlessness/corruption/security

CIVIL DISRUPTION AND A LACK OF LAW ENFORCEMENT ADVERSELY IMPACTS OPERATIONAL STABILITY

The environment and how it affects us
Communities are protesting for economic opportunities and improved local **service delivery**, while government pushes for transformation and employment creation. Labour unions mobilise for higher wages.

Protests and strikes by those dissatisfied with the lack of opportunities and poor service delivery have escalated, often leading to public violent clashes with authorities and damage to infrastructure. This leads to disrupted production due to employees being unable to get to work.

Illegal mining provides a living for many impoverished people. This sector is typically unregulated, with legitimate miners having to compete with illegal miners for their own resources. Government action remains erratic.

Our response
A strong social licence to operate is vital for long-term sustainable value creation for all stakeholders.

The Group has a strong record of **transformation**, including procurement from local businesses and staff demographics.

Mining companies are often the main providers of **employment** in rural areas, which creates high community expectations. Pan African is the largest employer in the Barberton and Evander regions of South Africa.

The financial and **social investment** flows we sustain are crucial to the well-being of our host communities. During the review period, the Group invested US$1.3 million (2019: US$1.9 million) in CSI, LED projects and bursaries. The Group has supported employees and local communities during the COVID-19 lockdown with food parcels and supply of other essential items.

Climate change

CLIMATE CHANGE WILL AFFECT EVERYONE IN MANY WAYS IF ACTION IS NOT TAKEN

The environment and how it affects us
Unpredictable **weather patterns**, dry conditions and drought impact agriculture production, resulting in food scarcity, diminished spending on non-food items and inflation.

All fields of human activity, from agriculture to energy supply, are changing as awareness of the need to transform the way business is conducted to **protect** the environment grows.

Ongoing degradation of **natural capital** impacts not only the availability of resources but livelihoods and human development. A reduction in the quality of soil, biodiversity and water impacts food security, the value of land and resettlement of people, and a degraded environment has further impact on health, nutrition and susceptibility to disease.

Our response
Our activities associated with the exploration, extraction and processing of **Mineral Resources** result in the unavoidable disturbance of land, the consumption of resources, generation of waste and atmospheric and water pollutants. We invest in innovation and skills training to build an even greater understanding of the conservation of our natural environment, and aim to minimise the impact of our activities on our environment.

The Group will commence with the construction of a **solar photovoltaic plant** in the next few months in order to limit the reliance on coal-powered electricity.

Our gold **tailings reclamation** projects not only extract the additional economic value from historical tailings but also provide an opportunity to process the tailings with up-to-date technology. This delivers a less toxic, more stable footprint, while making large areas of land available for productive use.

We guard against thermal stress that can be caused by very high temperatures that our employees are exposed to.

The COVID-19 pandemic

A practical case study to show how all parts of Pan African work together to ensure the health and safety of our people.

Our operating environment in 2020 was overshadowed by the COVID-19 pandemic.

The unfolding, global COVID-19 pandemic is a human crisis of historic scale and complexity. It is straining healthcare systems, government fiscal capacity, and the ability of many organisations to cope with the changes wrought by the virus and the response to it. The level of uncertainty for most leaders is unprecedented, and many frameworks for planning and problem-solving are unable to manage the geographic variability, uncertainty and the exponential change brought by the COVID-19 crisis.

It has impacted individuals, families, businesses, societies and countries as infection rates escalate around the world and in South Africa. In response, governments have implemented emergency measures to curb the spread of the virus.

THE PROOF IS IN THE NUMBERS

South Africa's early and comprehensive response to the COVID-19 pandemic assisted the country in flattening the curve and restricting the number of infections. The country's younger than average population also ensured that the mortality rate was kept below that of many European countries. The province of Mpumalanga, where Pan African's operations are based, was spared infection by lower contact from foreign visitors and travel restrictions during the initial lockdown. Our own employees were protected through suitable care and education and early implementation of the Group's SOPs.

At 30 June 2020	Global[1]	South Africa[2]	Mpumalanga[2]	Pan African
Population[3]	7,794,798,739	59,308,690	4,633,883	4,014[4]
Infections	10,417,063	151,209	1,190	2
Infection rate (%)	0.134	0.255	0.026	0.050
Recoveries	5,262,705	73,543	464	2
Recovery rate (%)	50.5	48.6	39.0	100
Deaths	509,516	2,657	7	–
Death rate (%)	4.9	1.8	0.6	–

Sources

[1] *Centre for Systems Science and Engineering at Johns Hopkins University.*

[2] *Department of Health.*

[3] *UN World Population Prospects (2019 Revision).*

[4] *The Group's total staff complement which includes both employees and contractors.*

Providing our employees with a safe working and operating environment is key to their well-being.

Food parcels being prepared for distribution to the community as part of our effort in combating the COVID-19 pandemic.

TIMELINE OF SOUTH AFRICA'S AND PAN AFRICAN'S RESPONSES TO THE COVID-19 PANDEMIC

In the table below, we show how Pan African rose to the challenges posed to it by the pandemic, outlined along the timeline of South Africa's response to the threat posed by the virus.

5 March 2020 – First COVID-19 case in South Africa reported

- A multi-lingual campaign was launched to educate the public on the coronavirus
- Handwashing, physical distancing and covering sneezes was emphasised

Macroeconomic and social impact

Initial response

An extensive, multi-lingual and continuous campaign was undertaken on social media and through the media to educate the public on how the coronavirus spreads and how to prevent it. The educational messages emphasised the importance of frequent and thorough handwashing with soap and water (or use of an alcohol-based hand sanitiser), the need for physical distancing, how to cover the mouth with a tissue or flexed elbow when sneezing or coughing, and how and why people should seek medical attention when any COVID-19 symptoms occur. There was also a concerted effort to combat misinformation and disinformation on COVID-19 in South Africa.

Economic impact

When the virus started to spread, financial markets dropped sharply and market movements were extremely **volatile** as investors reduced their risk appetite and attempted to estimate the economic impact of the pandemic.

In addition, global **oil markets also dropped** sharply following disagreements between Russia and Saudi Arabia on levels of supply. Internationally, COVID-19 caused alarming economic data releases. **Eurozone GDP** declined in the first quarter of 2020 by the fastest rate since record keeping began in 1995, while US GDP contracted by the steepest rate since the global financial crisis. Second quarter GDP numbers were even worse. The real long-term impact of these events on economic growth remains to be seen. Most economists predict a **global recession**.

How we responded

Health of employees is paramount

While the circumstances leading to the COVID-19 pandemic are largely out of our control, we have managed the escalating spread by being **proactive** and responsible. We have implemented precautionary and preventative actions to help ensure the health and well-being of all our staff and other stakeholders, and to ensure **business continuity**.

Our primary focus areas are the health and safety of our staff and maintaining uninterrupted operations.

We established a **COVID-19 steering committee** to oversee our actions and manage the unfolding risks. Each operation has a COVID-19 task team reporting to a Group COVID-19 task team, ensuring coordination of our efforts across all operations.

15 March 2020 – President Cyril Ramaphosa declares a national state of disaster

- The National Coronavirus Command Council was created
- Travel restrictions and group gatherings of more than 100 were prohibited
- Schools were closed from 18 March 2020
- A national lockdown was announced on 23 March 2020

Macroeconomic and social impact

National state of disaster

These decisions were aimed at facilitating a coordinated all-of-government approach to flattening the COVID-19 curve in South Africa. Elbow greetings were recommended instead of handshaking.

The **National Coronavirus Command Council** was formed to lead the nation's plan to contain the spread, mitigate the negative impact of the virus and ensure that the country's medical infrastructure was brought to a state of readiness.

The activities of the command council were supported by a Ministerial Advisory Committee, comprising 45 eminent scientists with expertise and experience in laboratory testing, clinical matters, public health and research. The committee synthesised available scientific evidence into user-friendly formats to facilitate evidence-informed decision-making by the command council.

South Africa put in place a robust mechanism for case investigation and contact tracing. Confirmed cases were isolated and treated, and their contacts were put on self-quarantine for 14 days. Surveillance, screening and testing measures were strengthened at international airports as part of the national state of disaster.

How we responded

Prevention and monitoring

Pan African immediately instituted a number of **preventative and monitoring measures**, consistent with the guidelines provided by the Minerals Council South Africa (MCSA) and the National Institute of Communicable Diseases, at all operations to curb the spread of the virus. This entails ongoing education and communication programmes to ensure that all our employees are fully informed and aware of the virus, and how to protect themselves from being infected. The Group continues to communicate and supply employees with face masks, sanitiser, access to water, soap and disinfectants to ensure that hygiene remains the core focus to preventing the spread of the virus.

All employees, contractors and visitors are required to have their body **temperatures tested** upon entry and exit to the plant and offices, to assist in the detection of individuals that may be infected or are displaying symptoms of the virus.

Before the lockdown was implemented, we set up working teams and structures to **monitor** and adjust the measures that we put in place to ensure compliance with government requirements while optimising the output of the areas where we obtained permission to operate.

27 March 2020 – First 21-day national lockdown imposed by the command council (level 5)

- The South African National Defence Force was deployed to support the government
- People could go out only for essentials such as social grants, food, medicine and fuel
- Sale of non-essentials, including liquor and tobacco products was halted
- Borders were closed except for designated ports of entry for the transportation of fuel, cargo or goods; quarantines were enforced on inbound travellers
- International and domestic passenger flights were prohibited except for flights to evacuate South African nationals in foreign countries

Macroeconomic and social impact

Exemptions

Exempt from the lockdown were people deemed necessary to the effective response to the pandemic. **Mining**, as a vital contributor to the fiscus, was allowed to resume on a limited scale during the initial level 5 lockdown.

Economic impact

In the short term, the government-imposed lockdown restrictions designed to flatten the infection curve had a **devastating impact on the South African economy**, which was already under stress.

All businesses ceased physical operation, except for those involved in the manufacturing, supply or provision of an essential good or service (EGS). The EGS supply chains were generally formalised and monitored, with each link in the chain requiring various degrees of formal approval such as permits – therefore entering into the bureaucracy of the state. One consequence of this was that the informal economy disintegrated overnight. As up to 20% (per Stats SA) of all employment is in the informal sector, and most in this sector do not have savings, serious relief is required in order to avoid a looming economic and humanitarian disaster. Existing community care and aid networks were also threatened.

Social impact

Major sporting and cultural events and shows were suspended or cancelled. Religious gatherings were suspended and many city public facilities were closed. A number of liquor stores and food stores were targeted by looters, mostly in the Western Cape. A large number of schools were vandalised and/or burgled.

The liquor ban was expected to free up hospital capacity to deal with COVID-19 cases as alcohol abuse exerts a heavy toll on South Africa's health system.

The initial performance of the South African government to the COVID-19 response granted it a reprieve. Praise for the government emanated from all sectors of South African society – political party leaders, the business sector, civil society and the public.

How we responded

Lockdown commenced

The mining industry was dealt a devastating blow when the lockdown was imposed. A phased closure of our operations commenced on 23 March 2020, when the lockdown was announced, to ensure the safety of our employees and operations. All blasting operations were halted to ensure that all working places were made safe and to prepare for an extended period of inactivity.

The executive team, in consultation with the operations' management, assessed the potential impact of shutting down and concluded that it would have a catastrophic impact on the sustainability of the business. Pan African had to find a way to ensure survival and the continued well-being of its employees and dependent communities.

We adopted a risk-based approach by introducing **scaled-down operational plans** that would secure the health and safety of our employees while securing the sustainability of the business. Some of the plans put in place included:

- providing housing for employees at Evander Mines, ensuring that they were not exposed to the general population
- providing PPE
- introducing COVID-19 SOPs to ensure general hygiene and social distancing
- education on the COVID-19 SOPs and prevention measures
- identifying high-risk areas and the introduction of safety and hygiene measures such as periodic disinfection and limiting the number of people in certain areas such as cages, etc.

We engaged with the local DMRE in Mpumalanga as well as the Director-General of the DMRE and **obtained permission** to proceed with the following:

- Operate Elikhulu at no more than 50% of the labour complement
- Commence with scaled-down mining underground at Barberton Mines to ensure the sustainability of the BIOX®
- Allow essential services crews to operate during lockdown to ensure a smooth ramp up when full-scale production was allowed to resume
- Operate BTRP at no more than 50% of the labour complement
- Keep 8 Shaft pillar on care and maintenance but allow for shaft sinkers to continue work on the shaft tower and allow two crews in the pillar for de-stressing work and the management of seismicity.

Ensuring all employees have the correct protective clothing and equipment.

16 April 2020 – Nationwide lockdown extended by two weeks

- The South African government recommended face masks for the general population
- On 21 April 2020, a ZAR500 billion stimulus package was announced

Macroeconomic and social impact

Fiscal support package

Government announced a **ZAR500 billion fiscal support package**. The National Treasury indicated that it would not need to borrow from domestic markets to finance the measures, but government would still have a significant funding shortfall, given a massive expected revenue shortfall.

Growing discontent

South Africa's response to the COVID-19 outbreak has been both lauded and condemned. While some have praised the speed and intensity of the response, others have rightfully pointed out the catastrophic impact it has had on the working class and the economy. Unfortunately, the debate has largely been framed in terms of a single dichotomy: lockdown versus open up. This dichotomy asks us to choose between the lesser of two known evils: the overflowing of hospitals or starvation and alleged police brutality of lockdown in South Africa.

It is not only the lockdown's many failures that have led to the popularity of reopening the country but, also, the inability to imagine a successful lockdown, one that can avoid these failures.

How we responded

Following the approval of our plans by the DMRE, we engaged with local and national police to ensure that they were aware of the approved plans and to ensure that our employees would be able to get to work. We engaged with the CIPC to obtain the required **permits** and these were issued to all relevant workers. We remained in contact with the DMRE to ensure they were kept informed on our progress.

Timeous securing of the required PPE, screening equipment and accommodation for employees was challenging but the operational teams' proactive approach ensured we obtained everything we required timeously.

Through proper planning and execution, we have managed to maintain a strong production performance with a **drastically reduced workforce** while dealing with many constraints imposed on us by the risks posed by the pandemic. Although this would only be possible for a limited period, we put plans in place to achieve the maximum impact from our limited workforce while maintaining the sustainability of the operation for when we come out of the lockdown. The health and safety of our employees has been the primary consideration in all decision-making.

4 May 2020 – Nationwide lockdown eased to level 4

- Outdoor exercise permitted between 06h00 and 09h00
- Food and service deliveries permitted between 05h00 and 19h00
- A nationwide curfew from 20h00 to 05h00
- Cloth masks mandatory in public
- Easing on items that could be purchased

Macroeconomic and social impact

Impending food and shelter dilemma

The COVID-19 crisis and ensuing lockdown have predictably resulted in a catastrophic impact on the working class, small businesses and the unemployed. Without adequate intervention, millions of South Africans will be unable to access basics such as food and shelter in the coming months, especially those in the informal sector who do not have access to the Unemployment Insurance Fund.

How we responded

There have been two positive cases of COVID-19 among our employees at 30 June 2020.

The recorded infection rate in Mpumalanga remains low relative to other provinces with only 1,190 cases (0.8%) out of a national total of 151,209 positive COVID-19 infections as of 30 June 2020.

Both Barberton Mines and Evander Mines implemented the mandatory guidelines of the DMRE and the Disaster Management Act when recalling their employees for the ramp up of the allowable 50% workforce.

Workforce representation was at 47% for Barberton Mines at 4 May 2020, while Evander Mines was at 50%. There was an increase at Evander Mines due to the surface operations being allowed to operate at 100% capacity as per the revised regulations from 1 May 2020. The Group's SOPs and risk-based approach to COVID-19 are continually being updated to manage the phasing in of employees to the workplaces.

1 June 2020 – Nationwide lockdown eased to level 3

- Easing of restrictions on work and social activities

Macroeconomic and social impact

Unions put pressure on the DMRE

Both mining sector unions, the National Union of Mineworkers (NUM) and the Association of Mineworkers and Construction Union (AMCU), showed strong opposition to the complete reopening of the mining sector from 1 June 2020, in the process confronting Mineral and Energy Resources Minister Gwede Mantashe.

The objection was fuelled by the outbreak of COVID-19 at AngloGold Ashanti's Mponeng operation, the world's deepest mine in western Gauteng. By 26 May 2020, the mine had recorded 196 COVID-19 cases among its workforce. It was temporarily closed while contact tracing was carried out and its infrastructure subjected to a deep clean and sanitisation.

NUM wanted the entire workforce tested before reopening, which was highly unlikely in the face of a global shortage of testing kits. They also threatened that their members could leave their working place in terms of section 23 of the Mine Health and Safety Act as the circumstances posed a serious danger to their health or safety. NUM said miners were still forced to work in close proximity because their jobs made it difficult to follow social distancing.

In early May 2020, the Labour Court ordered the Chief Inspector of Mines to gazette guidelines and implement a code of practice to mitigate the effects of COVID-19, following a court challenge by AMCU.

How we responded

Our tailings operations were able to **ramp up** to near full capacity by 1 May 2020. Underground operations were conducted at approximately 50% of capacity from 27 March to 31 May 2020.

Head office staff were able to work remotely during level 5 and returned to 50% office attendance at the commencement of level 4, effective 4 May 2020.

CSI in our communities

Our board-approved COVID-19 **relief and assistance programme** is on track. Evander Mines distributed 1,404 food and hygiene hampers to NGOs and vulnerable families within the communities adjacent to our operations. Barberton Mines has distributed over 5,000 food hampers to its employees and has completed dropping off bulk consignments to NGOs for distribution to identified vulnerable families in our host communities. Barberton Mines has collaborated with the City of Mbombela's food hamper distribution programme and handed over the food hamper consignment in mid-May 2020. At the end of May 2020, over 5,400 hampers were provided. Each hamper weighed around 54kg, and was designed to feed a family of five for a period of at least one month.

The provision of the hampers also meant reduced exposure to COVID-19 for our essential services workers and community members, as it reduced the need to leave their homes during the lockdown to purchase supplies and hygiene products.

In light of the ongoing pandemic, the Group continued to implement initiatives to assist vulnerable stakeholders where possible.

Effect on the mining industry

On 27 May 2020, the MCSA, which is the main industry body for South Africa's mining sector, held its AGM. At the media briefing, CEO Roger Baxter said the MCSA sees mining production declining 6% to 10% in 2020 in the face of the COVID-19 impact. Most of the sector was shut down for late March and April and it was allowed to reach 50% capacity in May, with a full reboot set for June. The sector was allowed to run at partial capacity ahead of many others. Out of a mining workforce of about 450,000, approximately 55% or close to 250,000 have returned to work or remained on the job.

As the sector cranks up, demand for power will also rise, and Eskom's ability to deliver without load shedding is uncertain. It also remains to be seen the extent to which the pandemic will spread through the mining workforce and mining communities.

COVID-19 spend

At 30 June 2020, the Group had spent US$0.9 million on fighting the pandemic.

This includes the cost of:

- food and hygiene hampers
- costs for prevention, such as
  - information posters
  - internal awareness programmes
  - PPE
  - disinfectants
  - additional sanitising
  - thermometers
  - medical tests and personnel
  - quarantine facilities
  - isolated accommodation
  - isolated transport, tracing and screening
  - contributions to local clinics and government departments
  - facilities upgrades.

17 August 2020 – Lockdown moved to level 2

- Further easing of restrictions

Macroeconomic and social impact

The next normal

Leading consultants, McKinsey, predict that four forces will mould the 'next normal' in the post-COVID-19 world, namely:

- the metamorphosis of demand
- rapid changes in the workforce
- shifts in regulation and
- increasing information about protocols for safety.

How we responded

Tribute

We are immensely proud of the joint and dedicated effort from all employees and the leadership at Pan African to secure one another's health and safety and thereby ensure the continued sustainability of the Group under the truly life-threatening circumstances brought about by COVID-19.

Financial capital

OUR STRATEGIC INITIATIVE

Ensuring adequate financial resources for efficient operation of our mines and the disciplined capital allocation for sustainable value creation

RELATED RISKS	Refer to
• Heightened social and political uncertainty and instability which may result in business disruption	18
• Infrastructure dependency and constraints	19
• Macroeconomic volatility which may give rise to financial duress	21
• Strategic capital allocation	22
• Interruption to stable power supply	22

MATERIAL MATTERS	Refer to
Capital structure	40
Value-accretive growth	41
Capital allocation	44
Energy availability	46
Societal/community relationships	67
External operational disruption	68

KEY STAKEHOLDERS	Refer to
Providers of capital	23
Security exchanges	23
Suppliers	24

17 PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOAL 17

Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development

Pan African supports this goal through:

- its membership of the MCSA
- executive directors' attendance at numerous local and international events and conferences
- our engagement with shareholders, analysts and the media through our biannual results presentations and domestic and international roadshows, which include meetings with potential clients, investors, analysts and bankers
- our engagement with mining regulatory bodies
- our participation in CSI programmes such as the Adopt-a-School Foundation
- working with other stakeholders such as local government authorities, we support a number of projects which contribute to the development and support of host communities.

More information on Pan African's contribution to meeting this SDG can be found in the sustainable development report.

KEY STATISTICS

	Unit	2020	2019	2018	2017	2016
Revenue and other revenue	US$ million	**274.1**	217.7	146.0	158.8	238.6
Net cash generated from operating activities	US$ million	**53.8**	37.7	13.4	3.6	40.1
Net debt[1]	US$ million	**76.4**	129.9	118.0	5.2	23.1
Dividend paid	US$ million	**3.4**	–	13.2	21.3	14.6
Profit after taxation	US$ million	**44.3**	38.0	(122.8)	22.8	37.7
Return on shareholder funds[1]	%	**24.1**	23.0	(57.9)	9.2	16.4
Net debt to equity[1]	ratio	**0.42**	0.7	0.8	0.02	0.1
Net debt to net adjusted EBITDA[1, 2]	ratio	**0.7**	2.2	3.7	0.1	0.4
Interest cover[1]	ratio	**10.1**	4.1	4.6	19.3	34.7
Debt service cover[1]	ratio	**3.4**	1.4	4.1	9.2	–
Current ratio[1]	ratio	**0.68**	0.47	0.60	0.94	0.68

[1] *Refer to APMs on pages 210 to 216.*

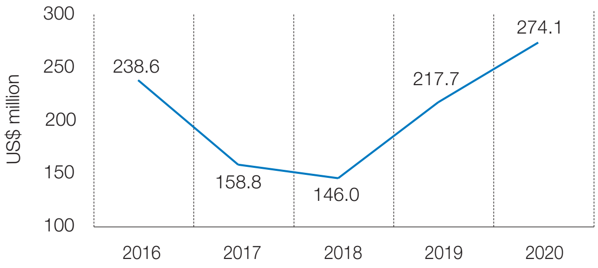
[2] *Net adjusted EBITDA is represented by earnings before interest, income taxation expense, mining depreciation and amortisation, impairment reversal and fair value gains and losses from financial instruments.*

MORE ABOUT OUR PERFORMANCE RATIOS

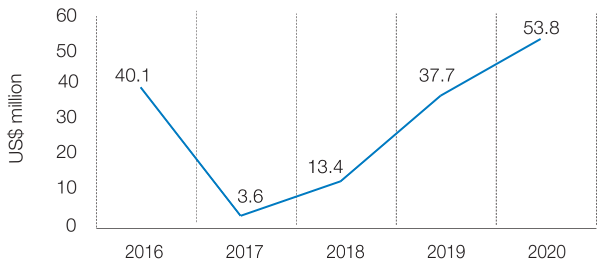
Ratio	What it measures	How it is calculated	How we performed
Return on shareholder funds	This ratio measures returns to equity shareholders as a percentage of the capital invested in the Group	Profit after taxation divided by total equity	The Group strives to exceed its cost of equity achieved for the past two years following the repositioning of the business in the 2018 financial year as a high-margin sustainable business
Net debt to equity	The degree to which the Group finances its operations through debt relative to equity	Net debt divided by total equity	This ratio is calculated in note 34 to the consolidated annual financial statements The Group strives to fund its operations on a debt to equity ratio below 1. This objective has been consistently achieved over the past five years, notwithstanding the debt raised to fund Elikhulu's construction and Evander Mines' retrenchment costs incurred in 2018. The Group last raised equity in the 2018 financial year to improve its liquidity following the cessation of deep level operations at Evander Mines Our strategic objectives for the 2021 financial year include debt reduction and an increased dividend yield and to fund large future organic growth projects through non-dilutive funding options
Net debt to net adjusted EBITDA	The number of years it would take the Group to repay its net debt from net adjusted EBITDA assuming both variables are held consistent	Net debt divided by net adjusted EBITDA	This ratio is calculated in note 34 to the consolidated annual financial statements This ratio has decreased to below 2.5. The Group strives to maintain this ratio below 2.5 in the short term and below 2.0 in the medium term. With the exception of the 2018 financial year, during which the Group incurred the retrenchments cost at Evander Mines, and the US$71.0 million Elikhulu debt, this ratio has been consistently maintained at the intended level
Interest cover	The Group's ability to pay interest on its outstanding senior debt from net adjusted EBITDA	Total net adjusted EBITDA divided by interest cost incurred on interest-bearing debt	This ratio is calculated in note 34 to the consolidated annual financial statements The Group strives to maintain this ratio in excess of 4. It has improved to 10.1 (2019: 4.10) and is expected to continue improving as the Group reduces its debt in the short to medium term
Debt service cover	The cash flow available for debt service relative to the Group's principal and interest debt obligations	Free cash flow available for debt service divided by principle and interest debt obligations	This ratio is calculated in note 34 to the consolidated annual financial statements The Group endeavours to maintain this ratio in excess of 1.3 and has consistently achieved this objective in the past four years. Furthermore, this ratio is expected to improve in the short to medium term as the Group's debt levels reduce
Current ratio	This liquidity ratio measures the Group's ability to pay its current liabilities from current assets	Current assets divided by current liabilities	This ratio is below the norm of 2:1 because of the Group's short gold inventory and receivable holding period, relative to the creditor payment terms

Our mines operate efficiently with appropriate capital allocation.

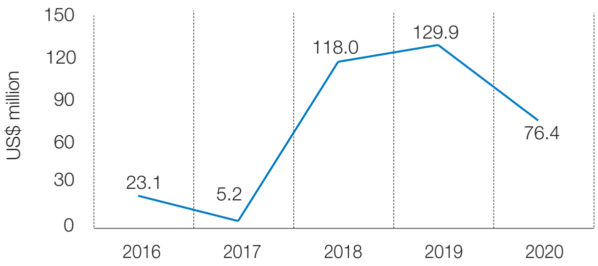
Revenue and other revenue



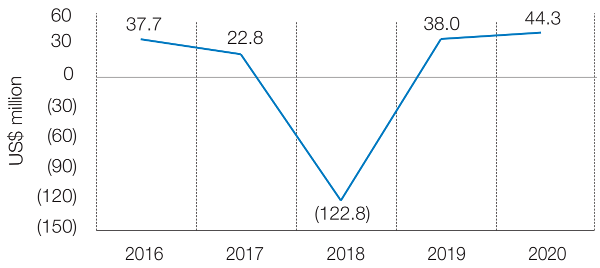
Net cash generated from operating activities



Net debt



Profit after taxation



Capital structure

We continuously consider means of improving our return on capital

Achievements to date

- Net debt decreased to US$76.4 million (2019: US$129.9 million), due to principal redemptions on the Group's senior debt facilities
- Cash generated by operating activities increased to US$53.8 million (2019: US$37.7 million), which can be attributed to increased Group production and higher gold prices, as detailed in the financial director's review
- Re-initiation of dividend distribution with ZAR50 million (US$3.4 million) paid as a final dividend for the 2019 financial year in December 2019 and a final dividend of ZAR312.9 million (approximately US$18.7 million) proposed for the 2020 financial year
- Following a 44% increase in the ZAR/kg gold price received in the second half of the 2020 financial year, the Group realised a mark-to-market fair value loss of US$22.0 million (2019: US$0.5 million gain) on its financial derivatives entered into as part of its gold price hedging programme to ensure adequate liquidity for the Group's principal and interest debt obligations during the 2020 financial year
- Following the suspension and curtailment of operations as a consequence of the COVID-19 lockdown, the Group obtained approval from Rand Merchant Bank (RMB) to defer the last three tranches of its existing gold loan instalments, constituting of 5,000oz, to the first quarter of the 2021 financial year to ensure adequate liquidity for the 2020 financial year
- Established a level 1 ADR programme to improve trading liquidity

Targets

- Maintaining a net debt to equity ratio of below 1 and a net debt to adjusted EBITDA ratio of below 2.5
- Ensuring adequate liquidity to meet all principal and interest debt obligations
- Increase dividend distributions relative to the 2019 financial year
- Ensuring adequate funding available for the Group's organic growth projects

Why these targets are important

- Structuring our statement of financial position in a robust manner ensures that the Group can withstand macroeconomic volatility, resource its operations and have access to capital to take advantage of organic growth opportunities
- Generating the requisite return on equity and returning capital to shareholders in the form of dividends is important to maintain their support for future equity funding

Related risk

- Macroeconomic volatility which may give rise to financial duress

Short- to medium-term focus

- Debt reduction and strengthening the Group's statement of financial position to allow for improved funding, flexibility and liquidity
- Increasing returns on shareholder capital
- Securing non-dilutive funding for the Egoli project and for the construction of a solar photovoltaic plant at Evander Mines
- Increasing dividends

Long-term objectives

- Our investment criterion is to earn a return in excess of our cost of capital, after adjusting for project-specific and sovereign risks associated with an investment
- To ensure returns are robust through the commodity cycle, 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

Value-accretive growth

An existing pipeline of internal growth projects and continuous evaluation of acquisition opportunities

Achievements to date

- Barberton Mines' Royal Sheba project
  - The Group is assessing the merits of using an underground sub-level open-stoping mining method by developing haulages from the current surface adits into the orebody
- Barberton Mines' Prince Consort (PC) Shaft Level 42 project
  - This project was identified as a potential source of additional production that will re-establish the profitability of the New Consort Mine
  - The orebody was intersected in May 2020 following delays experienced due to disruptions caused by the COVID-19 pandemic, with local chip samples obtaining grades in excess of 300g/t
- Barberton Mines' sub-vertical shaft project at Fairview
  - The Fairview sub-vertical shaft project is expected to relieve pressure on the 3 Decline shaft, as employees and material will be conveyed via the sub-vertical shaft
  - Developing top and bottom access for the sub-vertical shaft has been completed and we are currently busy with sliping to accommodate the required infrastructure and machinery
- Evander Mines' Egoli project
  - The feasibility study has been completed with the project capitalising on using Evander Mines' existing underground infrastructure, the Kinross processing plant and the existing TSF. The project has an initial expected life-of-mine of nine years with an average annual production of between 60,000oz to 80,000oz over the life-of-mine

Targets

- 15% incremental increase in annual production
- Achieving the Group's revised production guidance of 176,000oz (the Group suspended its original production guidance of 185,000oz for the 2020 financial year as a result of the adverse impact on mining operations following the implementation of measures to curb the spread of COVID-19)
- Commence mining the 8 Shaft pillar
- Commence mining the PC Shaft Level 42 project at New Consort Mine

Why these targets are important

- Delivering on production guidance enables the Group to produce gold profitably, generate the requisite cash to redeem its debt obligations and improve investor confidence in the Group's sustainability
- The 8 Shaft pillar project is expected to contribute 20,000oz to 30,000oz per annum for the next three years
- Mining the PC Shaft Level 42 project is expected to add incremental gold production and reduce the unit production cost at Barberton Mines

Related risks

- Infrastructure dependency and constraints
- Geological variability in the Mineral Resources and Mineral Reserves
- Macroeconomic volatility which may give rise to financial duress

Short- to medium-term focus

- Executing earnings and cash flow-accretive growth projects, with a focus on organic projects given their reduced development cost and implementation times
- The Group is currently focusing on the following projects to improve its production profile, increase flexibility and optimise infrastructure capacity over the short to medium term:
  - Barberton Mines' Royal Sheba project
  - Barberton Mines' sub-vertical shaft
  - Barberton Mines' PC Shaft Level 42 project
  - Barberton Mines' Project Dibanisa
  - Evander Mines' Egoli project
- Evaluating acquisition opportunities, particularly in other African jurisdictions, in accordance with the Group's rigorous capital allocation criteria
- 36 exploration targets have been identified at New Consort Mine and will be explored during the next three years
- Commencing exploration programmes with the intent of delineating shallow organic growth opportunities within Evander Mines' existing mining right

Long-term objectives

- As a business seeking sustainable growth, we continue to evaluate value-accretive opportunities that meet our stringent investment criteria

Manufactured capital

RELATED RISKS

	Refer to
• Heightened social and political uncertainty and instability which may result in business disruption	18
• Infrastructure dependency and constraints	19
• Environmental impact of mining activities	20
• Geological variability in the Mineral Resources and Mineral Reserves	21
• Interruption to stable power supply	22
• Strategic capital allocation	22

MATERIAL MATTERS

	Refer to
Capital allocation	44
Geological complexity	45
Energy availability	46
Technological interconnectivity	58
Climate change	72
Environmental impact	73

KEY STAKEHOLDERS

	Refer to
Providers of capital	23
Customer	24
Suppliers	24
Employees	24
Communities	25

SUSTAINABLE DEVELOPMENT GOAL 11

Make cities and human settlements inclusive, safe, resilient and sustainable

SUPPORTING OUR COMMUNITIES THROUGH OUR TRANSFORMATION TRUSTS

Pan African invests in communities through our Group transformation trusts – Evander Mines Transformation Trust (EMTT) and Barberton Mines Transformation Trust (BMTT) – which include contributions to the trusts made by our operations and participating suppliers. The objective of these trusts is to improve infrastructure and facilities in host communities, create jobs and promote socio-economic development. The Group's transformation trusts have invested US$0.7 million in our communities in the current financial year (2019: US$1.3 million).

CORPORATE SOCIAL INVESTMENT AND LOCAL ECONOMIC DEVELOPMENT

Through Pan African's CSI and LED projects, we continually drive various community-focused development projects where we operate. The Group has contributed US$1.3 million (2019: US$1.9 million) in CSI and LED projects and bursaries.

SLP COMMUNITY PROJECTS

The primary objective of mine community development spending is to meaningfully contribute to projects and programmes that positively impact the local community. This is done in line with SLP requirements and supporting our operations' social licence to operate. To ensure that social initiatives are relevant and effective, each operation engages with elected community representatives, local government, municipalities and ward councillors to identify and prioritise key community needs such as improvements to schools, clinics, roads and sporting facilities.

More information on Pan African's contribution to meeting this SDG can be found in the sustainable development report.

KEY STATISTICS

	Unit	2020	2019	2018	2017	2016
Mineral Resources	Moz Au	**37.6**	36.0	33.3	34.4	34.9
Mineral Reserves	Moz Au	**10.9**	10.9	11.2	11.2	10.0
Investment in infrastructure	US$ million	**34.6**	55.1	124.7	45.1	20.8
Gold mining tonnes milled	t	**285,016**	311,606	509,955	507,699	676,664
Gold tailings processed	t	**14,339,922**	13,035,165	3,041,325	3,143,414	2,801,021
Gold production	oz	**179,457**	172,442	160,444	173,285	204,928
Average gold price received	US$/oz	**1,574**	1,266	1,301	1,242	1,164
AISC*	US$/oz	**1,147**	988	1,358	1,177	870

* *Refer to APMs on pages 210 to 216.*

Capital allocation

We circumspectly deploy and manage our capital to create sustainable value for all stakeholders

Achievements to date

- The Group has purposefully repositioned itself as a sustainable high-margin producer by diversifying its mining operations to extract value, to a greater extent, from surface operations
- Total capital expenditure decreased by 27.5% to US$41.1 million (2019: US$56.7 million) comprising:
  - sustaining capital expenditure of US$16.4 million (2019: US$10.0 million)
  - expansion capital expenditure of US$24.7 million (2019: US$46.7 million)
- Invested US$24.7 million (2019: US$46.7 million) in growth projects including:
  - the development of the 23 Level haulage from the Sheba ZK Shaft to access the virgin orebody at Royal Sheba
  - the Royal Sheba trial mining programme to test the grade continuity of the Royal Sheba orebody
  - the sub-vertical shaft project at Fairview
  - the 8 Shaft pillar
  - development of the PC Shaft Level 42 project
  - completion of the mining feasibility study at Evander Mines' Egoli project
- Steady-state production was achieved at the 8 Shaft pillar during May 2020
- The Group has invested US$0.3 million in its agri-business projects during the current financial year

Targets

- 15% incremental increase in annual production
- Achieving the Group's revised production guidance of 176,000oz
- Commence mining the 8 Shaft pillar
- Commence mining the PC Shaft Level 42 project at New Consort Mine

Why these targets are important

- Delivering on production guidance enables the Group to produce gold profitably, generate the requisite cash to redeem its debt obligations and improve investor confidence in the Group's sustainability
- The 8 Shaft pillar project is expected to contribute 20,000oz to 30,000oz per annum for the next three years
- Mining the PC Shaft Level 42 project is expected to add incremental gold production and reduce the unit production cost at Barberton Mines

Related risks

- Infrastructure dependency and constraints
- Geological variability in the Mineral Resources and Mineral Reserves
- Macroeconomic volatility which may give rise to financial duress
- Interruption to stable power supply
- Strategic capital allocation

Short- to medium-term focus

- Successfully executing into capital projects that will maintain and increase future gold production with requisite returns
- Progressing the Egoli project from feasibility study phase to execution
- Optimising Barberton Mines' infrastructure capacity by advancing the Royal Sheba project, Project Dibanisa (which would link the Sheba Mine to Fairview Mine's infrastructure, saving costs and freeing up the Sheba Mine infrastructure for the Royal Sheba project) and progressing Fairview's sub-vertical project
- Enhancing the performance of our manufactured capital to improve overall efficiency and contain costs
- Constructing the Leslie/Bracken pumping infrastructure
- Commencing the construction of the Kinross TSF dams 1 and 2 for the future re-deposition of tailings
- Constructing and commissioning the solar photovoltaic plant at a budgeted capital cost of US$8.1 million*
- Completing phase 1 of the 45ha Barberton Blueberries project at a budgeted capital cost of US$2.3 million*
- Phases 2 and 3 of the Barberton Blueberries project are planned for development in the medium term

Long-term objectives

- Disciplined capital allocation remains a priority in assessing the merits of any capital expenditure programme or acquisition
- All capital allocation decisions are subject to rigorous analysis and predefined risk-adjusted return parameters to ensure the required return is generated
- Continue exploration of our orebodies using modern techniques
- Seek acquisition opportunities that meet our stringent investment criteria

** Amounts converted at the 30 June 2020 closing exchange rate of US$/ZAR:17.33.*

Geological complexity

We remain focused on improving underground mining flexibility and optimising our tailings operations

Achievements to date

- Mineral Resources of 37.61Moz (2019: 35.97Moz)
- Mineral Reserves of 10.87Moz (2019: 10.92Moz)
- Reserve delineation drilling, sampling and surveying yields a confidence greater than 95% for the Elikhulu operation's monthly forecasts
- De-risking BTRP's vulnerability to a deficit in future feedstock by identifying available third-party material in the region
- A 4.6% year-on-year increase in the Mineral Resource base of 332.3Mt at 3.52g/t for 37.61Moz (2019: 335.8Mt at 3.33g/t for 35.97Moz)
- Exceeding the Group's revised production guidance of 176,000oz for the 2020 financial year resulted in the Group's gold production increasing by 4.1% to 179,457oz (2019: 172,442oz)
- Barberton Mines produced 88,264oz (2019: 99,363oz) during the current financial year
- Barberton Mines increased its underground mining flexibility at Fairview Mine by combining mining from the high-grade 272, 358, 256 and, more recently, the 257 Platforms
- Evander Mines' surface operations, together with underground operations, produced 91,193oz (2019: 73,079oz) of gold
- Completion of the feasibility study for Evander Mines' Egoli project increased underground exploration and reserve delineation drilling at Barberton Mines

Targets

- Achieving the Group's revised production guidance of 176,000oz
- Continuing to reduce the Group's AISC with the intent of achieving an AISC of US$1,000/oz for the Group
- 15% incremental increase in annual production

Why these targets are important

- Delivering on production and cost guidance enables the Group to produce gold profitably, generate the requisite cash to redeem its debt obligations and improve investor confidence in the Group's sustainability
- Mineral Resources and Mineral Reserves are key components of the Group's sustainability

Related risk

- Geological variability in the Mineral Resources and Mineral Reserves

Short- to medium-term focus

- Exploring near-surface targets around existing operations
- Converting down-dip Mineral Resources of underground orebodies into Mineral Reserves, with a focus on high-margin orebodies
- Improving production through maximising Barberton Mines' plant capacity by making use of both high-grade and low-grade ore sources
- Delivering quality ounces consistent with our production guidance
- Assessing mining optimisation options to unlock production constraints and reduce costs at our operations
- Developing a new platform at Barberton Mines' Fairview 11-block Main Reef Complex (MRC) district, ensuring a minimum of two platforms are consistently in the production cycle. This is expected to enhance mining flexibility and efficiencies, enabling the mining of a consistent head grade
- Extending reserve definition drilling programmes to other orebodies at Barberton Mines and additional exploration targets using modern geophysical techniques
- Maintaining and increasing development rates at Barberton Mines to sustain the replacement of Fairview's high-grade platforms
- Finalising the execution plan for Evander Mines' Egoli project and secure financing options
- Commencing with exploration programmes to delineate additional shallow organic growth opportunities within Evander Mines' existing mining right
- Expanding production in current mining areas to achieve the production guidance of approximately 190,000oz for the 2021 financial year

Long-term objectives

- Increase Mineral Resources and Mineral Reserves through brownfield exploration and value-accretive acquisitions
- Create sustainable stakeholder value by optimising extraction efficiencies at our mining operations in a cost-effective and safe way

Energy availability

We manage the reliability of the energy supply and respond proactively to disruptions

Achievements to date

- Electricity consumption for the Group increased by 8.6% to 1,334,249GJ (2019: 1,228,501GJ)
- The Group's electricity costs increased by 24.0% to US$22.7 million (2019: US$18.3 million)
- Barberton Mines did not experience any production losses as a result of power curtailments. Power curtailments are proactively managed through quarterly meetings held with Eskom to ensure stable power supply
- A bankable feasibility study to develop a solar photovoltaic plant to supply power to Elikhulu has been completed and approval was obtained from the board
- Barberton Mines has initiated a feasibility study into the merits of a solar photovoltaic plant

Target

- Complete the feasibility study for the construction of the solar photovoltaic plant at Evander Mines

Why this target is important

- Renewable energy has become an economically attractive power alternative globally and in South Africa. This is as a result of the price of renewable technologies steadily declining. On a regular basis, researchers discover new technologies that either increase the yield or decrease the production price of energy

Related risk

- Interruption to stable power supply

Short- to medium-term focus

- Constructing and commissioning the solar photovoltaic plant at a budgeted capital cost of US$8.1 million*
- The solar photovoltaic plant is expected to deliver almost 30% of Elikhulu's annual power consumption and have a life of at least 20 to 30 years
- The annual operating cost of the plant is budgeted at US$0.1 million*
- Investing in a solar photovoltaic plant is expected to unlock a significant amount of value as a result of the cheaper and reliable power that will result from it
- Security of power is provided during daylight hours which will hedge Elikhulu against production losses owing to Eskom power outages
- Maintain a constructive relationship with Eskom to proactively manage power disruptions

Long-term objectives

- Increasing the Group's alternative energy sources by expanding Evander Mines' solar photovoltaic plant capacity
- Investigate a storage solution to extend the power supply period

** Amounts converted at the 30 June 2020 closing exchange rate of US$/ZAR:17.33.*

Solar power will reduce the Group's reliance on the national grid.

Abridged Mineral Resources and Mineral Reserves report

AIM OF THIS REPORT

Pan African's abridged Mineral Resources and Mineral Reserves report 2020 summarises the Group's position on Mineral Resources and Mineral Reserves at 30 June 2020.

HENDRIK PRETORIUS
Group mineral resource management manager

This report must be read in conjunction with the Pan African Mineral Resources and Mineral Reserves supplementary report for the year ended 30 June 2020 available on our website at www.panafricanresources.com. The supplement details important technical information on the Group's Mineral Resources and Mineral Reserves. The supplement is prepared in line with the standards determined by the South African Code for Reporting of Mineral Resources and Mineral Reserves (SAMREC Code 2016 edition).

The Mineral Resources component is reported inclusive of Mineral Reserves, unless otherwise stated. Information in this report is presented by operation, mine or project on an attributable basis.

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

HEADLINE NUMBERS – GROUP OVERVIEW

The Mineral Resources and Mineral Reserves for the Group are reported according to the guidelines of the SAMREC Code. Mineral Resources and Mineral Reserves exclude any exploration target and represent an attributable constituent for Pan African. All Mineral Resources include that portion of the Mineral Resources that was converted to Mineral Reserves by applying modifying factors and a mine plan to the blocks.

The total Mineral Resources for the Group increased from 36.0Moz (335.8Mt at 3.33g/t) at 30 June 2019 to 37.6Moz (332.3Mt at 3.52g/t) at 30 June 2020 – a gross annual increase of 1.6Moz, or 4.6%.

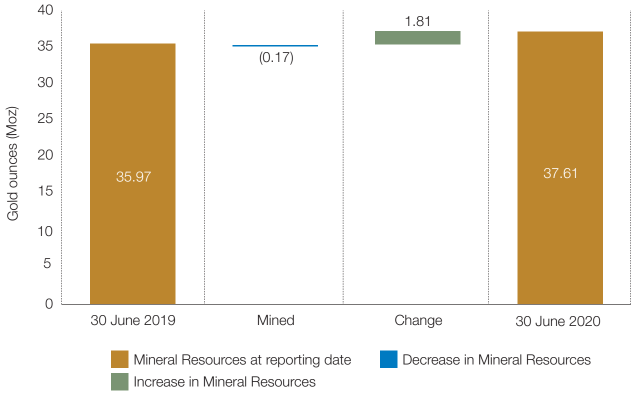
	Mineral Resources							
	At 30 June 2020				At 30 June 2019			
		Contained gold				Contained gold		
Category	Tonnes million	Grade g/t	Tonnes gold	Moz	Tonnes million	Grade g/t	Tonnes gold	Moz
Measured	43.3	2.38	103.0	3.31	53.1	1.84	97.5	3.14
Indicated	216.6	2.99	647.4	20.81	218.1	2.93	639.2	20.54
Inferred	72.3	5.80	419.4	13.48	64.7	5.90	381.8	12.29
Total	332.3	3.52	1,169.8	37.61	335.8	3.33	1,118.5	35.97

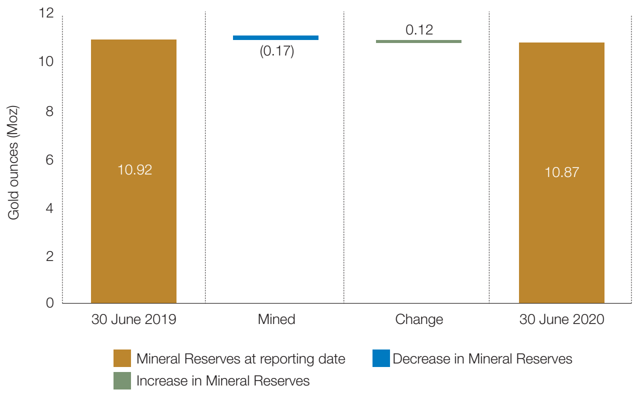
Mineral Resources increased mainly due to changes in the cut-off grade applied at 8 Shaft, additional Mineral Resource blocks reported at Fairview Mine and the optimisation of the Royal Sheba mining method. Changes in the cut-off grade are as a result of the higher gold price used in the cut-off grade estimations relative to the previous declarations (June 2020: ZAR750,000/kg Au versus June 2019: ZAR700,000/kg Au).

Pan African's Mineral Reserves remained constant at 10.9Moz (208.2Mt at 1.62g/t) at 30 June 2020 relative to 10.9Moz (216.6Mt at 1.57g/t) at 30 June 2019 – a gross annual decrease of only 0.05Moz (8.4Mt at 0.22g/t), or 0.5%.

	Mineral Reserves							
	At 30 June 2020				At 30 June 2019			
		Contained gold				Contained gold		
Category	Tonnes million	Grade g/t	Tonnes gold	Moz	Tonnes million	Grade g/t	Tonnes gold	Moz
Proved	31.5	1.50	47.3	1.52	36.4	1.22	44.3	1.42
Probable	176.7	1.65	290.6	9.34	180.2	1.64	295.5	9.50
Total	208.2	1.62	338.0	10.87	216.6	1.57	339.8	10.92

Mineral Reserves remained constant year on year, with a minimal decrease of 0.5% post mining depletion of 0.17Moz, excluding 0.01Moz produced from third-party material. Increases in the Mineral Reserves are reported for the New Consort, Royal Sheba and 8 Shaft pillar operations. Marginal decreases, mainly due to mining depletion, are evident at the BTRP, Sheba and Elikhulu operations. A change in the proposed mining method for the Egoli project resulted in a marginal decrease in reported Mineral Reserves for this project.





The reefs running through our operations are rich in minerals.

COMPETENT PERSON

The competent person for Pan African, Hendrik Pretorius, the Group mineral resource management manager, signs off the Mineral Resources and Mineral Reserves report for the Group.

Hendrik is a member of the South African Council for Natural Scientific Professions (SACNASP 400051/11 – Management Enterprise Building, Mark Shuttleworth Street, Innovation Hub, Pretoria, South Africa), as well as a member in good standing of the Geological Society of South Africa (GSSA 965978 – CSIR Mining Precinct, corner Rustenburg and Carlow Roads, Melville, South Africa). Hendrik has 17 years' experience in economic geology, mineral resource management and mining (surface mining and shallow to ultra-deep underground mining). He is based at The Firs Office Building, 2nd Floor, Office 204, corner Cradock and Biermann Avenues, Rosebank, Johannesburg, South Africa. Hendrik holds a BSc (Hons) Degree in Geology from the University of Johannesburg as well as a Graduate Diploma in Mining Engineering from the University of the Witwatersrand. Hendrik has reviewed and approved the information contained in this document as it pertains to Mineral Resources and Mineral Reserves and has provided written confirmation to Pan African that the information is compliant with the SAMREC Code and, where applicable, the relevant requirements of Section 12 of the JSE Listings Requirements and Table 1 of the SAMREC Code, and may be published in the form and context in which it appears.

2020 IN REVIEW

The Group's achievements for the year ended 30 June 2020 are presented below:

Licence to operate

- Barberton Mines submitted its mining right renewal application to the DMRE on 24 August 2018 for a further period of 30 years Processing of the application is in progress
- Evander Mines' mining right is valid until 28 April 2038

Operational execution

- Met and exceeded revised production guidance of 175Koz for the year
- Barberton 337kt at 6.79g/t for 68Koz
- BTRP 958kt at 1.76g/t for 20Koz
- Evander 67kt at 10.06g/t for 21Koz
- Elikhulu 13,094kt at 0.30g/t for 60Koz

Projects

- Deliver into 8 Shaft pillar
- Enhance the output of the Thomas section at Sheba Mine
- Equip the New Consort PC shaft pillar for extraction
- Completion of a feasibility study at Evander Mines' Egoli project

Safety

- Barberton Mines achieved 3 million fatality-free shifts in June 2020
- Fairview Mine achieved 2 million fatality-free shifts in April 2020
- Elikhulu had no lost-time injuries during the year

ESG

- Impact of COVID-19
- Development of minimised ESG framework for the Group
- Responsible production to achieve sustainable development goals as set out in the UN SDGs

Financial metrics

- Capital allocation aligned with the Group's strategy
- Achieved operational cash costs of US$911/oz
- Managed Group net debt down to US$76.4 million

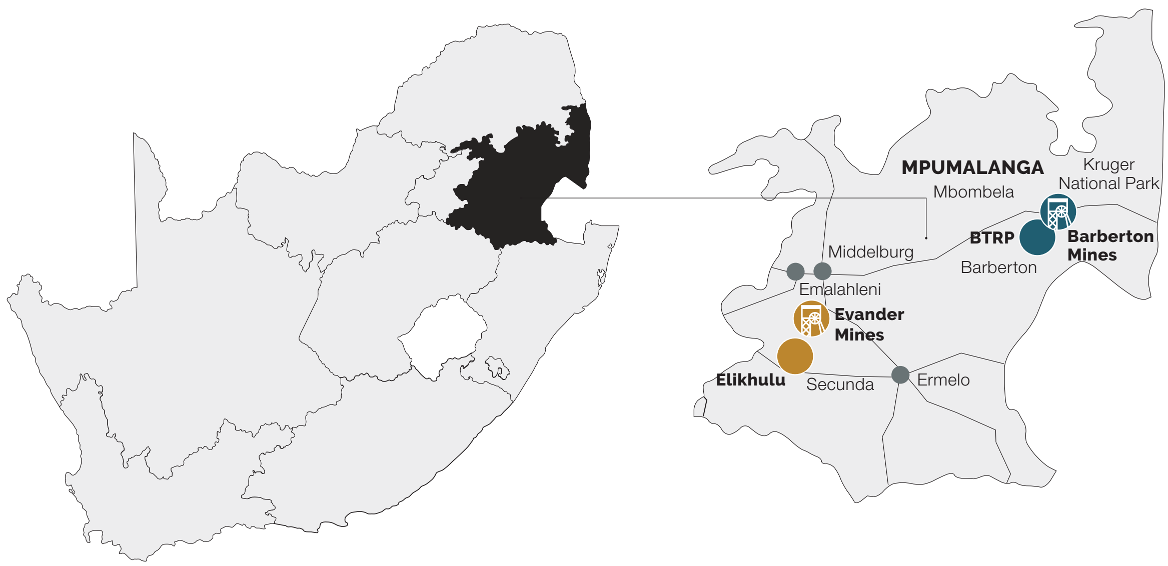
Mineral Resources

- Substantial increase of 4.6% to the Group's Mineral Resources base
- Successful exploration drilling at New Consort and Fairview Mines generated additional Mineral Resources as reported in this document
- Fit for purpose mining method for Royal Sheba project decreased the reporting cut-off grade
- Identification of an organic growth project (Evander Mines' 9 Shaft A-block) that could significantly improve current annual production

Mineral Reserves

- Advancement in reserve delineation drilling
- Optimisation of mining methods and modifying factors
- Additional platforms in the high-grade MRC orebody at Fairview Mine increases the mining flexibility and de-risks the production profile
- Optimisation of the BTRP scheduling
- Mineral Reserves decrease of only 0.5% post mining depletion of 0.18Moz

OPERATIONAL FOOTPRINT

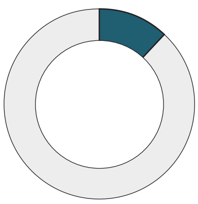


Barberton region

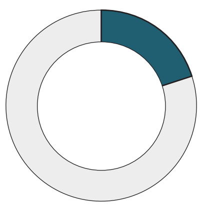
Barberton Mines consists of three underground mines and a tailings retreatment operation:

- Fairview Mine
- New Consort Mine
- Sheba Mine
- BTRP

Contribution to the Group's Mineral Resources 12%



Contribution to the Group's Mineral Reserves 20%

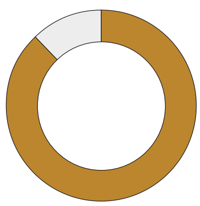


Evander region

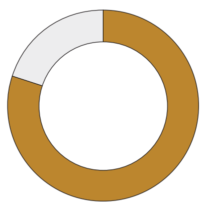
Evander Mines consists of one underground mine, a tailings retreatment operation and various projects:

- 8 Shaft
- Elikhulu
- Egoli project
- Rolspruit project
- Poplar project
- Evander South project
- 9 Shaft A-block project

Contribution to the Group's Mineral Resources 88%



Contribution to the Group's Mineral Reserves 80%



LOOKING FORWARD

The following key Mineral Resources and Mineral Reserves focus areas support the Group's strategic plan and are designed to boost growth in production, extend the operational life-of-mines and increase free cash flows, while also reducing operational costs.

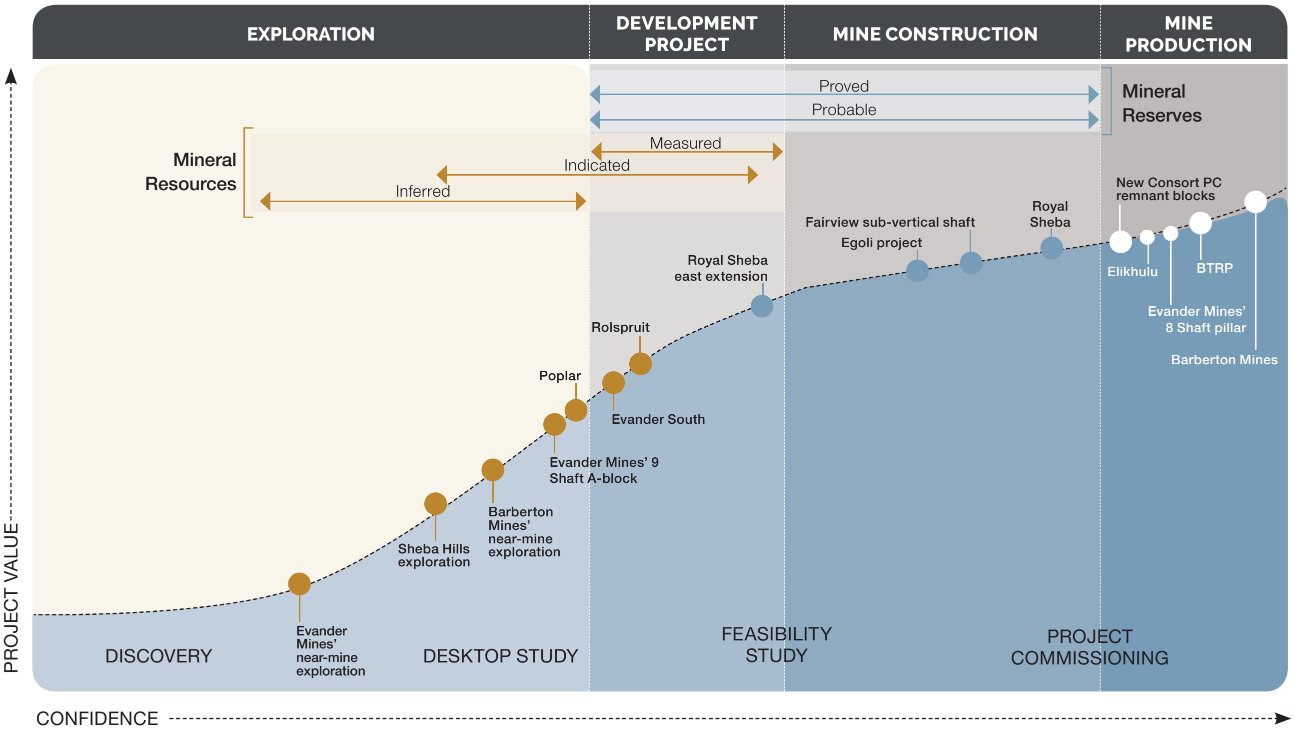
- Extend reserve definition drilling programmes to other orebodies
- Identify additional exploration targets via modern geophysical techniques
- Increase Mineral Resources and Mineral Reserves base
- Deliver into the 2021 operational plan and budget
- Commence dewatering and re-equipping of Evander Mines' 7 Shaft and 3 Decline system towards the Egoli project
- Advance the Royal Sheba project
- Increase the life-of-mine for all operations and re-equipping

- Sustain production from the 8 Shaft pillar
- Refine pseudo-pack underground pillar support system
- Conduct reserve definition drilling on the Leslie/Bracken TSF to enhance planning at Elikhulu
- Advance the Egoli project
- Explore and evaluate shallow underground projects such as Evander Mines' 9 Shaft A-block and also Evander South

ORGANIC GROWTH

Pan African has an attractive pipeline of value-accretive growth opportunities, along with Mineral Reserves replacement targets.

The operations' robust life-of-mine plans support the Group's strategic plan. Current exploration drilling, as well as initiatives to access and develop orebodies, were aggressively pursued at the Barberton operations during the year. The strategy of converting Mineral Resources to Mineral Reserves was progressed by moving organic projects further up the mining value chain and closer towards the feasibility and production stages. These projects include the 8 Shaft pillar, New Consort's PC remnant blocks, Egoli and the Royal Sheba project. The schematic below illustrates the progress of near-mine growth projects that contributed ounces to the increased Mineral Resources for the year.



Inspecting flotation cells at the Barberton metallurgical plants.

Barberton Mines

FAIRVIEW MINE

Additional mining flexibility was established during the 2020 financial year by establishing three working platforms in the high-grade MRC orebody, and an additional platform on the high-grade Rossiter Reef. These platforms ensure a combined high-grade face length in excess of 130m for production activities. These two sections of the Fairview Mine result in 80kg of recovered gold from the 110kg call per month, thus 73%.

Key notes

- The Mineral Resources increased by 205.7kt at 17.92g/t for 118.5Koz, a 6% increase year on year
- The Mineral Reserves increased by 744.8kt at 0.11g/t for 2.6Koz. This equates to a 0.3% increase year on year
- Fairview Mine has a modelled life-of-mine of 20 years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Depletion through mining activities	Depletion through mining activities
Geological boundary and structural updates	Impact of updated geological structures and boundaries
Mineral Resource block updates (tonnes and grade)	Update of grades in Mineral Resource blocks
Cut-off grade increased from 2.08g/t in the 2019 financial year to 2.16g/t in the 2020 financial year	Mine call factor remained constant at approximately 100% as well as the plant recovery factor of 92.49%

SHEBA MINE

Establishment of the Thomas section at the Edwin Bray adit was completed successfully during the 2020 financial year. This orebody is characterised by high-grade visible gold mineralisation and has therefore significantly improved the production output of the Sheba Mine. The Thomas section is planned at 11kg recovered gold per month, resulting in a 16% increase in the output of Sheba Mine.

Key notes

- The Mineral Resources increased by 27.6kt at 12.91g/t for 11.4Koz, a 3% increase year on year
- The Mineral Reserves increased by 188.2kt at 2.55g/t for 15.4Koz. This equates to a 9% increase year on year
- Sheba Mine has a modelled life-of-mine of nine years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Depletion through mining activities	Depletion through mining activities
Geological boundary and structural updates	Impact of updated geological structures and boundaries
Mineral Resource block updates (tonnes and grade)	Update of grades in Mineral Resource blocks
Cut-off grade increased from 1.94g/t in the 2019 financial year to 2.56g/t in the 2020 financial year	The mine call factor decreased from 100% in the 2019 financial year to 97.62% in the current period

NEW CONSORT MINE

During the 2020 financial year, the access to and establishment of a high-grade remnant Reserve block (5kt at 42.77g/t for 6.9Koz) was completed successfully. The orebody was intersected during May 2020, with initial chip sampling indicating grades in excess of 300g/t. The June production of New Consort Mine has had a significant improvement to 39kg recovered from an average of 20.9kg per month. The PC Shaft Level 42 remnant blocks are planned to deliver around 6kg of smelted gold per month for the next five years. The extra 6kg per month equates to an increase in output of approximately 20%.

Key notes

- The Mineral Resources increased by 60.6kt at 27.46g/t for 53.5Koz, a 27% increase year on year
- The Mineral Reserves increased by 41.0kt at 12.79g/t for 16.9Koz, a 33% increase year on year
- New Consort Mines' modelled life-of-mine stretches over eight years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Depletion through mining activities	Depletion through mining activities
Geological boundary and structural updates	Impact of updated geological structures and boundaries
Mineral Resource block updates (tonnes and grade)	Update of grades in Mineral Resource blocks
Cut-off grade increased from 2.63g/t in the 2019 financial year to 3.28g/t in the current period	The mine call factor decreased year on year from 92.2% to 91.3%, while the plant recovery factor decreased from 92.2% to 91.4% in the current reporting period

BARBERTON TAILINGS RETREATMENT PLANT

During the year, a pump station was installed at the Harper North TSF to supplement the feed to the BTRP. Additionally, high-grade calcine material from the Segalla TSF at the New Consort Mine is processed at a 10ktpm rate. These measures have added flexibility to the BTRP operation and improved the operational performance during the 2020 financial year.

Key notes

- The Mineral Resources decreased by 884kt at 1.75g/t for 49.7Koz, a 6% decrease year on year
- The Mineral Reserves decreased by 1.1Mt at 1.30g/t for 45.4Koz, an 8% decrease year on year
- The Barberton Tailings Retreatment Plant's life is modelled at six years with a diminishing ounce profile, excluding the treatment of material from Royal Sheba.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Depletion through mining activities (recovered and unrecoverable)	Depletion through mining activities (recovered and unrecoverable)
The cut-off grade remained constant year on year	The plant recovery factor remained constant from the 2019 financial year

ROYAL SHEBA

The mining method was changed from the proposed narrow up-dip or cut-and-fill mining method to a bulk mining long hole open-stoping (LHOS) method. The LHOS method drastically reduces the cost of mining and ensures the full extraction of the mineable orebody. DRA Global is conducting a concept level study on the proposed mining method and it is expected to be complete by quarter one of financial year 2021.

Key notes

- The Mineral Resources increased by 11.6Mt at 1.15g/t for 429.1Koz, a 66% increase year on year
- The Mineral Reserves increased by 6.59Mt at 0.84g/t for 177.5Koz, a 37% increase year on year
- The Royal Sheba project's life is modelled at 18 years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Geological boundary and structural updates	Impact of updated geological structures and boundaries
Mineral Resource block updates	Update of grades in Mineral Resource blocks
Proposed mining method optimisation	LHOS mining method adopted
Cut-off grade decreased from 1.7g/t to 0.8g/t due to a change in mining method to bulk LHOS	Modifying factors remained constant year on year

Evander Mines

8 SHAFT

The tower construction in the 8 Shaft barrel was successfully installed. This allows for the efficient extraction of the 8 Shaft. Steady-state production was impacted by the COVID-19 pandemic and subsequent lockdown in South Africa and could only be achieved during May 2020. The pillar is planned to produce 30Koz of recovered gold per year over a three-year life.

Key notes

- The Mineral Resources increased by 5.3Mt at 7.17g/t for 1.2Moz, a 19% increase year on year
- The Mineral Reserves tonnage decreased by 36kt while the grade increased by 1.29g/t, yielding a gold content increase of 4Koz, an overall 4% increase year on year
- 8 Shaft pillar has a remaining life-of-mine of three years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Depletion through mining activities	Depletion through mining activities
Geological boundary and structural updates	Impact of updated geological structures and boundaries
Mineral Resource block updates	Update of grades in Mineral Resource blocks
Contractor mining model, utilising less infrastructure	Contractor mining model, utilising less infrastructure
Cut-off grade decreased due to lower mining cost and higher gold price	Modifying factors affected positively due to pillar mining and higher gold price

ELIKHULU

The high-resolution reserve delineation drilling campaign completed during 2018 has enabled the high-confidence mine planning and forecasting of the operation at a confidence level of 95% and greater.

Key notes

- The Mineral Resources decreased by 20.5Mt at 0.33g/t for 223.9Koz, a 12% decrease year on year
- The Mineral Reserves decreased by 14.1Mt at 0.17g/t for 69.1Koz, a 5% decrease year on year
- Elikhulu is modelled to operate over a remaining life of 12 years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Depletion through mining activities (recovered and unrecoverable)	Depletion through mining activities (recovered and unrecoverable)
TSF boundary updates for Leslie/Bracken and Winkelhaak	Impact of updated TSF limits for Leslie/Bracken and Winkelhaak
Mineral Resource block updates on the Kinross dam	Update of grades in Mineral Resource blocks
Cut-off grade impacted due to higher gold price	Modifying factors employed as it has been experienced since the commissioning of Elikhulu

7 SHAFT – EGOLI

The traditional off-reef footwall development of the deep level narrow tabular Witwatersrand orebodies have been optimised by placing the development haulages on-reef. This shortens the lead time to first gold and results in lock up of material in pillars that could be extracted at the end of the operation's economic life. DRA Global completed a feasibility study on the Egoli project during the 2020 financial year. This feasibility study was independently reviewed by The Mineral Corporation, with no fatal flaws being highlighted.

Key notes

- The Mineral Resources increased by 13.9kt at 5.63g/t for 2.0Koz, a 0.1% increase year on year
- The Mineral Reserves decreased by 698.9kt at 6.75g/t for 152Koz, a 17% decrease year on year
- The current modelled life of the operation is nine years.

Factors that affected the Mineral Resources reconciliation	Factors that affected the Mineral Reserves reconciliation
Revised mining method with on-reef development adopted	Revised mining method with on-reef development adopted with additional pillars required
Cut-off grade decreased due to lower-cost mining method and increased gold price	Modifying factors impacted positively due to lower mining costs, higher gold price and proximity of mining activities to infrastructure

ROLSPRUIT

Key notes

- The Mineral Resources remained constant year on year with a minimal decrease of 9kt at 1.05g/t
- The Mineral Reserves also remained constant year on year
- Rolspruit has a modelled life-of-mine in excess of 29 years.

Factor affecting the Mineral Resources reconciliation	Factor affecting the Mineral Reserves reconciliation
Cut-off grade increased slightly due to inflationary increase in mining costs assumed	Cut-off grade increased slightly due to inflationary increase in mining costs assumed through conventional narrow tabular breast mining at a depth of more than 2,500m

POPLAR

Key notes

- The Mineral Resources reported for the Poplar project remained constant year on year
- No Mineral Reserves are reported for the Poplar project.

Factor affecting the Mineral Resources reconciliation
Cut-off grade remained stable due to inflationary increase in mining costs assumed and higher gold price

EVANDER SOUTH

Key notes

- The Mineral Resources increased by 644.4kt at 3.74g/t for 78Koz, a 1% increase year on year
- No Mineral Reserves are reported for the Evander South project.

Factor affecting the Mineral Resources reconciliation
Cut-off grade decreased slightly due to inflationary increase in mining costs assumed and higher gold price

9 SHAFT A-BLOCK

Key notes

- The 9 Shaft A-block is a project currently reported as an exploration target
- A diamond drilling campaign commenced during July 2020 and targets the Kimberley Reef at a depth of 220m to 400m below surface.

	Exploration target							
	At 30 June 2020				At 30 June 2019			
		Contained gold				Contained gold		
Category	Tonnes million	Grade g/t	Tonnes gold	Moz	Tonnes million	Grade g/t	Tonnes gold	Moz
Minimum of expected range	0.7	8.0	5.6	0.18	–	–	–	–
Maximum of expected range	1.0	15.0	15.0	0.48	–	–	–	–

Intellectual capital

OUR STRATEGIC INITIATIVE

Use technology in a meaningful and relevant way to improve our operational efficiency and sustainability

RELATED RISKS Refer to

MATERIAL MATTERS Refer to

KEY STAKEHOLDERS Refer to

SUSTAINABLE DEVELOPMENT GOAL 9

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

INTELLECTUAL PROPERTY

The Group operates the only large-scale mines in the Barberton Greenstone Belt and the Evander goldfields.

The orebodies in both districts are unique and unlike any other mined within South Africa. The geological complexity of the hydrothermal lode gold deposits of the Barberton Greenstone Belt requires very specific mine planning and mining methods to effectively extract the ore.

When we commissioned Elikhulu, we also implemented grade control on the re-mining sources, which is vital for effective planning. A re-mining-specific grade control process was developed in-house to accurately forecast production throughput and gold recovery in any 12-month period.

Barberton Mines' operations host the proprietary BIOX® technology. The current management team has more than 35 years' experience in treating the Barberton refractory ores and they have increased gold recoveries by 58%. BTRP also hosts a unique modified INCO cyanide destruction process that was developed in collaboration with Maelgwyn Mineral Services.

RESEARCH AND DEVELOPMENT

We frequently partner with tertiary education institutions such as Stellenbosch University to conduct advanced geological and geo-metallurgical studies, specifically on the Barberton orebodies. The studies and research, directed under supervision of the on-site technical services manager and Professor Alex Kisters of Stellenbosch University, have established additional exploration models which led to the successful drill intersections at Royal Sheba and New Consort surface and underground exploration programmes.

Ongoing collaborative efforts with Outotec are conducted for the BIOX® plant to develop thermophilic bio-leaching in Barberton with the aim of reducing cyanide consumption. BIOX® microbiological research with the University of Cape Town remains ongoing.

At the Elikhulu operations, the retreatment process was developed in-house, utilising a unique combined pre-oxidation process in collaboration with Outotec and Maelgwyn.

The potential for osmiridium and iridium recovery from the underground ore processed at Evander Mines' Kinross plant is being investigated.

TECHNOLOGICAL INNOVATION

Barberton Mines is in the process of implementing a new payroll system, Sage VIP, which will fully integrate with the newly upgraded biometric time and attendance system. These two systems are expected to improve employee monitoring, reduce manual effort, and ultimately result in cost savings. The new payroll system offers fully integrated bank file exports compatible with all banks, various recruitment tools, exportable reports and a self-service portal for employees to access payroll information, thereby removing the manual leave and payslip processes.

PSEUDO PILLARS

We have developed the underground pseudo pillar concept. A pseudo pillar is a specifically-designed high-strength concrete structure which is placed into a worked out area, relatively close to the mining face. It has the ability to more effectively control closure and thereby limit the rate at which energy is released. This limits the likelihood of seismic activity, making the mining environment much safer and more productive.

More information on Pan African's contribution to meeting this SDG can be found in the sustainable development report.

Technological interconnectivity

We endeavour to keep abreast of technological advancements and apply selected, proven methodologies

Achievements to date

- Improved employee management, productivity and safety through the implementation of the biometric time and attendance system at Barberton Mines
- Upgraded information technology (IT) infrastructure which includes various network and server upgrades
- Ongoing research into practical application of technology at our operations
- Use of drones for interactive on-site optimisation and efficiency in planning
- New training management software and upgrades to the current medical software are being implemented

Targets

- Achieving the Group's revised production guidance of 176,000oz
- Continuing to reduce the Group's AISC with the intent of achieving an AISC of US$1,000/oz for the Group

Why these targets are important

- Delivering on production and cost guidance enables the Group to produce gold profitably, generate the requisite cash to redeem its debt obligations and improve investor confidence in the Group's sustainability

Related risks

- Interruption to stable power supply
- Strategic capital allocation
- Geological variability in the Mineral Resources and Mineral Reserves
- Infrastructure dependency and constraints

Short- to medium-term focus

- Creating a culture that is conducive to an environment of innovation with the intent of actively seeking technological solutions to enhance mining efficiencies and improve safety
- Capitalising on the Group's existing technological innovations gained from pillar mining projects and experience and insights gained in the surface re-mining operations, such as the BTRP, which produces a single tailings stream with a cyanide detoxification unit process before deposition onto the TSF
- Applying geo-technological modelling software to the Group's orebodies with the intent of identifying new reserves for future mining, similar to PC Shaft Level 42
- Seek opportunities that meet the Group's investment criteria and, where possible, utilise the Group's biological oxidation expertise and technology such as BIOX® in a manner that will give the Group a competitive advantage through superior processing

Long-term objectives

- The Group will continue to invest in its people, systems, research and development and technologies that contribute to enhancing its operational efficiencies and cost-effectiveness

Drones drive innovation

CASE STUDY

Unmanned aerial vehicles (UAV) or drones represent the latest technology in surveying, much as GPS was before, and which presented total station theodolite

Drones are capable of obtaining more data than traditional survey methods in a shorter period of time. The increased amount of accumulated data must, however, be checked and verified before use by competent and qualified persons.

UAVs facilitate substantial time savings in the field and provide much denser point cloud information, allowing for far more accurate surfaces and plans, in turn leading to far more accurate volumes for planning and production purposes. In addition, survey data can be reflected on actual photographs of the area, leading to improved decision-making and record keeping for the design, maintenance and re-mining of TSFs.

When combined with world-class mine planning software, as is done at both the Evander and Barberton operations, the data delivers a fully integrated three-dimensional (3D) model, including geological and evaluation models. It allows Pan African to implement a production schedule against a cost/grade requirement as per the life-of-mine plan for each TSF. Full production results are then interrogated against these schedules after each measurement with the drone, resulting in accurate recording of depletions and reconciliations against the mine plan.

Monthly drone surveys are also conducted to accurately measure the slope faces for monthly advances, tonnage re-mined and slope face angles. The speed of surveying has also guaranteed that each feed source could be surveyed on the same day by a single survey crew, where previously this required more than a week. This data is processed in a 3D space and used to update the mine plan for a rolling three-month re-mining plan. This enables the consistent throughput for the retreatment operations (BTRP and Elikhulu). The re-mining plan is also displayed as animations for all supervisors for the effective communication of the Group's strategy in mine planning.

Daily drone imagery is obtained from our Elikhulu feed sources. This enables proactive responses to previously unforeseen operational difficulties. Drone imagery can also be used for interactive on-site optimisation and efficiency discussions by displaying a live, aerial view of the operation and mining activities, facilitating quick turnaround time for important decisions and alignment of all operations.

Drone imagery is also used to manage environmental management programmes such as dust monitoring and water management.

Drones are utilised within very specific legal and operational parameters:

- Drone operators are in possession of an operators certificate issued by the South African Civil Aviation Authority
- Data is checked, processed and verified by a competent person, being the duly appointed mine surveyor.

Barberton Mines is in the process of implementing high-resolution 3D lithological, structural and mineralisation models. The geological complexity of these deposits historically resulted in complicated exploration plans, which are now aided with up-to-date 3D geological models. Advances in targets generated through these models were made in both the Hope and Rossiter Reefs at the Fairview Mine and enabled inclusion in the Group's Mineral Resources and Mineral Reserves declaration at 30 June 2020.

Human capital

OUR STRATEGIC INITIATIVE

Employ, retain and develop the right people and keep them safe and healthy

RELATED RISKS Refer to

- Health performance – the COVID-19 pandemic 18
- Safety incidents 22

MATERIAL MATTERS Refer to

- Health and safety 62
- Organised labour 63

KEY STAKEHOLDERS Refer to

- Providers of capital 23
- Employees 24
- Unions 24
- Communities 25
- Government and regulatory bodies 25

KEY STATISTICS

	Unit	2020	2019	2018*	2017	2016
Employees	Number	**2,126**	2,148	2,069	3,932	4,441
Employee remuneration	US$ million	**52.5**	59.7	44.3	77.2	71.7
Skills development and training	US$ million	**1.7**	1.0	1.8	2.2	2.3
TRIFR	Per million man hours	**9.12**	10.71	12.71	13.68	14.57
LTIFR	Per million man hours	**1.70**	1.62	3.73	3.51	3.50
Fatalities	Number	**–**	–	–	3	1

** There was a reduction in the Group's employees following the cessation of large-scale underground mining operations at Evander Mines in 2018.*

SUSTAINABLE DEVELOPMENT GOAL 3

Ensure healthy lives and promote well-being for all at all ages

SUSTAINABLE DEVELOPMENT GOAL 4

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

SUSTAINABLE DEVELOPMENT GOAL 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Pan African has a comprehensive occupational hygiene programme that aims to eliminate occupational health hazards at source. We measure the health of our employees by identifying and monitoring the occurrence of:

- COVID-19
- HIV/Aids
- TB
- lifestyle diseases (diabetes and hypertension)
- Silicosis
- noise-induced hearing loss
- Sporotrichosis.

We measure the following safety rates (per million man hours):

- Total recordable injury frequency rate (TRIFR)
- Lost-time injury frequency rate (LTIFR)
- Reportable injury frequency rate (RIFR)
- Fatal injury frequency rate (FIFR).

We are committed to increasing spending with black-owned and black-women-owned businesses and uplifting the communities where we operate through proactive development projects and strategic sourcing.

Through our enterprise development programme (facilitated by the BMTT) and our business incubation centre (established by the EMTT), we aim to develop business opportunities in our host communities to assist these local businesses over time to become mature, independent and sustainable companies in the open market.

As part of the Group's SLPs, we provide sponsored bursaries that cover full tuition fees, accommodation, text books, experiential learning costs as well as a monthly stipend. Through our participation in the Adopt-a-School Foundation and working with other stakeholders, we contribute to educational and health development projects in host communities.

More information on Pan African's contribution to meeting these SDGs can be found in the sustainable development report.

Health and safety

Consistently high health and safety standards are fundamental to retaining the support of regulators, investors and employees

Achievements to date

- The Group experienced no fatalities for the 2020 financial year (2019: no fatalities)
- The Group reported a marginal regression in the RIFR to 0.8 (2019: 0.51) per million man hours
- The Group LTIFR rate regressed marginally to 1.70 (2019: 1.62) per million man hours
- The regression in the RIFR and LTIFR rates is principally due to a reduction in the man hours worked in the 2020 financial year compared to the 2019 financial year, as a result of the COVID-19 pandemic in the 2020 financial year, and completion of construction at Elikhulu in the prior financial year
- Elikhulu experienced no lost-time injuries contributing to the Group's commendable safety performance
- No lost days as a result of section 54 stoppages issued by the DMRE
- Fairview Mine achieved 2 million fatality-free shifts in April 2020
- Barberton Mines achieved 3 million fatality-free shifts in June 2020
- Developed, established and implemented measures to curtail the spread of COVID-19
- Established a steering committee to focus on monitoring and reporting on the COVID-19 pandemic
- Two COVID-19 cases were reported by the Group for the 2020 financial year
- The Group spent US$0.6 million related to compliance and the prevention of the spread of COVID-19 at our operations
- TB cases reported in the 2020 financial year have increased by 28.6% to 27 cases (2019: 21)
- Safety programmes, regular motivational talks and new safety campaigns, along with incentives for safe behavioural practices have been well received by all our employees at our operations

Target

- Continue to work on improving our safety record and actively manage the impact of COVID-19 on our employees and our operations

Why this target is important

- Promoting and providing our employees with a safe working and operating environment is key to the well-being of our employees and the sustainability of our operations

Related risks

- Health performance – the COVID-19 pandemic
- Safety incidents

Short- to medium-term focus

- Remaining responsive to the evolving COVID-19 pandemic and taking appropriate action to curtail its spread and impact on our employees and the Group's operations
- Remaining committed to the unrelenting pursuit of our ultimate goal of zero harm by embarking on safety awareness campaigns and educational initiatives to improve our year-on-year safety rates
- Continuing with educational programmes to reduce future cases of hypertension, diabetes, HIV/Aids and TB

Long-term objectives

- While injury rates are well below industry average, we aim to achieve our objective of zero harm to employees

No fatalities
in 2019 and 2020

Three million
fatality-free shifts at Barberton Mines

Organised labour

We maintain steady relationships with the unions representing our labour force

Achievements to date

- Barberton Mines successfully concluded a three-year wage agreement during September 2018, which expires in 2021
- Labour unions endorsed and actively participated in the Group's COVID-19 interventions. At Barberton Mines, the unions' representatives worked closely with management during the COVID-19 lockdown period by:
  - conveying the relevant prevention messages to their members and assisted with conducting the COVID-19 compliance audits, as required by the Group's SOPs
  - assisting with the COVID-19 awareness and prevention campaigns
  - assisting with the screening and monitoring of employees transported by the operations
- Enhanced employee relationships at Evander Mines by establishing an engagement forum which facilitated direct communication between the mine and its employees
- No industrial action took place in the 2020 financial year, however, there were three lost production days (2019: 20 days) following incidences of community unrest

Targets

- Achieving the Group's revised production guidance of 176,000oz
- Continuing to reduce the Group's AISC with the intent of achieving an AISC of US$1,000/oz for the Group

Why these targets are important

- Delivering on production and cost guidance enables the Group to produce gold profitably, generate the requisite cash to redeem its debt obligations and improve investor confidence in the Group's sustainability

Related risks

- Health performance – the COVID-19 pandemic
- Safety incidents

Short- to medium-term focus

- Continuing compliance and delivering on the Group's SLPs
- Providing our employees in human resource management with ongoing training and development to engage effectively with unions
- The alignment of the Group's human resources policies with regulatory requirements
- Implementing a stakeholder engagement and relationship policy
- Developing a Group CSI/community engagement and development policy

Long-term objectives

- Continue to optimise stakeholder relationships through interaction and engagement
- Conclude multi-year wage agreements with organised labour which will provide employees with certainty and contribute to cost stability and sustainable productivity
- Enhancing our employee relationships by aligning our employees' aspirations with our Group's vision ensuring that they understand:
  - their individual roles, attitudes and values influence operational performance
  - each individual has a responsibility to prioritise safety in the workplace
  - socio-economic factors, such as the gold price and foreign exchange rates, impact our operations
- Eradicate illegal mining by creating awareness of its dangers to communities and the impact of a reduced life-of-mine on the local economy

Social and relationship capital

OUR STRATEGIC INITIATIVE

Being a responsible corporate citizen and assisting host communities to become self-sustainable

RELATED RISKS

	Refer to
• Health performance – the COVID-19 pandemic	18
• Heightened social and political uncertainty and instability which may result in business disruption	18
• Adverse regulatory consequences and fiscal impositions	20
• Interruption to stable power supply	22
• Safety incidents	22

MATERIAL MATTERS

	Refer to
Health and safety	62
Regulatory compliance	66
Societal/community relationships	67
External operational disruption	68

KEY STAKEHOLDERS

	Refer to
Providers of capital	23
Security exchanges	23
Customer	24
Suppliers	24
Unions	24
Communities	25
Government and regulatory bodies	25

SUSTAINABLE DEVELOPMENT GOAL 1

End poverty in all its forms everywhere

As employers and contributors to the nation's economy, Pan African has a key role to play in South Africa's transformation journey and a moral obligation to deliver meaningful direct and indirect social benefits to local communities. Through local community investments, we support initiatives that benefit and promote their sustainable development. Understanding and proactively managing the impacts of mining on communities is integral to the success of our operations.

The Group initiated a COVID-19 relief and assistance programme to assist in alleviating the adverse impact of the COVID-19 pandemic on its host communities and for employees. The programme commenced at the end of April 2020 with the distribution of food and hygiene hampers to employees, contractors and vulnerable families in host communities. In light of the ongoing pandemic, the Group will continue its initiatives to assist some of its most vulnerable stakeholders.

The Group invested US$0.7 million (2019: US$1.3 million) in communities through the Group's transformation trusts, which include contributions to the trusts made by our operations and participating suppliers. The objective of these trusts is to improve infrastructure and facilities in host communities, create jobs and promote socio-economic development.

More information on Pan African's contribution to meeting this SDG can be found in the sustainable development report.

KEY STATISTICS

	Unit	2020	2019	2018	2017	2016
CSI and LED initiatives and bursaries	US$ million	**1.3**	1.9	1.1	1.7	1.4

Regulatory compliance

Achievements to date

- Implemented SOPs and a code of practice as prescribed by the MCSA and government for the management and mitigation of COVID-19 transmission throughout the Group
- Implemented a risk-based approach to mitigate the spread and outbreak of COVID-19 at the workplace to ensure the safety of our employees and adherence to government regulations
- The revised board and audit and risk committee charter was approved by the board in June 2020
- The board, assisted by the audit and risk committee, approved the following policies in September 2019:
  - Protection of personal information policy
  - Diversity policy
  - Slavery and human trafficking policy
  - Human rights policy
  - Legal action policy
  - Board of directors' conflict of interest policy
- During the financial year, the Group commissioned independent audits to verify compliance with its ESG obligations, which included a carbon tax emissions audit, TSF audit, mineral tenure compliance audit, SLP implementation audit, environmental management system compliance audit and water-use licence audit
- During the 2019 financial year, Barberton Mines submitted its SLP for the next five-year period (July 2019 to June 2024) to the DMRE and is awaiting its approval
- Evander Mines submitted a revised SLP in August 2019 as changes were requested to be made to the commitments in the original submission following the reduced labour component and losses as a result of the cessation of operations at Evander Mines in 2018. The revised document is currently being processed by the DMRE
- While these approvals by the DMRE are pending, implementation of training and development programmes, LED projects and progress reporting is ongoing. This will contribute to mitigating a potential compliance backlog at the end of the respective SLP's five-year terms

Targets

- Regulatory compliance
- Timeous submission of SLP annual progress reports and implementation plans
- No incidents of material reportable matters associated with compliance

Why these targets are important

- Being committed to and focused on ESG compliance and new ESG initiatives enables and supports the long-term sustainability of the Group

Related risks

- Health performance – the COVID-19 pandemic
- Adverse regulatory consequences and fiscal impositions

Short- to medium-term focus

- Continued compliance with the Group's SLPs
- Improving oversight by our ESG department to ensure sustainable and ethical operations across the Group
- Implementing a stakeholder engagement and relationship policy
- Developing a Group CSI/community engagement and development policy
- Continued implementation and monitoring of measures to curtail the spread of COVID-19
- Commissioning independent audits on the Group's environmental compliance
- Implementing a compliance management policy

Long-term objectives

- Ongoing compliance with all applicable legislative and regulatory requirements pertinent to the Group's operations

Societal/community relationships

Achievements to date

- Barberton Mines invested US$903.6 thousand (2019: US$1,303 thousand) in CSI and LED initiatives
- Barberton Mines contributed US$185.0 thousand (2019: US$190.9 thousand) towards full-time bursaries for 17 (2019: 22) students
- Evander Mines invested US$182.0 thousand (2019: US$216.5 thousand) in CSI and LED initiatives
- Evander Mines contributed US$18.7 thousand (2019: US$32.4 thousand) towards full-time bursaries for four (2019: four) students
- Commenced with the construction of Cathyville Community Clinic at Emjindini – expected to hand over to the Mpumalanga Department of Health in February 2021
- Handed over fully equipped mobile libraries to four schools in host communities around Evander
- Our operations have developed and rolled out various campaigns to create awareness of their impact and contribution to the local host communities through local newspaper publications, radio interviews and social media platforms
- The Group initiated a COVID-19 relief and assistance programme to assist in alleviating the adverse impact of the COVID-19 pandemic on its host communities and employees. The programme commenced at the end of April 2020 with the distribution of food and hygiene hampers to employees, contractors and vulnerable families in host communities

Target

- Comply with and deliver on the Group's SLPs

Why this target is important

- Most of our employees are employed from local communities and the success of the Group's SLP initiatives will lead to happier communities and therefore a happier workforce
- As employers and valuable contributors to the nation's economy, the Group has a key role to play in South Africa's transformation journey and making a contribution to the country's economic growth by improving infrastructure and facilities in our host communities

Related risks

- Health performance – the COVID-19 pandemic
- Heightened social and political uncertainty and instability which may result in business disruption

Short- to medium-term focus

- In light of the ongoing COVID-19 pandemic, continuing the COVID-19 relief and assistance programme to assist employees and vulnerable families in host communities
- Implementing a stakeholder engagement and relationship policy
- Developing a Group CSI/community engagement and development policy
- Commencing with the Barberton Blueberries project, which will be developed in three phases, and will ultimately become a 45ha farm on a portion of land at Barberton Mines. The project will create employment for our host communities and is expected to create an additional 25 seasonal jobs and 1.5 permanent jobs per hectare in phase 1
- Continue investing in socio-economic development projects in local communities through Barberton Mines' and Evander Mines' SLP and CSI projects
- Continuing with small enterprise development assistance for local historically disadvantaged South African (HDSA) companies through business incubation centres that provide training, mentoring and support infrastructure

Long-term objectives

- Focus on youth through early childhood development programmes as well as arts and culture initiatives and skills development
- Proactive management of community expectations through ongoing engagement and education
- Through the BMTT and EMTT, we aim to contribute to improving infrastructure and facilities in our host communities
- Once fully developed, the Barberton Blueberries project is expected to generate almost 800 seasonal jobs with workers expected to be employed for a period of up to six months per annum

External operational disruption

We actively monitor and respond to external threats of disruption to our operations

Achievements to date

- No industrial action took place in the 2020 financial year, however, there were three lost production days (2019: 20 days) following incidences of community unrest
- Evander Mines' rehabilitation activities, which included the closure of Shafts 2, 5 and 9, has assisted with significantly reduced illegal mining incidents reported over the 2020 financial year
- The Group's success in preventing criminality, such as illegal mining and theft, has enabled it to target high-risk areas, with the aim of preventing and combating illicit activities in and around our mining operations
- The Group has implemented technology applications such as CCTV networks and scanners which have improved its ability to counter criminality
- Community relations have also improved significantly as a result of:
  - increased stakeholder engagement and awareness campaigns
  - our efforts to resolve grievances expressed by community members
  - building better relationships with our communities through engagement forums and dedicated community liaison officers

Targets

- Achieving the Group's revised production guidance of 176,000oz
- Continuing to reduce the Group's AISC with the intent of achieving an AISC of US$1,000/oz for the Group

Why these targets are important

- Delivering on production and cost guidance enables the Group to produce gold profitably, generate the requisite cash to redeem its debt obligations and improve investor confidence in the Group's sustainability

Related risk

- Heightened social and political uncertainty and instability which may result in business disruption

Short- to medium-term focus

- Developing a community and stakeholder engagement framework to provide guidelines to further assist with managing community relations, CSI criteria and LED initiatives
- Continuing to engage with host communities to understand their concerns and deal decisively with material issues where possible
- Expanding the Group's integrated strategic security approach to include community-based crime prevention initiatives
- Continuing to engage with the South African government in relation to the lack of service delivery and policy uncertainty that adversely impacts our employees and communities
- Continuing to implement SLP and CSI projects and contributing to LED
- Continue rolling out job creation programmes to assist in alleviating local unemployment which is directly linked to incidences of illegal mining and other criminality
- Enhancing security coordination and information management on crime-related matters – including continued liaison and collaboration with the relevant law enforcement agencies and prosecution authorities

Long-term objectives

- Proactively manage external threats of operational disruption to ensure we deliver on our production and cost guidance

Barberton Blueberries project

CASE STUDY

Barberton is known as one of the best locations for blueberry cultivation in South Africa based on its geographical location and climate

Blueberry farming is both socially and environmentally sustainable.

Pan African has recently engaged in discussions with established blueberry growers to develop a blueberry farm where excess resources available at Barberton Mines can be utilised. The objective is to assist with high levels of unemployment in the area through sustainable job creation while achieving good returns on capital.

The local and international blueberry market has seen tremendous growth in demand over the past five years and this growth is continuing. New markets are currently being explored, such as the Far East, where these markets can push growth to beyond the current supply, resulting in a massive opportunity to fill these supply shortfalls.

South Africa currently has a small blueberry production footprint but holds a strong reputation for producing high-quality fruit. The geographical location allows South Africa to export blueberries into the northern hemisphere markets during periods when no other supply is available. South Africa's major export markets are currently the UK and Europe, with some fruit going to Malaysia.

Blueberry farming utilises high-end technology and advanced farming techniques to mitigate risks traditionally associated with agriculture. These technologies result in developments being capital intensive, which dramatically increase barriers to entry. The investment case for a blueberry development is compelling and it provides a natural hedge against rand depreciation, where revenue is generated in foreign currency and costs are incurred locally in rand.

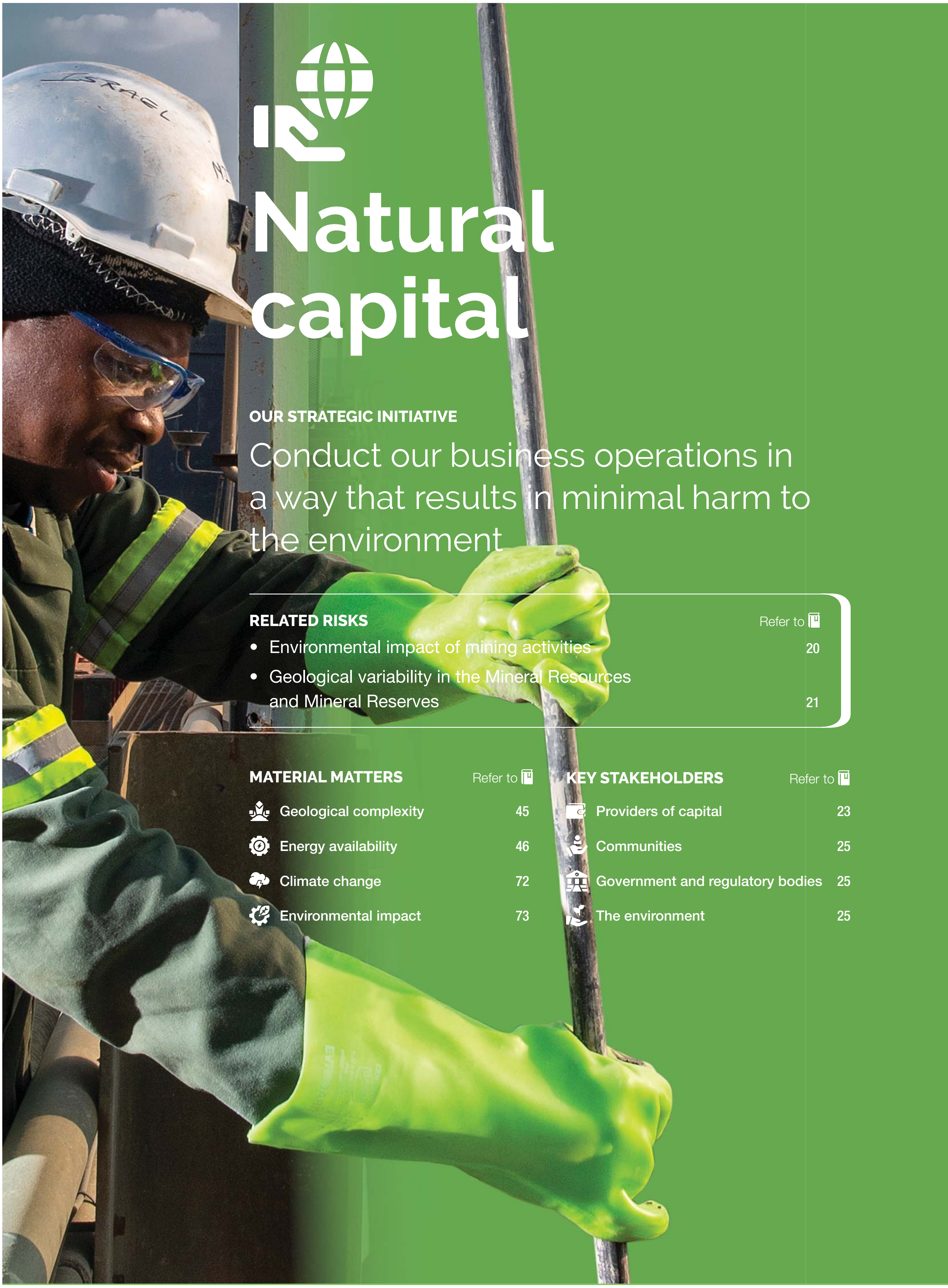
Barberton is considered one of the best locations for blueberry cultivation in South Africa based on its geographical location and temperate climate. The undersupply of blueberry cultivation in the area has been due to the lack of land and water access, as well as high initial capital requirements.

The project under consideration is a three-phase development of a 45ha blueberry farm on a portion of land owned by Barberton Mines. The first phase, which is planned to commence in mid-June 2020, will comprise a 15ha blueberry farm with 114,000 plants under tunnel at a cost of approximately US$2.3 million*. Phase 1 of the project plan and planting will conclude in January 2021. Phases 2 and 3 will be developed as and when it is appropriate to raise senior debt funding or if the Group deems it fit to further fund expansion.

There is a high unemployment rate in the area and intervention is needed to alleviate this social need. Blueberry farming is labour intensive due to hand picking and will generate 25 seasonal jobs and 1.5 permanent jobs per hectare. Once this project is fully developed, it is expected to provide almost 800 jobs. The seasonal workers will be employed for a period of up to six months per annum. Potential downstream opportunities will also be investigated, including packaging facilities and transport logistics.

This agri-business venture demonstrates a long-term financially viable project that is socially and environmentally sustainable, all positive attributes for the Group's ESG strategy.

** Amounts converted at the 30 June 2020 closing exchange rate of US$/ZAR:17.33.*



Natural capital

OUR STRATEGIC INITIATIVE

Conduct our business operations in a way that results in minimal harm to the environment

RELATED RISKS	Refer to
• Environmental impact of mining activities	20
• Geological variability in the Mineral Resources and Mineral Reserves	21

MATERIAL MATTERS	Refer to
Geological complexity	45
Energy availability	46
Climate change	72
Environmental impact	73

KEY STAKEHOLDERS	Refer to
Providers of capital	23
Communities	25
Government and regulatory bodies	25
The environment	25

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUSTAINABLE DEVELOPMENT GOAL 12

Ensure sustainable consumption and production patterns

AN ADDITIONAL SDG WHERE WE ALSO MAKE A DIFFERENCE: SUSTAINABLE DEVELOPMENT GOAL 13

Take urgent action to combat climate change and its impacts

13 CLIMATE ACTION

Pan African measures its energy and water consumption, greenhouse gas emissions and waste material usage. This enables us to monitor and manage our impact on the environment. We are conscious of the potential dangers of climate change and the importance of doing our part to mitigate its long-term impact on the environment.

The Group's land and water rehabilitation is an ongoing activity. Our rehabilitation strategy is aimed at restoring the natural balance of the environment, preserving water and attracting indigenous flora and fauna.

Barberton Mines utilises a cyanide detoxification plant to reduce cyanide levels reporting to the TSF commensurate with International Cyanide Management Institute (ICMI) compliance. There is also a highly effective closed-loop water recycling circuit at Fairview, New Consort and Sheba which reuses the bulk of the released groundwater for other mining processes.

Evander Mines is being equipped with infrastructure to reuse recycled water and reduce the need for freshwater replenishment.

More information on Pan African's contribution to meeting these SDGs can be found in the sustainable development report.

KEY STATISTICS

	Unit	2020	2019	2018	2017	2016
Energy consumption	GJ	**1,417,094**	1,432,701	1,456,124	1,419,182	1,456,738
Water consumption	000^3	**13,417**	13,369	16,672	25,395	20,354
Direct GHG emissions	tCO_2e	**6,907**	5,475	4,314	7,797	4,320
Indirect GHG emissions	tCO_2e	**430,081**	356,962	404,318	413,840	419,685
Mine closure liabilities	US$ million	**9.2**	15.8	20.0	15.2	13.0

Climate change

We are conscious of the potential impact of climate change on our future sustainability

Achievements to date

- Electricity consumption for the Group has increased by 8.6% to 1,334,249GJ (2019: 1,228,501GJ)
- The Group has implemented the necessary mechanisms for carbon tax compliance
- Evander Mines holds a provisional Air Emissions Licence (AEL) which incorporates both Elikhulu and the Kinross plant
- During the 2020 financial year, the Group commissioned independent audits to verify compliance with its ESG obligations. These included a carbon tax emissions audit, an environmental management system compliance audit and a water-use licence audit
- A bankable feasibility study to develop a solar photovoltaic plant to supply power to Elikhulu was completed and its investment approved by board. This project is expected to reduce the Group's reliance on grid power and simultaneously reduce our carbon footprint
- Board approval for the development of phase 1 of the 45ha Barberton Blueberries project at a budgeted capital cost of US$2.3 million*
- Barberton Mines has initiated a feasibility study into the merits of a solar photovoltaic plant

Targets

- Adopting an energy mix that includes renewable energy sources for the Group
- Reducing the consumption of water from municipal sources
- To conclude a memorandum of understanding with biodiversity stakeholders

Why these targets are important

- Being committed to and focused on the impacts of climate change on the long-term sustainability of the Group

Related risks

- Environmental impact of mining activities
- Geological variability in the Mineral Resources and Mineral Reserves

Short- to medium-term focus

- Registering Elikhulu and the Kinross plant on a single AEL. Evander Mines currently holds a provisional AEL which incorporates both Elikhulu and the Kinross plant
- Maintaining a waste recycling rate of over 80% at Evander Mines for the next three years by continuing to sell steel and wood waste for reuse in the community
- Continuing to implement an energy management plan at Evander Mines
- Constructing and commissioning of the solar photovoltaic plant at Evander Mines
- Commencing the Barberton Blueberries project at Barberton Mines
- Given the recent changes to the environmental legislation governing mining in South Africa, we will focus on achieving full regulatory compliance

Long-term objectives

- Continue to prioritise the preservation of the environment and protect vital natural resources such as air, water, soil, minerals, fuels, plants and animals
- We strive, through the use of technology, to prevent the future adverse environmental impact associated with mining
- An ongoing commitment to mitigate any future threat of serious environmental damage or degradation

** Amounts converted at the 30 June 2020 closing exchange rate of US$/ZAR:17.33.*

Environmental impact

We monitor the impact of our pollution, tailings, water usage, greenhouse gases and carbon footprint on the environment

Achievements to date

- The Group incurred no environmental fines in the 2020 financial year. In 2019, one administrative environmental penalty was incurred at Evander Mines for an amount of US$0.1 million due to it operating without an AEL as required by the Air Quality Act of 2004. Evander Mines is now compliant and has the requisite provisional AEL for Elikhulu and the Kinross plant
- There were no reportable environmental incidents and environmental fines levied at Barberton Mines
- Evander Mines recorded one (2019: five) environmental incident for the year under review, which related to the failure of a pipe transporting slurry from the Elikhulu metallurgical plant to the Winkelhaak TSF, resulting in slurry spilling into the Winkelhaak stream. Remedial action was immediately initiated by repairing the pipe and cleaning the river. Containment walls were also constructed in the Winkelhaak stream to prevent future pollution from a similar incident
- Similar to the appointment of an Engineer of Record (EOR) at Barberton Mines, a dedicated EOR was appointed at Evander Mines in August 2019 to ensure statutory compliance of all TSFs located at this mine
- Following an independent TSF safety compliance assessment in 2019, controls have been implemented and are continuously assessed with the intent of mitigating the risk associated with high-risk areas and improving safety compliance
- As part of Evander Mines' mine closure strategy and environmental rehabilitation plan, a total of US$2.6 million (2019: US$4.0 million) was spent on rehabilitation activities, which included the closure of Shafts 2, 5 and 9
- A waste buying centre has been constructed as part of a larger recycling facility in Barberton and is expected to be commissioned early in the 2021 financial year

Targets

- Continue with the implementation of the environmental rehabilitation and mine closure plan to reduce the environmental liabilities year on year
- Continue to improve on annual environmental performance
- Improve on waste management by increasing the amount of waste material recycled
- No material reportable matters associated to environmental compliance

Why these targets are important

- Being committed to and focused on ESG compliance and new ESG initiatives enables and supports the long-term sustainability of the Group

Related risks

- Environmental impact of mining activities
- Geological variability in the Mineral Resources and Mineral Reserves

Short- to medium-term focus

- Developing and implementing a dust management plan at Evander Mines
- Working closely with nature conservation authorities at Barberton Mines to minimise the adverse impact of our mining operations on the environment
- Identifying old TSFs and waste rock dumps for rehabilitation through, inter alia, re-mining of these facilities
- Continuing to enhance security coordination and information management on crime-related matters, to reduce the impact of illegal mining activities and their associated adverse impact on water pollution in the Barberton Mines catchment area
- We will focus on achieving full regulatory compliance following the recent changes to the environmental legislation governing mining in South Africa
- Installing additional water pressure transmitters on slurry pipelines to immediately cease pumping in the event of a loss in pressure, preventing slurry spillage

Long-term objectives

- Consolidating the Kinross, Leslie and Winkelhaak TSFs into a single facility at Elikhulu, which will materially reduce the environmental footprint of Evander Mines' TSFs
- Investigate the viability of further agri-business projects with the intent of creating sustainable businesses and employment opportunities in host communities
- In conjunction with other interest groups, developing the long-term and sustainable tourist potential of the greater Barberton area

PERFORMANCE REVIEW

We reported record profits, underpinned by strong operational performance and higher gold prices.

Five-year overview

	Unit	2020	2019	2018	2017	2016
Operating performance						
Gold mining tonnes milled	t	**285,016**	311,606	509,955	507,699	676,664
Gold tailings processed	t	**14,339,922**	13,035,165	3,041,325	3,143,414	2,801,021
Overall recovered grade	g/t	**0.4**	0.4	1.4	1.5	1.8
Gold sold	oz	**173,864**	171,706	160,444	173,285	204,928
Average gold price received	US$/oz	**1,574**	1,266	1,301	1,242	1,164
Total gold mining cash costs	US$/oz	**911**	891	1,162	986	725
Coal sold	t	**–**	–	–	670,210	136,102
Platinum group elements (PGE) 6E sold[1]	oz	**–**	–	2,541[1]	8,709	8,339

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

	2020 US$ million	2019 US$ million	2018 US$ million	2017 US$ million	2016 US$ million
Statement of profit or loss					
Revenue and other revenue	**274.1**	217.7[1]	146.0	158.8	238.6
Cost of production	**(158.5)**	(153.0)[1]	(107.1)	(95.8)	(148.7)
Mining profit	**94.1**	48.5[1]	32.2	54.8	73.6
Adjusted EBITDA*	**86.5**	56.8	32.4	60.0	66.4
Impairment reversal/(cost)	**0.1**	17.9	(140.3)	(7.4)	–
Profit/(loss) after taxation	**44.3**	38.0	(122.8)	22.8	37.7
Headline earnings*	**44.2**	22.9	17.8	23.2	37.7
Dividend paid	**(3.4)**	–	(13.2)	(21.3)	(14.6)
Statement of financial position					
Non-current assets	**315.0**	363.2	317.8	354.9	303.2
Current assets[2]	**53.6**	30.0	26.5	38.1	29.6
Assets held for sale	**–**	–	–	7.3	0.1
Total equity	**183.6**	183.6	147.0	277.4	194.4
Non-current liabilities	**106.3**	145.7	152.9	81.7	93.5
Current liabilities	**78.7**	63.9	44.4	40.6	43.6
Liabilities directly associated with assets held for sale	**–**	–	–	0.5	–
Statement of cash flows					
Net cash generated by operating activities[3]	**53.8**	37.7	13.4	3.6	40.1
Capital expenditure on property, plant and equipment and mining rights[3]	**34.6**	55.1	124.7	45.1	20.8
Net increase/(decrease) in cash and cash equivalents[3]	**26.5**	3.9	(10.7)	8.0	(0.8)

[1] *Represents the statement of profit or loss for continuing operations. In 2018, Evander Mines' large-scale underground operations were classified as a discontinued operation.*

[2] *Current assets as at 30 June 2016 excluded non-current assets held for sale of US$0.1 million.*

[3] *2017 and 2016 net cash generated by operating activities, capital expenditure on property, plant and equipment and mining rights and net movements in cash and cash equivalents have been translated at the average US$/ZAR exchange rate prevailing for the respective financial year.*

* *Refer to APMs on pages 210 to 216.*

	Unit	2020	2019	2018	2017	2016
Statistics						
Shares in issue	million	**2,234.7**	2,234.7	2,234.7	2,234.7	1943.2
Weighted average number of shares in issue	million	**1,928.3**	1,928.3	1,809.7	1,564.3	1,811.4
Earnings per share	US cents	**2.30**	1.97	(6.79)	1.46	2.08
Headline earnings per share*	US cents	**2.29**	1.19	0.99	1.48	2.08
Net asset value per share*	US cents	**9.52**	9.52	7.62	15.43	14.44
Dividend paid per share	US cents	**0.15**	–	0.60	1.10	0.80

* *2017 and 2016 headline earnings have been translated at the average US$/ZAR exchange rate prevailing for the respective financial year.*

	2020		2019		2018		2017		2016	
Shares traded	**JSE ZAR million**	**AIM GBP million**	**JSE ZAR million**	**AIM GBP million**	**JSE ZAR million**	**AIM GBP million**	**JSE ZAR million**	**AIM GBP million**	**JSE ZAR million**	**AIM GBP million**
Value of shares traded	**1,742.7**	**50.6**	680.9	19.7	1,702.8	70.6	1,920.1	164.5	1,540.6	58.2

		2020		2019		2018		2017		2016	
	Unit	**JSE**	**AIM**	**JSE**	**AIM**	**JSE**	**AIM**	**JSE**	**AIM**	**JSE**	**AIM**
Volume of shares traded	million	**680.5**	**397.7**	418.7	222.8	952.1	639.1	623.7	932.6	650.7	461.6
Volume traded as percentage of number in issue	%	**30.5**	**17.8**	18.7	10.0	42.6	28.6	32.1	46.6	33.5	25.5
Number of transactions	number	**71,233**	**35,211**	23,424	14,449	5,824	19,082	16,217	34,020	35,926	20,784
Price earnings*	ratio	**10.3**	**9.7**	6.7	6.5	(1.6)	(1.4)	11.9	12.0	12.4	13.5
Dividend yield at the latest traded share price*	%	**0.6**	**0.7**	–	–	6.1	6.3	6.5	6.4	3.1	2.8
Dividend yield at the average traded share price*	%	**0.9**	**1.0**	–	–	4.2	4.0	5.0	4.9	5.1	4.3

	2020		2019		2018		2017		2016	
Traded prices	**JSE cents**	**AIM pence**	**JSE cents**	**AIM pence**	**JSE cents**	**AIM pence**	**JSE cents**	**AIM pence**	**JSE cents**	**AIM pence**
Last sale in year	**370.0**	**17.6**	186.0	10.0	135.0	7.1	236.0	13.7	375.0	19.0
High	**398.0**	**18.0**	215.0	10.8	285.0	15.8	469.0	24.3	400.0	19.0
Low	**150.0**	**9.0**	125.0	6.9	105.0	6.6	224.0	13.8	122.0	6.3
Average price per share traded	**245.1**	**12.4**	161.7	8.8	197.0	11.2	308.3	17.8	224.6	12.4

* *Refer to APMs on pages 210 to 216.*

Chief executive officer's review

The Group has demonstrated the resilience of its operations, with gold production in excess of the revised production guidance for the year ended 30 June 2020. This was achieved despite the restrictions imposed by the South African government's national lockdown due to the COVID-19 pandemic in the second half of the financial year. The flexibility inherent in our operations confirms the quality of these mines and their ability to withstand short-term disruptions and still deliver on our targets.

COBUS LOOTS
Chief executive officer

PERFORMANCE HIGHLIGHTS

Overall

Gold produced by the Group increased by
4.1% to 179,457oz
(2019: 172,442oz)

Gold sold increased by
1.3% to 173,864oz
(2019: 171,706oz)

Revenue increased by
25.9% to US$273.7 million
(2019: US$217.4 million)

AISC* increased by
16.1% to US$1,147/oz
(2019: US$988/oz)

Adjusted EBITDA* increased by
52.3% to US$86.5 million
(2019: US$56.8 million)

Profit after taxation increased by
16.6% to US$44.3 million
(2019: US$38.0 million)

Earnings per share increased by
16.8% to
US 2.30 cents per share
(2019: US 1.97 cents per share)

Group net debt* was reduced by
41.2% to US$76.4 million
(2019: US$129.9 million)

- The Group maintained an industry-leading safety performance, with Barberton Mines achieving 3 million fatality-free shifts during June 2020, a record for the past decade
- The board is pleased to propose a final dividend ZAR 312.9 million (approximately US$18.7 million) for the 2020 financial year.

* Refer to APMs on pages 210 to 216.

Financial capital
Manufactured capital
Human capital

Evander Mines

Production from Elikhulu increased by

29.0% to 59,616oz
(2019: 46,201oz)

Gold production from Evander Mines' underground operations increased by

22.5% to 20,670oz
(2019: 16,879oz), **mainly due to the incremental ounce contribution from the 8 Shaft pillar**

- **Steady-state production was achieved at 8 Shaft pillar during May 2020, and production is on track for the planned 30,000oz per year over the next three years**

Barberton Mines

Development into the

first target block
on Level 42 at New Consort Mine – PC Shaft completed during June 2020 and this operation is now at steady-state

Production from underground operations decreased by

9.6% to 68,129oz
(2019: 75,356oz), **due to the impact of COVID-19**

BTRP's production decreased by

16.1% to 20,135oz
(2019: 24,007oz), **in line with the mine plan and production guidance**

Group safety

The Group maintained an industry-leading safety performance, following several safety initiatives and interventions:

Reported a Group RIFR of

0.80 per million man hours
(2019: 0.51 per million man hours)

Group LTIFR remained relatively unchanged at

1.70 per million man hours
(2019: 1.62 per million man hours)

- **Barberton Mines achieved 3 million fatality-free shifts in June 2020 – a record for the mine in the past decade**
- **Fairview Mine achieved 2 million fatality-free shifts in April 2020**
- **Elikhulu experienced no lost-time injuries during the past 11 months, contributing to the Group's commendable safety performance**

Pan African will continue to pursue further improvements to its safety performance in the years ahead and remains committed to its unrelenting pursuit of the ultimate goal of zero harm.

OUR ECONOMIC ENVIRONMENT

Pan African has a demonstrated track record of operating successfully in South Africa.

The operating environment remains challenging, with key issues being electricity availability, illegal mining, community protests and disruptions, escalating costs and regulatory uncertainty. These challenges are successfully mitigated by employing pre-emptive risk management initiatives and by Pan African's proactive management approach.

The Group's operations were impacted by power supply constraints during the year. Evander Mines' operations can reduce power consumption during critical times, with a limited impact on production. The Pan African board has approved the construction of a solar photovoltaic plant at Evander Mines, which will contribute to a more reliable power supply during daylight hours. The plant is expected to be completed within the next year and contribute to cost savings.

To combat illegal mining and safeguard operations from criminal activity, the Group has embarked on the following initiatives:

- Development and implementation of an integrated multi-faceted security strategy and plan for the Group
- Increased deployment of security resources, both human and technological, in and around high-risk areas
- Enhanced information sharing and cooperation with local, provincial and national law enforcement agencies and prosecuting authorities
- Modernisation of detection and crime prevention security technology at all facilities
- Increased execution of intensive targeted crime combating operations in and around our facilities.

The operational consistency of our low-cost and innovative tailings retreatment processes provide more consistent gold production and cash flows that contribute to creating sustainable stakeholder value.

IMPLEMENTING OUR STRATEGY

To fulfil the Group’s strategy, our mining operations must be profitable and sustainable in order to generate value growth for our stakeholders. We will focus on the following to achieve our strategy:

Read a detailed review of **our strategy** on page 5 of this report.

We endeavour to identify and manage material risks to our business and operations. We have disclosed details of our **risks and opportunities** on pages 16 to 22 of this report.

Our stakeholders are those directly influenced by the positive or negative impacts from our mining operations and the value we create from these operations. Further information regarding **our key stakeholder relationships** can be found on pages 23 to 25 of this report.

SUSTAINABILITY

The key value differentiators in the gold mining sector are production costs, execution risk and the ability to mine safely. Surface operations are intrinsically safer than underground operations, with greater production predictability and cash flow certainty. Similarly, the operational consistency of our low-cost and innovative BIOX® and tailings retreatment processes provide more consistent gold production and cash flows that contribute to creating sustainable stakeholder value.

South African mining is highly regulated, with onerous claims from the government in the form of royalties and taxes to fund in-country social development and other initiatives. While we acknowledge the historical and social context that binds our operations to nearby communities, it needs to be recognised that shareholders only receive a few cents in every rand earned after we have paid taxes, salaries, operating expenses, community social contributions and rehabilitation fund contributions. Our ongoing commercial sustainability relies on balancing the interests of all stakeholders so that our mines remain an attractive investment proposition and can continue to generate wealth for all stakeholders.

If regulators are tempted to extract additional revenue from the sector, or government loses control of community stability near mines, mining in South Africa may cease to be commercially sustainable or fail to attract further investment.

For more information on Pan African's sustainability and ESG efforts, refer to our **sustainable development report**, which is available on our website at www.panafricanresources.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Pan African has prioritised its focus on ESG initiatives and the Group recognises and welcomes increased scrutiny of ESG-centred issues by the investment community. The Company is committed to a sustainable business and has set standards that routinely go beyond regulatory compliance. Pan African proactively manages and monitors its ESG responsibilities by means of a framework and conducted independent audits on its carbon tax emissions, TSFs, mineral tenure compliance, SLPs implementation, environmental management system compliance and water-use licences during the 2020 financial year.

The Group's commitment to ESG and contribution to the sustainability of communities, post mining, is demonstrated by its commitment to renewable energy and large-scale, labour-intensive agriculture projects, utilising available resources surrounding its operations. The rehabilitation of old mining infrastructure and tailings facilities will also make land available for alternative uses by host communities. Other sustainable economic initiatives that the Group continues to invest in include eco-tourism, infrastructure development in health and education as well as local supplier and procurement development.

ESG highlights

- The Group completed independent audits on its carbon tax emissions, TSFs, mineral tenure compliance, SLP implementations, environmental management system compliance and water-use licences
- A bankable feasibility study has been completed to construct a 10MW solar photovoltaic plant at Evander Mines capable of delivering the entire Elikhulu plant's power needs during daylight hours. This will reduce the Group's reliance on grid power and simultaneously reduce our carbon footprint
- We commenced construction of the new Cathyville Community Clinic development within the Barberton Mines community in September 2019. The new clinic will include a waiting area, consulting rooms, a paediatric consulting room, a boardroom and dispensary. It is expected that the clinic will be completed and handed over to the Mpumalanga Department of Health in February 2021 and that the project will create several employment opportunities.

Our **sustainable development report**, containing details of our ESG initiatives and compliance, is available on our website at www.panafricanresources.com

COST OPTIMISATION INITIATIVES

The Group has undertaken several initiatives to improve production and reduce unit costs at its higher-cost operations, with the objective of reporting AISC of less than UD$1,000/oz for the 2021 financial year. These initiatives include:

8 Shaft pillar

Notwithstanding delays as a result of the COVID-19 pandemic, and subsequent national lockdown restrictions impacting underground mining operations, the Group is pleased to report that it achieved steady-state production at the 8 Shaft pillar during June 2020, following the completion of the shaft tower construction between 14 and 16 Levels at this shaft.

The 8 Shaft pillar is expected to produce 30,000oz of gold annually for the next three years, at an average AISC of less than US$1,000/oz. Mining of the 8 Shaft pillar significantly reduces the risk profile of Evander Mines' underground operations, with simplified logistics, modern underground mining support and reduced travelling times to the workplace expected to contribute to reduced production costs.

Barberton Mines' New Consort operation

The Group's interim results presentation provided detailed plans for the development into new stoping areas around the PC Shaft. Development into the first target block, on Level 42 of this shaft, has been completed, with a proved Mineral Reserve delineated of 5,000t at an average grade of 25g/t. The orebody was intersected in early May 2020, following COVID-19-related delays and initial sampling revealed grades in certain areas in excess of 300g/t, containing large amounts of visible gold. Production from this resource block is expected to reduce this mine's AISC and ensure the operation's future profitability.

The Group's on-site exploration team has identified several additional potential targets, using advanced exploration techniques, and these will be prioritised, explored and developed, if viable, in the next year.

A presentation containing technical details of the abovementioned PC Shaft project is available on the Group's website at www.panafricanresources.com

Barberton Mines' Fairview operation

Improved flexibility, resulting from accelerated underground development programmes implemented over the last years, have increased face length availability (over 130m of high-grade face length), which will assist the Group in delivering on its production guidance for the 2021 financial year. Geological complexity, as experienced on the 256 Platform of the MRC orebody at Fairview Mine, has been


We always strive towards minimal disruption to the environment...


...despite our extensive operations.

mitigated to a large degree with increased reserve delineation drilling, increasing the confidence and predictability of geological models. Mining has now also commenced on the 257 Platform of the MRC orebody. Geological mapping and reserve delineation drilling identified a mineralised width at the 257 Platform in excess of 15m relative to typical 7m on the upper platforms. The next production platform, 258, located some 25m below the 257 Platform, is due to be accessed during the second quarter of the 2021 financial year. This will ensure that a high-grade platform in the MRC orebody is in a continuous generation cycle and will de-risk the mine's production guidance for the year.

Evander Mines' Egoli project

During the 2020 financial year, DRA Global completed a feasibility study on the Egoli project, which was subject to an independent review by The Mineral Corporation.

The Egoli project is a long-life, low-cost brownfield project, that will capitalise on Evander Mines' existing established infrastructure during its development and exploitation. This synergy has materially reduced the Egoli project's upfront capital investment when benchmarked against other development projects of similar scale, and contributes to its compelling economic returns. The project has an initial life-of-mine of nine years, with annual gold production of approximately 72,000oz at an average head grade of 6.61g/t, and expected AISC of less than US$1,000/oz. First gold is expected to be produced approximately 20 months after construction commences, with ramp up to steady-state production over the following 16 months. Additional geological and operational upside exists when the Inferred Resources are accessed as underground development proceeds, potentially increasing the life-of-mine to 14 years.

The project initially requires approximately 560m of underground development and will significantly capitalise on the existing infrastructure, such as vertical shafts, hoisting capacity and an operating metallurgical processing plant, as well as the experienced incumbent management team.

The Egoli project is expected to directly employ approximately 1,200 people, mainly from our host communities and will provide additional economic and supplier development opportunities for the Evander region of the Mpumalanga province.

The project has strong ESG credentials, as it is already fully licenced and empowered, the closure cost rehabilitation liability is fully funded and the Company intends to utilise the existing TSF at Evander Mines for the project, resulting in there being no additional environmental footprint. Evander Mines' solar photovoltaic plant, which is expected to be completed in the next year, is also expected to contribute to cost savings and reduced emissions.

RMB has been mandated by Pan African to arrange a full debt funded solution for the Egoli project's capital expenditure. The funding structure comprises two distinct phases, the first of which entails a tranche of US$23.1 million* (ZAR400 million) (for which RMB has provided the full commitment) to dewater the 7 Shaft Decline, equip the decline and shaft and conduct the initial mine development. The second tranche of US$46.2 million* (ZAR800 million) will be utilised to fund the balance of the project's development over the remaining term of the two-and-a-half-year construction period. The facility has commercially attractive terms and will benefit from the existing revolving credit facility and Elikhulu loan facilities' security structures. The debt will be repaid over a period of two and a half years, post commissioning from the Egoli project's cash flows only and, in so doing, not curtail the Company's ability to pay dividends from its existing operations. The facility's availability is subject to definitive legal agreements and suspensive conditions typical for a transaction of this nature.

The Group has mandated DRA Global as consultants to complete the detailed project scheduling and planning, being the next phase in the development of the project.

SAFETY

It is with regret that we announce that an employee at Fairview Mine in Barberton, Mr Senzo Mavimbela, lost his life in a fall-of-ground accident on 21 July 2020. We are deeply saddened by this incident and our sincere condolences and support have been extended to the family, friends and colleagues of the deceased. The health and safety of our employees continues to be our number one priority and we continue to reassess and reinforce all safety protocols, procedures and standards in our ongoing quest to achieve zero harm for all our employees, on a daily basis.

** Amounts converted at the 30 June 2020 closing exchange rate of US$/ZAR:17.33.*

MINERAL RESOURCES AND MINERAL RESERVES

We have quality pipelines of gold Mineral Resources (37.6Moz) and Mineral Reserves (10.9Moz).

	Gold Mineral Resources			
	Tonnes Mt	Grade g/t	Gold t	Gold Moz
Barberton Mines hard rock	24.4	4.8	117.0	3.8
BTRP	21.0	1.3	26.5	0.9
Evander Mines underground	103.8	9.4	974.7	31.3
Elikhulu	183.1	0.3	51.7	1.7
Total	332.3	3.5	1,169.8	37.6

	Gold Mineral Reserves			
	Tonnes Mt	Grade g/t	Gold t	Gold Moz
Barberton Mines hard rock	15.5	3.3	51.7	1.7
BTRP	9.0	1.7	15.4	0.5
Evander Mines underground	27.1	8.4	227.1	7.3
Elikhulu	156.5	0.3	43.8	1.4
Total	208.2	1.6	338.0	10.9

We access these assets through careful planning and optimised mining methodologies. Our thoughtful, ethical and robust approach to addressing issues enables agile mining and generates more predictable production results, cash flows and returns.

For a summary of the Group's **Mineral Resources and Mineral Reserves**, refer to pages 47 to 55. The full report is available on our website at www.panafricanresources.com

DIVIDENDS

Proposed dividend for the financial year ended 30 June 2020

The board has proposed a final dividend of ZAR312.9 million for the 2020 financial year (approximately US$18.7 million), equal to ZA 14.00000 cents per share or approximately US 0.83582 cents per share (0.65451 pence per share). The dividend is subject to approval by shareholders at the AGM, which is convened for Thursday, 26 November 2020.

In light of the robust results for the 2020 financial year and the favourable financial prospects for the operations in the 2021 financial year, the board has applied its discretion and has proposed a dividend in excess of the Company's dividend policy's guidelines, which provide for a 40% payout ratio of net cash generated from operating activities.

OUTLOOK AND PROSPECTS

The Group is committed to creating stakeholder value by driving its sustainable mining operating model. Our key focus areas are:

- Continuing to improve our safety performance and levels of ESG compliance across all operations
- Delivering on our gold production guidance of approximately 190,000oz (revised 2019: 176,000oz) and reducing the unit cost of production
- Successfully delivering competitively costed capital projects that will maintain and increase gold production in the future
- Further reducing senior debt to allow for improved funding flexibility and liquidity
- Increasing returns to shareholders, including cash dividends.

APPRECIATION

I wish to thank our board for its guidance and support during the past year. I also extend a special thank you to all our employees and contractors for their hard work and commitment at a time when our world was experiencing tumultuous circumstances on an unprecedented scale as a result of the COVID-19 pandemic and its fallout. Our unwavering focus on high-margin, safe and sustainable gold mining will serve all our stakeholders well into the future.

Cobus Loots
Chief executive officer

16 September 2020

Financial director's review

Despite the adverse impact of the COVID-19 pandemic on the Group's operations, the Group reported excellent financial results for the 2020 financial year, supported by increased gold production and higher gold prices. This has resulted in record profits and contributed to the Group's net senior debt decreasing by 51.9% to US$62.0 million (2019: US$129.0 million).

DEON LOUW
Financial director

FINANCIAL HIGHLIGHTS FOR THE YEAR

Revenue increased by
25.9% to US$273.7 million
(2019: US$217.4 million)

Headline earnings* increased by
93.0% to US$44.2 million
(2019: US$22.9 million)

Net cash generated by operating activities increased to
US$53.8 million
(2019: US$37.7 million)

Adjusted EBITDA* increased by
52.3% to US$86.5 million
(2019: US$56.8 million)

Profit after taxation increased by
16.6% to US$44.3 million
(2019: US$38.0 million)

Headline earnings per share increased to
US 2.29 cents per share
(2019: US 1.19 cents per share)

Net senior debt* decreased to
US$62.0 million
(2019: US$129.0 million)

A dividend of
US 0.8358 cents per share
(2019: US 0.1516 cents per share) **is proposed to shareholders for the 2020 financial year**

* *Refer to APMs on pages 210 to 216.*

FINANCIAL IMPACT OF THE COVID-19 PANDEMIC

Gold production, especially at Barberton Mines' underground operations, was adversely impacted during March and April 2020 as a result of the COVID-19 pandemic and imposed lockdown restrictions. Despite the lost production resulting from the lockdown, the Group still managed to produce 179,457oz (2019: 172,442oz) for the 2020 financial year, as a result of the diversified nature of the Group's operations and the contribution from the re-mining operations and other surface material.

Gold is a traditional safe haven for investors in times of uncertainty and its price has increased by 55.5% in rand terms since the 2019 year-end contributing to the growth in the Group's revenue and cash generation for the 2020 financial year.

In evaluating the Group's going concern assumption, including the Group's cash flow forecasts, its ability to redeem obligatory principal and interest debt redemptions, and meet its other liabilities in the ordinary course of business, the Group has taken into account possible future decreases in production as a result of the impact of the COVID-19 pandemic. Production may be adversely impacted in the future if further lockdown restrictions are imposed or if the incidences of employee infections increase exponentially. Refer to note 2 in the Group's annual financial statements for further reading on the Group's going concern assessment.

FINANCIAL PERFORMANCE

The Group reported materially improved results for the 2020 financial year, underpinned by a strong operational performance and coupled with higher gold prices. This contributed to robust free cash flow generation for the 2020 financial year. The Group's net debt reduced by US$53.5 million to US$76.4 million (2019: US$129.9 million) while the net debt to net adjusted EBITDA ratio improved to 0.7 (2019: 2.2). The Group's cash holdings improved to US$33.5 million (2019: US$5.3 million). Our focus for the coming year is the continued de-gearing of the statement of financial position with the intent of being debt free within the next 12 months, assuming the prevailing rand gold price and guided production levels are sustained. The Group's liquidity remains healthy with US$41.2 million (2019: US$23.0 million) of liquid resources, comprised of:

	Consolidated	
	Year ended 30 June 2020 US$ thousand	Year ended 30 June 2019 US$ thousand
Cash and cash equivalents	**33,529.8**	5,341.2
Restricted cash	**(389.8)**	–
Available general banking facilities	**8,078.5**	9,892.2
Available revolving credit facility	**–**	7,812.5
Available Group liquidity	**41,218.5**	23,045.9

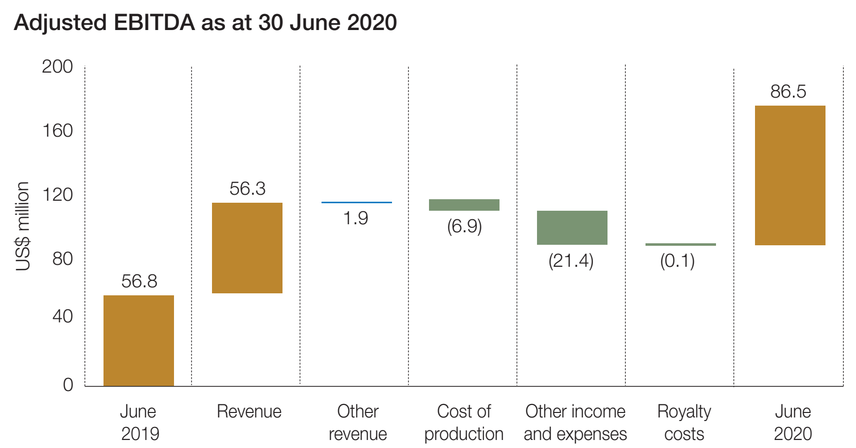
The enhanced statement of financial position flexibility coupled with the inherent robustness of our operations strengthens the Group's ability to navigate the prevailing capricious operating environment, improve our ability to withstand short-term disruptions and deliver on our strategic objectives.

The Group's philosophy is to hedge only specific exposures arising from operational risks, capital investments and transactional flows. The Group manages its gold price risk by means of short-dated hedges to a maximum of 25% of the Group's annual production, unless additional exposure is specifically approved by the board. Volatility in the rand gold price, combined with the Group's onerous debt redemption obligations of US$15.9 in the past financial year, presented a major risk to the Group's sustainability, compelling the Group to increase its hedge level to 50% of forecast production utilising zero cost collars.

In entering into the zero cost collars, the board was cognisant that some value will be forfeited in the event of the ceiling levels of the collars being breached but balanced this risk against the consequences of potential financial distress should the rand price of gold suffer a material decline and the Group breaches its senior debt covenants or is unable to meet its debt obligations.

Although the ceiling levels on the zero cost collars were breached as the rand price of gold increased by approximately 44% in the second half of the 2020 financial year, the financial impact was exacerbated by lost production of more than 10,000oz due to the COVID-19 lockdown.

The remaining zero cost collar hedges at 30 June 2020 comprise 50,000oz with an average floor price of ZAR708,000/kg and a ceiling price of ZAR925,829/kg and will be delivered into in the first half of the 2021 financial year. The Group is unhedged for the second half of the 2021 financial year.



The Group generated adjusted earnings before interest, taxation, depreciation and amortisation and impairment reversal (adjusted EBITDA) of US$86.5 million relative to US$56.8 million in 2019, representing a 52.3% year-on-year increase. The Group's adjusted EBITDA margin also increased to 31.6% (2019: 26.3%) and profit after tax increased to US$44.3 million relative to US$38.0 million for the prior financial year.

Other expenses and income were negatively impacted by fair value mark-to-market movements on the Group's zero cost collars, entered into as part of its gold price hedging programme and an increase in the cost incurred on the valuation of the options issued in terms of its employee incentive schemes.

FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	30 June 2020 US$ thousand	**30 June 2019 US$ thousand**
Revenue	**273,708.3**	217,374.6
Other revenue	**398.5**	304.4
Revenue	**274,106.8**	217,679.0
Cost of production	**(158,457.3)**	(152,980.0)
Mining depreciation and amortisation	**(21,503.2)**	(16,227.8)
Mining profit	**94,146.3**	48,471.2
Other expenses and income	**(28,681.9)**	(7,562.3)
Impairment reversal	**88.6**	17,853.5
Royalty costs	**(473.8)**	(354.1)
Net income before finance income and finance costs	**65,079.2**	58,408.3
Finance income	**464.8**	849.7
Finance costs	**(13,346.2)**	(13,041.8)
Profit for the year	**52,197.8**	46,216.2
Income taxation expense	**(7,904.5)**	(8,174.0)
Profit after taxation	**44,293.3**	38,042.2

Revenue increased by 25.9% to US$273.7 million (2019: US$217.4 million) predominantly due to:

- gold sold increasing by 1.3% to 173,864oz (2019: 171,706oz)
- the average US$ gold price received increasing by 24.3% to US$1,574/oz (2019: US$1,266/oz).

The mining profit margin increased to 34.3% from 22.4% in the prior financial year despite a 3.6% increase in cost of production and a 32.5% increase in mining depreciation and amortisation.

The increase in cost of production relates mainly to:

- mining and processing costs (representing 40.5% of the total cost of production) increased by 2.2% to US$64.2 million (2019: US$62.8 million) as a direct result of toll treating additional surface material to maximise available plant capacity and a full year of production for Elikhulu
- electricity costs (representing 14.3% of the cost of production) increased by 24.0% to US$22.7 million (2019: US$18.3 million) as a result of a 13.9% regulatory increase combined with an increase in consumption by Elikhulu due to it operating for the full financial year
- engineering and technical costs (representing 8.8% of the cost of production) increased by 23.0% to US$13.9 million (2019: US$11.3 million) due to the extensive work performed on optimising and repairs to the pipelines at Elikhulu as well as the replacement of stolen pipelines
- security costs (representing 4% of the cost of production) decreased by 12.5% to US$6.3 million (2019: US$7.2 million) due to the improved management of external service providers and effective utilisation of internal resources and technology
- salaries and wages (representing 27.6% of the total cost of production), decreased by 5.8% to US$43.7 million (2019: US$46.4 million). The decrease is mainly due to the capitalisation of certain salary costs to the 8 Shaft pillar project and Egoli project
- The 32.5% increase in the Group's mining depreciation and amortisation costs is attributable to:
  - a full year's depreciation charge, relative to a nine month depreciation charge in the prior financial year following Elikhulu's commissioning in September 2018
  - an increase in Evander Mines' depreciation charge following the commencement of the 8 Shaft pillar project and the increase in the carrying cost of this project due to the impairment reversal of US$17.9 million in the prior financial year
  - as the depreciation charge is based on the estimated available units of production (tonnes) over the life of the operations, the 2020 financial year's depreciation charge increased consistent with the increase in production.

Gold-bearing ore is being transported from underground to the crushing station at Barberton Mines.

Other expenses and income have increased to US$28.7 million (2019: US$7.6 million), due to:

- mark-to-market fair value losses of US$22.0 million (2019: US$0.5 million gain) incurred on the Group's zero cost collars as part of its gold price risk hedging programme
- costs of US$5.5 million (2019: US$2.4 million) incurred on the fair value valuation of cash-settled share options issued in terms of the Group's employee incentive schemes.

Royalty costs increased to US$0.5 million (2019: US$0.4 million), which is consistent with the increase in revenue and operational profits.

Finance costs increased to US$13.3 million (2019: US$13.0 million) mainly due to:

- the Group incurring US$0.5 million in finance costs which related to IFRS 16: *Leases*, adopted on 1 July 2019
- finance costs of US$1.6 million associated with the unwinding of the rehabilitation provision
- finance costs of US$10.7 million related to the Group's senior interest-bearing facilities.

The income taxation expenses for the year decreased to US$7.9 million (2019: US$8.2 million) resulting in an effective taxation rate of 15.1% (2019: 17.6%). The decrease in the effective rate was attributable to the utilisation of the Group's assessed losses, which resulted in an increase in the current taxation charge to US$8.0 million (2019: US$2.9 million).

The deferred taxation expense decreased to US$0.2 million (2019:US$5.3 million) due to the utilisation of the assessed losses and an increase in the Evander Mines' deferred taxation rate.

FINANCIAL POSITION AT 30 JUNE 2020

The Group's net assets remained constant at US$183.6 million (2019: US$183.6 million) influenced by increased profit for the year offset by:

- dividend payments of US$2.9 million (net of reciprocal dividend) (2019: US$nil) to the Company's shareholders
- fair value loss through other comprehensive income of US$3.0 million (2019: US$2.3 million gain) following a decline in the fair value of shares held in MC Mining Limited to US$1.2 million (2019: US$6.8 million)
- foreign currency translation loss of US$38.6 million (2019: US$3.7 million).

Capital expenditure on property, plant and equipment and mineral rights of US$41.1 million (2019: US$56.7 million) was offset by mining depreciation and amortisation of US$21.5 million (2019: US$16.2 million). An impairment reversal of US$88.6 thousand was recognised on the 8 Shaft pillar project (2019: US$17.9 million). Capital expenditure comprises:

- sustaining capital expenditure of US$16.4 million (2019: US$10.0 million)
- expansion capital expenditure of US$24.7 million (2019: US$46.7 million).

Capital allocation discipline

The board is conscious of stakeholder aspirations for sustainable 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 compelling returns currently being earned on the capital invested in BTRP and Elikhulu bear testimony to our success in this regard.

Our investment criterion is to earn a minimum return in excess of the Group's cost of capital, after adjusting for project-specific and sovereign risks. Furthermore, to ensure our returns are robust through the cycle, 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.


Women are afforded the same opportunities as their male counterparts.

Expansionary capital expenditure includes expenditure on the following growth projects:

- The development of 23 Level haulage from the Sheba ZK Shaft to access the virgin orebody at Royal Sheba
- The Royal Sheba trial mining programme to test the grade continuity of Royal Sheba's orebody
- The sub-vertical shaft project at Fairview
- The 8 Shaft pillar project
- Development of the PC Shaft Level 42 project at New Consort Mine
- Completion of the mining feasibility study at Evander Mines' Egoli project.

The Group's liabilities to non-financial institutions have increased to US$22.9 million (2019: US$4.1 million) predominantly as a result of the increase in the cash-settled share option liability to US$12.5 million (2019: US$3.8 million), of which US$10.0 million (2019: US$2.3 million) was classified as a current liability in the 2020 financial year.

CASH FLOW FOR THE YEAR ENDED 30 JUNE 2020

	Consolidated	
	30 June 2020 US$ thousand	**30 June 2019 US$ thousand**
Cash flow from operating activities		
Net cash generated from operating activities before dividend, taxation, royalties and net finance costs paid	**73,399.4**	56,889.0
Net dividend paid (note 1)	**(2,933.2)**	–
Income taxation paid	**(4,876.7)**	(3,847.0)
Royalties paid	**(926.9)**	(649.9)
Finance costs paid	**(11,157.6)**	(15,014.8)
Finance income received	**323.3**	329.4
Net cash generated from operating activities	**53,828.3**	37,706.7
Cash flow from investing activities		
Additions to property, plant and equipment and mineral rights	**(34,557.3)**	(55,115.7)
Additions to other intangible assets	**(174.6)**	(16.3)
Repayments of long-term loans receivable	**1,798.5**	286.0
Rehabilitation fund withdrawals	**2,084.7**	2,585.4
Proceeds from disposals of property, plant and equipment and mineral rights	**206.7**	466.3
Net cash used in investing activities	**(30,642.0)**	(51,794.3)
Cash flow from financing activities		
Borrowings raised	**48,468.0**	21,494.0
Borrowings repaid	**(44,158.1)**	(3,523.6)
Capital repayments of instalment sale obligation	**(166.9)**	–
Capital repayments of lease obligations	**(803.6)**	–
Net cash generated from financing activities	**3,339.4**	17,970.4
Net increase in cash and cash equivalents	**26,525.7**	3,882.8
Cash and cash equivalents at the beginning of the year	**5,341.2**	921.8
Effect of foreign exchange rate changes	**1,662.9**	536.6
Cash and cash equivalents at the end of the year	**33,529.8**	5,341.2

Cash generated by operations improved to US$53.8 million (2019: US$37.7 million). The cash generated by operations was supported by the improved operational performance of the Group.

The cash outflows from investing activities decreased to US$30.6 million (2019: US$51.8 million) largely due to capital expenditure on property, plant and equipment and mining rights incurred of US$34.6 million (2019: US$55.1 million).

Net cash generated by financing activities decreased to US$3.3 million (2019: US$18.0 million) largely due to the repayment of the Group's senior debt facilities.

DIVIDENDS

Pan African aspires to pay a regular dividend to its shareholders. In balancing this cash return to shareholders with the Group's strategy of organic and acquisitive growth, the Company 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 also considers the Company's financial position, future prospects, satisfactory solvency and liquidity assessments and other factors deemed relevant at the time. The board allows itself flexibility to deviate from the above policy when deemed appropriate.

Proposed dividend for the financial year ended 30 June 2020

The board has proposed a final dividend of ZAR312.9 million for the 2020 financial year (approximately US$18.7 million), equal to ZA 14.00000 cents per share or approximately US 0.83582 cents per share (0.65451 pence per share). The dividend is subject to approval by shareholders at the AGM.

The proposed dividend equates to a dividend yield of 3.8% based on the closing share price as at 30 June 2020.

SHAREHOLDER RETURNS

	Unit	30 June 2020	30 June 2019
Attributable cash flow per share	US$	**2.08**	1.02
Dividend yield at the last traded price	%	**0.6**	–
Cash flow yield per share	%	**9.76**	7.88
Return on shareholders' funds	%	**24.1**	23.0
Return on capital employed	%	**22.1**	20.0

Over the past financial year, the Group generated attributable cash flow of US$40.2 million (2019: US$19.8 million utilised) which has contributed to the improved attributable cash flow per share. The Group has also improved its return on shareholder funds, return on capital employed and dividend yield year on year.

LOOKING AHEAD

Our focus for the 2021 financial year is on:

- strengthening the Group's financial position by reducing senior debt and, in so doing, reducing financial risk and enhancing returns to shareholders
- reducing operational cost and managing cash flow generation
- reviewing our procurement strategy and internal processes to ensure best practice is applied and these functions perform optimally
- funding the Egoli project's development on a cash flow ring-fenced basis
- implementing a funding structure for Evander Mines' solar photovoltaic plant.

Deon Louw
Financial director

16 September 2020

Operational performance review

Barberton Mines

Barberton Mines is a high-margin, high-grade gold producer with an excellent safety record.

JAN THIRION
General manager

Gold sold (oz)
– total operations

2020	**88,264**
2019	99,363
2018	90,629
2017	98,508
2016	113,281

Tonnes milled and processed (tonnes)
– mining operations

2020	**337,404**
2019	293,264
2018	237,831
2017	246,915
2016	268,383

Tonnes milled and processed (tonnes)
– tailings operations

2020	**958,106**
2019	1,114,923
2018	858,967
2017	821,691

Overall recovered grade (g/t)
– mining operations

2020	**6.3**
2019	8.0
2018	9.6
2017	9.0
2016	9.8

Overall recovered grade (g/t)
– tailings operations

2020	**0.7**
2019	0.7
2018	0.6
2017	1.0

AISC (US$/oz)
– total operations

2020	**1,242**
2019	1,078
2018	1,124
2017	942
2016	746

Capital expenditure* (US$ million)
– total operations

2020	**18.9**
2019	16.2
2018	16.4
2017	14.2
2016	9.6

* *Converted to US$ at the average exchange rate prevailing for the respective period.*

HIGHLIGHTS

Safety

- Achieved 3 million fatality-free shifts in June 2020
- TRIFR and LTIFR (per million man hours) improved to 8.01 (2019: 11.31) and 1.11 (2019: 1.52) respectively
- No fatalities were reported for the year under review
- No COVID-19 cases were reported for the 2020 financial year

Sales and production

- Gold sales decreased by 11.2% to 88,264oz (2019: 99,363oz)
- Mining operations' decreased production by 9.6% to 68,129oz (2019: 75,356oz)
- BTRP production decreased by 16.1% to 20,135oz (2019: 24,007oz)

Cost of production

- AISC per ounce increased by 15.2% to US$1,242/oz (2019: US$1,078/oz)
- Mining operations' surface operations' AISC per ounce increased by 10.4% to US$1,375/oz (2019: US$1,245oz)
- BTRP's AISC per ounce increased by 44.0% to US$795/oz (2019: US$552/oz)
- Production costs decreased by 0.7% to US$91.4 million (2019: US$92.0 million) including:
  – engineering and technical service costs decreased by 14.5% to US$5.9 million (2019: US$6.9 million)
  – salaries and wages decreased by 7.8% to US$37.7 million (2019: US$40.9 million)
  – security costs decreased by 7.5% to US$4.9 million (2019: US$5.3 million)
  – mining and processing costs increased by 13.0% to US$27.9 million (2019: US$24.7 million)

Capital expenditure

Total capital expenditure increased by 16.7% to US$18.9 million (2019: US$16.2 million) comprising:

- sustaining capital expenditure of US$11.9 million (2019: US$9.9 million)
- expansion capital expenditure of US$7.0 million (2019: US$6.3 million)

Community and social initiatives

- Implemented a relief programme to assist and alleviate the adverse impact of the COVID-19 pandemic. This involved packaging and distributing over 5,000 food and hygiene hampers to employees, contractors and vulnerable families in communities in close proximity to our operations
- Exceeded compliance with all SLP obligations including training and development targets as well as completion of infrastructure projects in host communities

Environmental

A feasibility study was completed on the Barberton Blueberries project that will optimise the use of land and water resources, create local employment and downstream processing opportunities, while also reducing the operation's carbon footprint

OVERVIEW OF OPERATIONS

The mines that constitute the Group's Barberton Mines complex have been operating for over 100 years and include the Fairview, New Consort and Sheba underground operations. These flagship mines are high-grade operations that have the capacity to produce some 80,000oz of gold per year with an excellent safety record in the recent past. Barberton Mines has a life-of-mine estimated at 20 years within the currently identified Mineral Resources and Mineral Reserves report.

Fairview is the birthplace of BIOX®, an environmentally friendly process of releasing gold from the surrounding sulphide minerals, using organisms that perform this process naturally and it is still used as the training facility for all BIOX® plants globally. Sheba Mine is one of the oldest working gold mines in the world.

Barberton Mines improved flexibility at its Fairview operation, through accelerated underground development programmes which were successfully implemented during the past year. This has resulted in increased face length availability (over 130m of high-grade face length).

BTRP was commissioned by the Group in 2013 and is located within Fairview Mine's footprint area. BTRP was designed to treat 100,000t of tailings per month and adds low-cost and low-risk ounces to our production profile, with production of 20,135oz for the 2020 financial year at an AISC of US$795/oz (2019: US$552/oz) in the 2020 financial year. The life-of-mine is estimated at six years at current rates of production and it has the added benefit of turning our Barberton environmental rehabilitation liabilities into profits while also rehabilitating ground for more sustainable uses. Additional feed sources are being investigated to increase the life of BTRP.

The development of the **sub-vertical shaft project at Fairview** is progressing as planned and should be completed over a period of two years, after which it is expected to produce an additional 7,000oz to 10,000oz per annum.

The Group has taken a strategic decision to mine the **PC Shaft pillar at New Consort Mine**, projected to supplement production with a calculated 10kg to 20kg of recovered gold per month. First gold production occurred in the last quarter of the financial year. A total of 36 exploration targets have been identified at New Consort and will be explored during the three years of PC Shaft pillar mining.

Development into the first target block on Level 42 of this shaft has been completed, with proved Mineral Reserves of 5,000t at an average grade of 25g/t delineated. The orebody was intersected in early May 2020, following delays experienced due to disruptions caused by the COVID-19 pandemic.

Initial sampling revealed grades in certain areas in excess of 300g/t containing large amounts of visible gold. Production from this resource block at New Consort Mine is expected to reduce the mine's AISC and ensure the operation's future profitability. The Group's on-site exploration team has identified a number of additional potential targets using advanced exploration techniques, which will be further explored and developed, if viable, in the 2021 financial year.

A presentation containing technical details of the abovementioned PC Shaft project is available on the Group's website at www.panafricanresources.com

Project Dibanisa aims to connect the underground infrastructure of Fairview and Sheba, allowing all underground production from Sheba to be transported to the surface through the Fairview infrastructure and treated at the Fairview plant. This will free up the Sheba infrastructure (ZK Shaft and Sheba plant) to be utilised for the development and treatment of the Royal Sheba orebody, significantly reducing the capital requirements for the project.

The Group is currently conducting a feasibility study on the Royal Sheba orebody and will communicate the outcome of the study when it is completed. Further information on Barberton Mines' growth projects can be found on page 50 in the abridged Mineral Resources and Mineral Reserves report.

Blueberry farming is both socially and environmentally sustainable.

We achieved 3 million fatality-free shifts during the year. Our operations have a production capacity of 100,000oz per year and a current life- of-mine of 20 years.

CHALLENGES

The beginning of the 2020 calendar year saw global economies succumb to the unprecedented effects of the **COVID-19** pandemic. This global pandemic has seen our operations downscaling on-mine employee presence to that of essential services in order to meet the South African government's prescribed care and maintenance status in terms of the national lockdown regulations announced by President Cyril Ramaphosa, effective from 27 March 2020. The persistence of the pandemic and the South African government's continued efforts to reduce the rate of infection while keeping reasonable levels of economic activity open, meant running underground mining operations at materially curtailed levels during the initial phase of the lockdown and thereafter increasing it to 50%. Re-mining and surface operations were initially cut to only 50% capacity but were later cleared to increase to full capacity during the lockdown. For the last two months of the financial year, underground operations have been ramping up to full production. The lockdown therefore negatively impacted gold production for the second half of the financial year.

The impact on gold production from **community unrest** remains a challenge. In the current financial year, three production days were lost. This was an improvement on the 20 days lost in the previous year, owing to sustained community engagement and awareness efforts. The unrest is attributed to dissatisfaction with the perceived lack of employment and business opportunities provided by the mines. The Group continues its awareness programmes that inform stakeholders about the importance of mining, its contribution to the local economy and the dangers of illegal mining to sustainability and livelihoods.

As part of its ESG focus, the Group investigated agri-projects as a means to optimally utilise its excess land and water resources, and create sustainable employment for local communities as the Lowveld area has a temperate climate that is suitable for a number of high-value produce. A feasibility study has been completed for the Barberton Blueberries project that has the potential to create 800 seasonal jobs, positively impacting the socio-economic standards of the host communities and optimising the use of resources owned by the mine.

Additional value can potentially be created in downstream and upstream activities including warehousing, packaging, transport and marketing logistics along with agricultural research and development. The Group is investigating carbon credits for the project to offset our existing GHG emissions, further enhancing the operation's ESG profile.

Illegal mining continues to adversely affect our gold production and the safety and security of our employees, which in turn impacts revenues and security costs. During the 2020 financial year, more than 1,800 suspected criminals were arrested (2019: more than 2,500) at Barberton Mines for theft of gold-bearing material and other mine assets. The Group's risk and security executive introduced new integrated security strategies which are bearing tangible results.

The increasing **geological complexity** in the mineralisation style of our Mineral Resources and Mineral Reserves also presented challenges during the year. Greenstone belt shear zone-hosted gold deposits are characteristically variable in metal content and mineralised extents, along both strike and down-dip. Due to this unpredictability of the orebodies, the mining face length of the high-grade platforms in the Fairview MRC 11-block and Rossiter Reefs differ from what was planned. During the 2020 financial year, the extents of 256 Platform at the Fairview MRC 11-block were 15m less than planned. This negatively affected the short-term production output of Fairview Mine. To mitigate the effects of the 256 Platform, down-dip development to the 257 Platform was accelerated and the 257 Platform was accessed during the final quarter of the year. This greatly enhanced the flexibility within the high-grade platforms.

The reserve delineation drilling grid was tightened to add more resolution during geological modelling and mine planning to improve the short-term robustness of the plans.

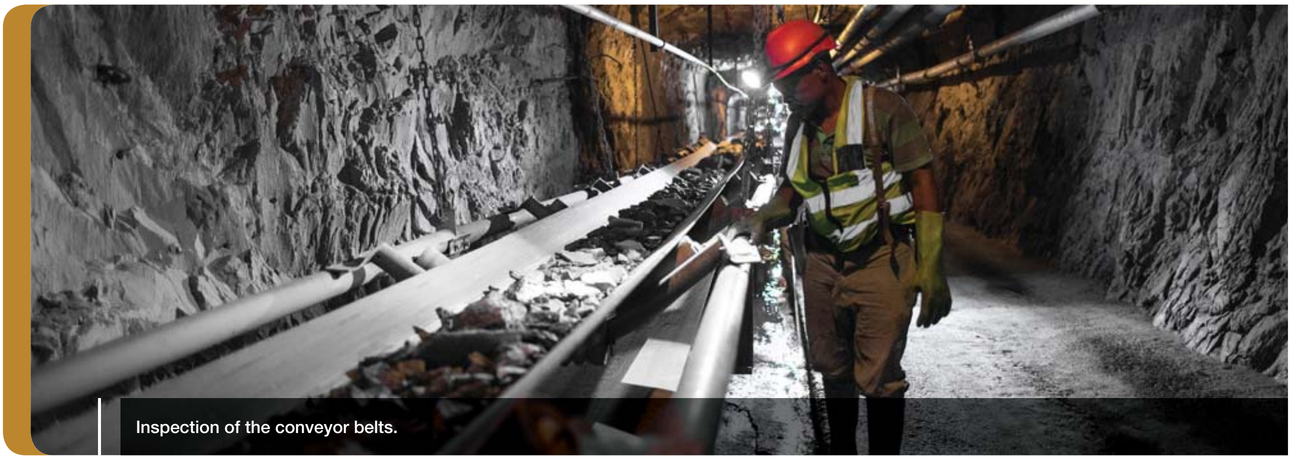
FOCUS FOR 2021

Our focus remains on the continued improvement of our safety performance, delivering quality ounces consistent with our production guidance of approximately 100,000oz per annum and advancing value-accretive growth opportunities.

The Group has a demonstrable record of replenishing its Mineral Resources through effective brownfield exploration and is looking to organic growth projects, such as the Royal Sheba project, to further enhance the sustainability and longevity of the Group's operations.

Our primary focus areas for the 2021 financial year are:

- reducing underground unit costs
- optimising Barberton Mines' infrastructure utilisation by advancing the Royal Sheba project and Project Dibanisa
- extending reserve definition drilling programmes to other orebodies
- identifying additional exploration targets using modern geophysical techniques
- improving sustainability of the operation's tailings deposition by extending the Fairview TSF
- commencing implementation of the Barberton Blueberries project to create additional jobs outside mining and reduce our carbon footprint
- initiating a feasibility study for a solar photovoltaic plant to reduce emissions and costs while ensuring reliable electricity supply.



Inspection of the conveyor belts.

Evander Mines – underground mining and surface source operations

The 8 Shaft pillar is expected to contribute an average of 20,000oz to 30,000oz per annum over the next three financial years at an expected AISC of below US$1,000/oz.

LAZARUS MOTSHWAIWA
General manager

Gold sold (oz)
– underground mining and surface source operations

2020	**25,984**
2019	26,878
2018	69,815
2017	74,777
2016	91,647

Tonnes milled and processed (tonnes)
– underground mining and surface source operations

2020	**339,678[1]**
2019	1,136,004
2018	2,454,482
2017	2,582,507

Overall recovered grade (g/t)
– underground mining operations

2020	**9.1**
2019	8.2
2018	5.6
2017	5.4
2016	5.6

AISC (US$/oz)
– underground mining operations

2020	**2,506**
2019	1,768
2018	2,065
2017	2,094
2016	1,129

Capital expenditure[2] (US$ million)
– underground mining and surface source operations

2020	**21.0**
2019	2.7
2018	14,1
2017	16,4

[1] *In January 2019, throughput from ETRP was incorporated into Elikhulu resulting in the tonnes milled and processed decreasing to 339,678t (2019: 1,136,004t).*
[2] *Converted to US$ at the average exchange rate prevailing for the respective period.*

Evander Mines' 7 Shaft.

HIGHLIGHTS

Safety

- TRIFR and LTIFR (per million man hours) for underground operations regressed to 16.42 (2019: 3.26) and 4.62 (2019: 3.92) respectively
- No fatalities were reported for the year under review
- Two COVID-19 case were reported for the year under review

Sales and production

- Gold sales decreased by 3.3% to 25,984oz (2019: 26,878oz)

Cost of production

- AISC per ounce for mining operations increased by 41.7% to US$2,506/oz (2019: US$1,768/oz)
- AISC per ounce for surface source operations increased to US$1,412/oz (2019: US$581/oz)
- Cost of production for mining and surface source operations decreased 4.2% to US$34.0 million (2019: US$35.5 million)

Capital expenditure

Total capital expenditure for mining and surface source operations was US$21.0 million (2019: US$2.7 million) comprising:

- sustaining capital expenditure of US$3.3 million (2019: US$nil)
- expansion capital expenditure of US$17.7 million (2019: US$2.7 million)

Community and social initiatives

- Distributed 1,404 food and hygiene hampers to families in our host communities as part of the COVID-19 relief and assistance programme
- Donated four mobile libraries to local schools and assisted with infrastructure repairs as part of the ongoing Adopt-A-School initiative
- Commenced with training and development initiatives and community engagements as part of the new SLP commitments

Environmental

- Mined-out shaft footprints are being rehabilitated, which also prevents illegal mining activities
- Independent environmental audits commissioned to maintain compliance

Organic growth projects

- A feasibility study has been completed on the Egoli project which will use existing underground and plant infrastructure
- The Egoli project has an initial expected life-of-mine of nine years with average expected production of 72,000oz expected per annum

OVERVIEW OF OPERATIONS

Mining of the **8 Shaft pillar** commenced in the second quarter of the 2020 financial year and has a life-of-mine of three years. The operation was originally scheduled to reach steady-state production of some 30,000oz per annum in March 2020, however, as a result of the restrictions imposed by the COVID-19 regulations, steady-state production was only achieved during June 2020. Mining of the 8 Shaft pillar significantly reduces the risk profile of Evander Mines' underground operations, with simplified logistics, modern underground mining support and reduced travelling times to the workplace expected to contribute to improved production costs.

The mining feasibility study for the **Egoli** project has been completed and the results demonstrate a viable and value-enhancing project, surpassing the findings of previous technical and financial assessments. The underground project has an expected initial life-of-mine of approximately nine years and is expected to contribute between 60,000oz to 80,000oz per annum on average over the life-of-mine, based on the current Proved and Probable Mineral Reserves. The feasibility study projects steady-state annual production of 72,000oz in the second year at an AISC of under US$1,000/oz. This life-of-mine excludes the Inferred Mineral Resources of 6.26Mt at 9.68g/t (1.95Moz), which will be accessed once underground development is in place.

The mining method to be employed at the underground Egoli project will be conventional breast mining with on-reef access development done with trackless mobile machinery. Egoli is a brownfield project with low execution risk and only requires 560m of underground development from the current 3 Decline to access approximately 1.5km from 7 Shaft, which is fully operational. Existing infrastructure will be refurbished and utilised, including 7 Shaft hoisting infrastructure and the Kinross processing plant. First gold is anticipated in the twentieth month of the project. The Egoli project requires materially lower capital investment when benchmarked against other development projects of similar scale and has access to an experienced management and underground mining team. Ore will be treated at the Kinross plant which is 300m away from 7 Shaft and has the capacity to handle ore material from the Egoli project's underground operations, while the current Elikhulu TSFs have sufficient capacity to handle production from the Egoli project. The Group is exploring funding options for Egoli.

The Egoli project is situated within Evander Mines' existing mining right, which is valid until 2038. The project has significant geological and operational upsides when the additional Inferred Resources are upgraded and converted to Mineral Reserves as further underground development allows access. Please refer to the abridged Mineral Resources and Mineral Reserves report on page 54.

CHALLENGES

The structural construction of the shaft pillar tower at 8 Shaft pillar experienced delays due to ongoing electricity supply disruptions and COVID-19 restrictions. This caused a delay in reaching steady-state production at the pillar. The newly built backfill plant initially experienced inconsistent material supply density, that caused leakages through the cement bags underground and resulted in production delays. Design changes to the bags have now successfully stabilised the operation.

Challenges experienced in relation to the Egoli project are mainly as a result of investor perceptions around poor safety statistics, long development times and high operational costs attributed to new underground mining projects. Evander Mines has an excellent safety track record, proven mining methodology, stable seismicity and existing underground and surface infrastructure that significantly shortens the lead time to production, where first gold is anticipated in only 20 months at an AISC of US$777/oz. The feasibility study anticipates a cost profile that is consistent with profitable shafts currently operating at similar depths in South Africa.

Increased unemployment in the host communities has given rise to increased illegal mining and theft of infrastructure, especially at shafts that are no longer in operation. The improved integrated security strategy implemented in the previous year has been effective in limiting the unauthorised access of illegal miners to underground mining areas. The closure of the old workings and ongoing rehabilitation of the shaft areas will also contribute to mitigating these risks in future.

A positive mining feasibility study review completed at the adjacent Egoli project provides further expected upside.

FOCUS FOR 2021

Our goal for the year ahead is to achieve optimal performance in our underground operations. We are focused on gaining maximum value from our current assets through operational optimisation and organic growth.

Our focus areas for the year ahead include:

- sustain steady-state production levels at the 8 Shaft pillar
- detailed scheduling and planning for the Egoli project
- securing non-dilutive funding for the Egoli project
- commencing with exploration programmes to delineate additional shallow organic growth opportunities within the existing Evander Mines mining right.

Evander Mines – Elikhulu

Built within budget and ahead of schedule, the flagship Elikhulu operation demonstrates the Group's expertise in designing and commissioning tailings retreatment plants and is instrumental in ranking the Company among South Africa's lowest-cost gold producers.

ORIEL SHIKWAMBANA
General manager

Gold sold (oz)

2020	59,616
2019	45,465

Tonnes milled and processed (tonnes)

2020	13,093,574
2019	10,848,209

Overall recovered grade (g/t)

2020	0.1
2019	0.1

AISC (US$/oz)

2020	614
2019	587

Capital expenditure* (US$ million)

2020	0.6
2019	37.7
2018	97.8
2017	12.9

* *Converted to US$ at the average exchange rate prevailing for the respective period.*

Monitoring Elikhulu re-mining processes.

HIGHLIGHTS

Safety

- TRIFR and LTIFR (per million man hours) regressed to 5.29 (2019: nil) and 0.88 (2019: 0.42) respectively
- No fatalities were reported for the year under review
- No COVID-19 cases were reported for the year under review

Sales and production

- Gold sales increased by 31.1% to 59,616oz (2019: 45,465oz)

Cost of production

- AISC per ounce increased by 4.6% to US$614/oz (2019: US$587/oz)
- Cost of production increased 29.9% to US$33.0 million (2019: US$25.4 million)

Capital expenditure

Total capital expenditure was US$0.6 million (2019: US$37.7 million) comprising:

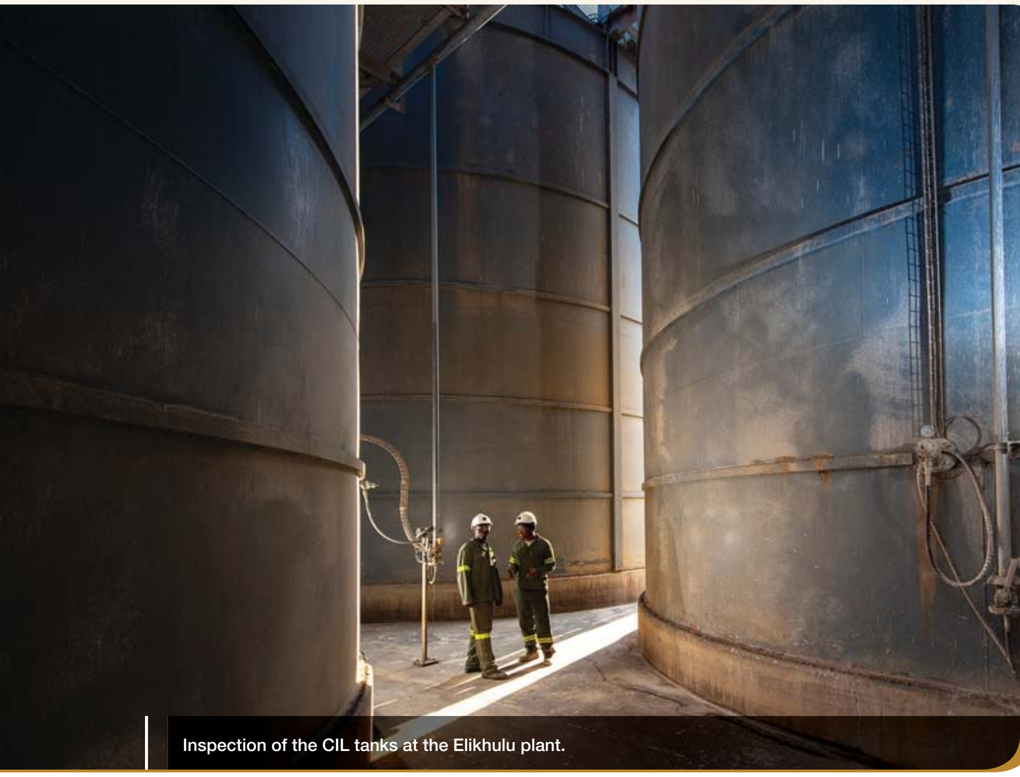
- sustaining capital expenditure of US$0.6 million (2019: US$nil)
- expansion capital expenditure of US$nil (2019: US$37.7 million)

Community and social initiatives

- The decision to proceed with treatment of historical tailings at Elikhulu sustains the local economy in the long term and provides employment for communities that would not have existed had Evander Mines' operations been permanently closed
- Elikhulu is included in Evander Mines' mining right and its profitability contributes to the community projects and commitments for the underground operations at Evander Mines, including the COVID-19 relief and assistance programme

Environmental

- Reprocessing of historical tailings allows the rehabilitation of land for alternate land use. The new tailings facilities have a reduced footprint and are safer. Modern processing technologies mean they comply with new environmental regulations
- A solar photovoltaic plant has been approved to supply power to Elikhulu that will reduce its dependency on the national grid, ensure supply stability and reduce the Group's carbon footprint



Inspection of the CIL tanks at the Elikhulu plant.

Elikhulu is one of the lowest-cost operations in Southern Africa, producing 59,616oz at an AISC of US$614/oz, with an operational life of 12 years.

OVERVIEW OF OPERATIONS

The Group's expansionary capital expenditure in the current and previous year related predominantly to the development of **Elikhulu**. The ZAR1.74 billion surface tailings retreatment operation is the Group's third gold retreatment plant and was built within budget and commissioned ahead of schedule in September 2018. Elikhulu is one of the lowest-cost operations in Southern Africa, producing 59,616oz at an AISC of US$614/oz, with an operational life of 12 years. The plant processes up to 1.2Mt of historical tailings per month from the three existing slimes dams at Kinross, Leslie/Bracken and Winkelhaak. Reprocessing will result in the residues being re-deposed to a single TSF site which will reduce our ecological footprint. Elikhulu's enlarged Kinross TSF extension is lined to prevent and limit underground seepage and pollution. It represents our commitment to address the environmental legacy of historical tailings deposits. As the TSFs are located in close proximity to residential areas, specialist independent contractors were appointed to build and operate the TSF. In addition, tailings dam management is overseen by an appointed competent person at each TSF site to ensure monitoring and compliance with legislation as well as the Group's own internal code of practice.

The Elikhulu operation consists of a technologically advanced, automated plant with a reduced labour requirement. The plant's numerous innovations, in addition to its high throughput and short pumping distances, include its modern extraction process, which does not require regrind mills and thickeners, has low reagent consumption and uses mostly non-potable water supply from adjacent underground operations. The Group designed its tailings plants to incorporate a pre-oxidation methodology to enhance gold extraction successfully. The re-mining activities are also automated to a large degree, with the latest in hydro-mining technology. These factors allow production costs to remain remarkably low.

Elikhulu is testament to Pan African's ability to conceptualise, plan and complete substantial growth projects ahead of time and within budget.

The Group's board has approved the development of a solar photovoltaic plant at Elikhulu, following the finalisation of a positive bankable feasibility study undertaken by independent consultants ARUP. The solar photovoltaic plant will initially provide up to 30% of Elikhulu's annual power requirements and aims to reduce the operation's dependency on the national grid, while also reducing exposure to annual power cost increases which are above inflation. The investment will promote a more sustainable renewable energy solution for the green economy of the country and reduce Elikhulu's carbon footprint.

The solar photovoltaic plant is expected to generate electricity at a much lower cost than electricity provided by Eskom, which makes this investment economically compelling. The solar photovoltaic plant has an expected minimum life of 20 years. Additional positive environmental and social aspects include the generation of carbon credits and job creation within the local communities. This investment in renewable energy by the Group will result in improved efficiencies, a further reduction in operating costs and the long-term sustainability of Elikhulu.

The engineering, procurement, and construction contract for the solar photovoltaic plant has been awarded to an independent contractor and the Group is in the process of finalising the necessary legal and contractual agreements, as well as raising dedicated funding for the solar photovoltaic plant.

CHALLENGES

Production was impacted by the delay in commissioning the new pump station for Elikhulu's re-mining feed. After it was fully commissioned, production stabilised and the operation's ability to cope with excessive rainfall was enhanced.

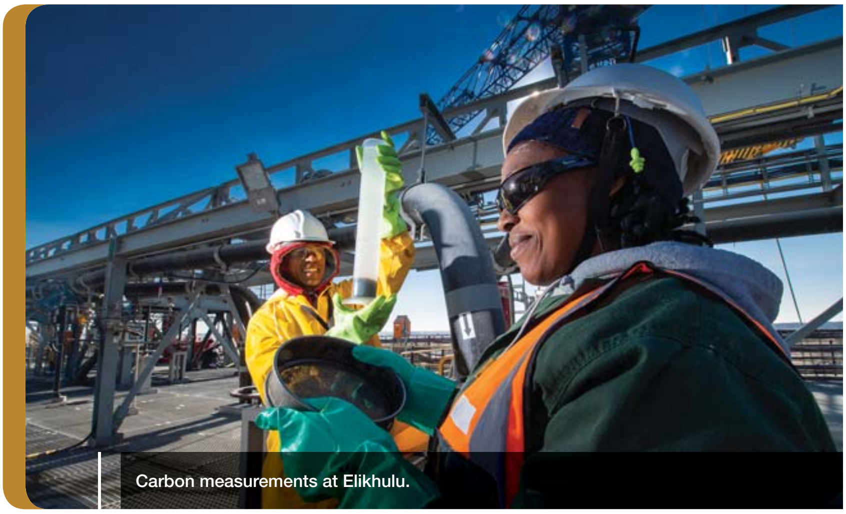
As Elikhulu is highly automated, the labour complement required is reduced. This means fewer unskilled employment requirements from the local communities compared to underground mining, which results in dissatisfaction and demand for jobs that cannot be filled. The Group endeavours to create alternate employment opportunities through its business Incubation centre, where local small businesses are developed to supply the mining and other industries. The commencement of the Egoli project will also create further local employment opportunities.

Unstable supply of electricity from the national grid has the potential to disrupt operations and interrupt process flows, leading to delays in resuming steady-state production. Unplanned power cuts on an ongoing basis exacerbates the situation resulting in production losses that cannot be recouped immediately, leading to missed production targets. The installation of the renewable energy solar photovoltaic plant (as described above) will mitigate this situation to a large extent.

FOCUS FOR 2021

Our goal for the year ahead is to achieve optimal performance in our surface operations. Our focus areas for the year ahead include:

- achieving continued low-risk, high-margin performance from Elikhulu
- commissioning the solar photovoltaic plant to reduce electricity costs and the risk of power supply disruptions
- continuing with rehabilitation of historical TSF sites and investigating alternate land-use projects on the newly rehabilitated areas
- investigating collaboration opportunities with adjacent mines to expand the scale and impact of LED projects
- planning and preparing for the construction of the Leslie/Bracken pumping infrastructure
- completing planning and starting construction for the re-deposition of tailings on the Kinross TSF dams 1 and 2.


Carbon measurements at Elikhulu.

Operational production

	Year ended 30 June	Unit	Mining operations			Tailings operations				Total operations		
			Barberton Mines	Evander Mines	Total	BTRP	ETRP	Elikhulu	Total	Barberton Mines total	Evander Mines total	Group total
Tonnes milled – underground[1]	2020	t	233,580	51,436	285,016	–	–	–	–	233,580	51,436	285,016
	2019	t	247,635	63,971	311,606	–	–	–	–	247,635	63,971	311,606
Tonnes milled – surface	2020	t	103,824	–	103,824	–	–	–	–	103,824	–	103,824
	2019	t	45,629	–	45,629	–	–	–	–	45,629	–	45,629
Tonnes milled – total underground and surface	2020	t	337,404	51,436	388,840	–	–	–	–	337,404	51,436	388,840
	2019	t	293,264	63,971	357,235	–	–	–	–	293,264	63,971	357,235
Tonnes processed – tailings[2]	2020	t	–	–	–	958,106	13,093,574	14,051,680	–	958,106	13,093,574	14,051,680
	2019	t	–	–	–	1,114,923	918,809	10,848,209	12,881,941	1,114,923	11,767,018	12,881,941
Tonnes processed – surface feedstock	2020	t	–	–	–	–	288,242	–	288,242	–	288,242	288,242
	2019	t	–	–	–	–	153,224	–	153,224	–	153,224	153,224
Tonnes processed – total tailings and surface feedstock	2020	t	–	–	–	958,106	288,242	13,093,574	14,339,922	958,106	13,381,816	14,339,922
	2019	t	–	–	–	1,114,923	1,072,033	10,848,209	13,035,165	1,114,923	11,920,242	13,035,165
Tonnes milled and processed – total	2020	t	337,404	51,436	388,840	958,106	288,242	13,093,574	14,339,922	1,295,510	13,433,252	14,728,762
	2019	t	293,264	63,971	357,235	1,114,923	1,072,033	10,848,209	13,035,165	1,408,187	11,984,213	13,392,400
Overall recovered grade	2020	g/t	6.3	9.1	7.1	0.7	1.2	0.1	0.2	2.1	0.2	0.4
	2019	g/t	8.0	8.2	8.0	0.7	0.3	0.1	0.2	2.2	0.2	0.4
Overall recovery – underground	2020	%	92	96	93	–	–	–	–	92	96	93
	2019	%	94	94	94	–	–	–	–	94	94	94
Overall recovery – tailings	2020	%	–	–	–	37	49	47	46	37	49	46
	2019	%	–	–	–	45	49	49	48	45	49	48
Gold produced – underground[1]	2020	oz	63,884	20,670	84,554	–	–	–	–	63,884	20,670	84,554
	2019	oz	72,864	16,879	89,743	–	–	–	–	72,864	16,879	89,743
Gold production – surface operations	2020	oz	4,245	–	4,245	–	–	–	–	4,245	–	4,245
	2019	oz	2,492	–	2,492	–	–	–	–	2,492	–	2,492
Gold produced – tailings[2]	2020	oz	–	–	–	20,135	–	59,616	79,751	20,135	59,616	79,751
	2019	oz	–	–	–	24,007	3,762	46,201	73,970	24,007	49,963	73,970
Gold produced – surface feedstock	2020	oz	–	–	–	–	10,907	–	10,907	–	10,907	10,907
	2019	oz	–	–	–	–	6,237	–	6,237	–	6,237	6,237
Gold produced – total[1, 2]	2020	oz	68,129	20,670	88,799	20,135	10,907	59,616	90,658	88,264	91,193	179,457
	2019	oz	75,356	16,879	92,235	24,007	9,999	46,201	80,207	99,363	73,079	172,442
Gold sold – total[1, 2]	2020	oz	68,129	15,077	83,206	20,135	10,907	59,616	90,658	88,264	85,600	173,864
	2019	oz	75,356	16,879	92,235	24,007	9,999	45,465	79,471	99,363	72,343	171,706
Average ZAR gold price received	2020	ZAR/kg	798,287	776,637	794,364	787,206	819,764	788,510	791,981	795,759	790,401	793,121
	2019	ZAR/kg	577,902	573,722	577,137	578,146	560,446	581,920	578,078	577,961	577,039	577,573
Average US$ gold price received	2020	US$/oz	1,585	1,542	1,577	1,563	1,627	1,565	1,572	1,579	1,569	1,574
	2019	US$/oz	1,267	1,258	1,265	1,267	1,228	1,267	1,267	1,267	1,265	1,266

[1] *Gold sold excludes 5,593oz which were produced by Evander Mines mining operations between July 2019 and May 2020. The associated revenue and costs were capitalised for accounting purposes prior to the 8 Shaft pillar project reaching steady-state production during May 2020. Tonnes processed between July 2019 and May 2020 were 15,823t.*

[2] *Gold sold excludes 736oz which were produced by Elikhulu during August 2018. The associated gold revenue and costs were capitalised for accounting purposes prior to Elikhulu achieving commercial production on 1 September 2019. Tonnes processed during August 2018 were 509,759t.*

	Year ended 30 June	Unit	Mining operations: Barberton Mines	Mining operations: Evander Mines	Mining operations: Total	Tailings operations: BTRP	Tailings operations: ETRP	Tailings operations: Elikhulu	Tailings operations: Total	Total operations: Barberton Mines total	Total operations: Evander Mines total	Total operations: Group total
ZAR cash cost[3]	2020	ZAR/kg	559,016	668,927	578,932	396,231	645,376	279,155	349,218	521,878	394,470	459,151
	2019	ZAR/kg	477,109	803,183	536,781	251,624	265,210	254,925	255,222	422,630	384,266	406,466
ZAR AISC[3]	2020	ZAR/kg	692,509	1,262,293	795,753	400,399	711,414	309,333	377,934	625,867	528,412	577,887
	2019	ZAR/kg	567,947	806,630	611,626	251,973	265,210	269,442	263,633	491,605	394,193	450,564
ZAR all-in cost[3]	2020	ZAR/kg	742,716	1,834,880	940,614	406,632	736,067	309,333	382,284	666,041	632,404	649,480
	2019	ZAR/kg	602,601	879,188	653,216	262,779	265,210	647,489	483,175	520,497	648,711	574,516
US$ cash cost[3]	2020	US$/oz	1,110	1,328	1,149	786	1,281	554	693	1,036	783	911
	2019	US$/oz	1,046	1,761	1,177	552	581	555	559	926	842	891
US$ AISC[3]	2020	US$/oz	1,375	2,506	1,579	795	1,412	614	750	1,242	1,049	1,147
	2019	US$/oz	1,245	1,768	1,341	552	581	587	578	1,078	864	988
US$ all-in cost[3]	2020	US$/oz	1,474	3,642	1,867	807	1,461	614	759	1,322	1,255	1,289
	2019	US$/oz	1,321	1,927	1,432	576	581	1,410	1,059	1,141	1,422	1,259
ZAR cash cost per tonne[3]	2020	ZAR/t	3,511	6,099	3,853	259	759	40	69	1,106	78	169
	2019	ZAR/t	3,813	6,592	4,311	169	77	33	48	928	72	162
Capital expenditure	2020	ZAR million	291.3	297.5	588.8	5.6	30.8	8.6	45.0	296.9	336.9	633.8
	2019	ZAR million	221.2	38.1	259.3	8.1	–	534.6	542.7	229.3	572.7	802.0
Revenue	2020	ZAR million	1,691.6	364.2	2,055.8	493.0	278.1	1,462.1	2,233.2	2,184.6	2,104.4	4,289.0
	2019	ZAR million	1,354.5	301.2	1,655.7	431.7	174.3	822.9	1,428.9	1,786.2	1,298.4	3,084.6
Cost of production	2020	ZAR million	1,184.6	313.7	1,498.3	248.2	218.9	517.6	984.7	1,432.8	1,050.2	2,483.0
	2019	ZAR million	1,118.3	421.7	1,540.0	187.9	82.5	360.5	630.9	1,306.2	864.7	2,170.9
AISC[3]	2020	ZAR million	1,467.5	591.9	2,059.4	250.8	241.3	573.6	1,065.7	1,718.3	1,406.8	3,125.1
	2019	ZAR million	1,331.2	423.5	1,754.7	188.1	82.5	381.0	651.6	1,519.3	887.0	2,406.3
All-in cost[3]	2020	ZAR million	1,573.9	860.4	2,434.3	254.7	249.7	573.6	1,078.0	1,828.6	1,683.7	3,512.3
	2019	ZAR million	1,412.4	461.6	1,874.0	196.2	82.5	915.6	1,194.3	1,608.6	1,459.7	3,068.3
Adjusted EBITDA[3]	2020	ZAR million	467.3	(280.7)	186.6	185.7	59.0	897.1	1,141.8	653.0	675.4	1,328.4
	2019	ZAR million	277.9	(32.9)	245.0	178.0	65.0	441.4	684.4	455.9	473.5	929.4
Average exchange rate	2020	US$/ZAR	15.67	15.67	15.67	15.67	15.67	15.67	15.67	15.67	15.67	15.67
	2019	US$/ZAR	14.19	14.19	14.19	14.19	14.19	14.28	14.19	14.19	14.19	14.19

[3] *Refer to APMs on pages 210 to 216.*

PERFORMANCE REVIEW

CORPORATE GOVERNANCE


We act in the best interests of all our stakeholders.

Corporate governance overview

Good corporate governance supports the achievement of Pan African's vision to create sustainable value for all our stakeholders.

The implementation of our corporate governance framework enhances our reputation, supports our licence to operate and ensures compliance with legislation and industry standards.

For the long-term sustainability of our business, given the long-term capital-intensive nature of mining projects and the often challenging socio-economic and political contexts in which we operate, it is important that we integrate responsible corporate citizenship into the Group's strategy.

We review our corporate governance practices regularly and have adopted King IV™ as the recognised corporate governance code to ensure that we act in the best interests of our stakeholders, comply with the applicable laws and regulations and adapt to changes in our regulatory environment. The application of King IV™ within the Company can be found in the full governance report at
https://www.panafricanresources.com/about/corporate-governance/

STRATEGIC KEY FOCUS AREAS AND ISSUES DISCUSSED AND ACTIONED

Strategic initiative
Ensuring adequate financial resources for the efficient operation of our mines and disciplined capital allocation for sustainable value creation

Issues discussed and actioned
- Hedging a portion of production to enhance the Group's ability to service senior debt
- Investigating options to access international and local funding to increase share liquidity (ADR)
- Optimising the Group's capital structure, debt:equity ratio and appropriate debt tenures

Strategic outcome
- Reducing Group senior debt and improving liquidity and funding flexibility
- Establish level 1 ADR programme sponsored by the Bank of New York Mellon

Strategic initiative
Effectively develop and complement our Mineral Resources and Mineral Reserves for a sustainable future

Issues discussed and actioned
- Progressing the Egoli project to feasibility study phase and commencing project execution planning
- Progressing the Royal Sheba project
- Progressing Fairview's sub-vertical project
- Commenced the extraction of New Consort's shaft pillar

Strategic outcome
- Successfully deliver on capital projects for sustainable future gold production

Strategic initiative
Use technology in a meaningful and relevant way to improve our operational efficiency and sustainability

Issues discussed and actioned
- Upgrading of Barberton Mines' geological software to Datamine software package
- Improving electronic financial reporting efficiency through continued development and integration of reporting software
- Implementing new pseudo pillar technology to support the areas being mined around the shaft pillar at 8 Shaft

Strategic outcome
- Use of technology to improve mine production, safety and efficiency

Strategic initiative
Employ, retain and develop the right people while keeping them safe and healthy

Issues discussed and actioned
- Succession plans
- Retention and remuneration schemes
- Identification of future leaders and the development of these individuals
- Ongoing new health and safety initiatives

Strategic outcome
- Improve our safety performance and continue to improve our levels of ESG compliance across all operations
- Succession plans and remuneration schemes that are appropriate and effectively align management and stakeholder objectives

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Social and relationship capital
- Natural capital

Strategic initiative
Being considerate to the communities within which we operate as a responsible corporate citizen

Issues discussed and actioned
- Employing labour from host communities
- Assisting clinics and schools in host communities
- Supplying potable water to host communities
- Alleviating hardships due to COVID-19 through community relief and assistance programmes such as the provision of food and hygiene hampers
- Closure of shafts and enhancing the security function to combat illegal mining
- Approval has been obtained from the board for the development of phase 1 of the 45ha Barberton Blueberries project
- Investigating agri-business at Barberton Mines using surplus land and water resources and creating sustainable employment outside of mining

Strategic outcome
- Successfully meeting our stakeholders' expectations

Strategic initiative
Conduct our business operations in a way that results in minimal harm to the environment

Issues discussed and actioned
- Finalised a feasibility study and board approval of a solar photovoltaic plant at Evander Mines
- Constructing new TSFs with improved environmental features as per government regulations
- Limiting our carbon footprint
- Ongoing rehabilitation and closure of old shafts and infrastructure

Strategic outcome
- Cultivating a culture of environmental care and positive behaviour when dealing with environmental issues
- Compliance with our mining licence requirements


Gold pour at the Kinross smelt house.


Inspecting ore received at the metallurgical plant.

Board of directors

NON-EXECUTIVE DIRECTORS

KEITH SPENCER (70)

Chairman

Independent

BSc Eng (Mining)

Date of appointment: 8 October 2007

Significant directorships

None

Skills and experience

Keith is a mining engineer with 48 years' practical experience. Since 1986, Keith has held senior positions in some of the largest gold mines in the world including:

- Managing director of Driefontein Consolidated
- Chairman and managing director of Deelkraal Gold Mine
- Director on the boards of gold mines belonging to Gold Fields, South Africa
- Operations director of Metorex

Experience

Technical and operational
Risk management
Environmental and sustainability
Business and strategy
Leadership

Committee membership[1, 2]

Chairman of the SHEQC committee

HESTER HICKEY (66)

Non-executive lead independent director

Independent

BCompt (Hons), CA(SA)

Date of appointment: 12 April 2012

Significant directorships

Northam Platinum Limited, Cashbuild Limited, Barloworld Limited, African Dawn Capital Limited (resigned on 31 August 2019)

Skills and experience

Hester joined AngloGold Ashanti as group internal audit manager and later became 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 served as chairperson of SAICA

Experience

Finance and accounting
Risk management
Governance and regulation
Business and strategy
Leadership
Taxation

Committee membership

Chairperson of the audit and risk committee

THABO MOSOLOLI (50)

Non-executive

Independent

BCom (Hons), CA(SA)

Date of appointment: 9 December 2013

Significant directorship

MFT Investment Holdings

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

Experience

Finance and accounting
Governance and regulation
Business and strategy
Leadership

Committee membership

Chairman of the social and ethics committee

YVONNE THEMBA (55)

Non-executive

Independent

BA, MBA

Date of appointment: 17 July 2019

Significant directorships

Adopt-a-School Foundation non-profit organisation, Canadoce Investments Close Corporation, Bo Themba Projects Proprietary Limited, Mathomo Packhouse Proprietary Limited, Jula Investments Proprietary Limited, NEAD International Proprietary Limited, ELogistics Portal Proprietary Limited

Skills and experience

Yvonne is the executive director of BoThemba Projects. She was previously responsible for human capital at Phembani Group and Shanduka Group. She headed the group corporate communications department at African Life Assurance Limited and the corporate social investment and corporate communications department at Sanlam. Prior to that, she was deputy director of the Life Officers' Association

Experience

Technical and operational
Risk management
Governance and regulation
Environmental and sustainability
Business and strategy
Leadership

Committee membership[4]

Chairperson of the remuneration committee[5]

Audit and risk committee | Remuneration committee | SHEQC committee | Social and ethics committee | Nomination committee

NON-EXECUTIVE DIRECTORS continued

CHARLES NEEDHAM (66)

Non-executive

Independent

Articles of Clerkship-Accounting, Dip in Mining Taxation

Date of appointment: 17 July 2019

Significant directorships
Alphamin Resources Corporation, Divitiae Holdings Limited, Imagined Earth Proprietary Limited, Kinsenda Copper Company SARL, METPROP Proprietary Limited, MetQuip Proprietary Limited, Orpheus Property Holdings Proprietary Limited, Ruashi Holdings Proprietary Limited, Unit 8 Tradewinds Proprietary Limited, Alphamin Bisie Mining Proprietary Limited

Skills and experience
Charles is chairman of Kinsenda Mining Company and Alphamin Resource Corporation (listed on the Toronto Stock Exchange), and consults to Metorex, a subsidiary of the Jinchuan Group. His previous experience includes 31 years at Metorex and its mining operations in Namibia, South Africa, Zambia and the Democratic Republic of the Congo. Charles progressively held the positions of group accountant, financial director and ultimately chief executive officer at Metorex

Experience
Finance and accounting
Technical and operational
Governance and regulation
Business and strategy
Leadership

Committee membership[3, 4]

EXECUTIVE DIRECTORS

COBUS LOOTS (42)

Chief executive officer

Not independent

CA(SA), CFA® Charterholder

Date of appointment: 26 August 2009

Significant directorships
None

Skills and experience
Cobus has many years of experience in the African mining sector. He qualified as a chartered accountant with Deloitte & Touche in South Africa. Prior to joining Pan African, he was managing director of Shanduka Resources, a mining investment business and part of the Shanduka Group, which was headed by Cyril Ramaphosa prior to him becoming South African president. He has been a director of Pan African since 2009, serving as financial director from 2013 until his appointment as chief executive officer on 1 March 2015

Experience
Technical and operational
Finance and accounting
Business and strategy
Leadership
Technology
Taxation

Committee membership

GIDEON (DEON) LOUW (58)

Financial director

Not independent

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

Date of appointment: 1 March 2015

Significant directorships
None

Skills and experience
Deon has extensive finance and business experience, which includes investment banking, advisory and business administration in the finance and mining sectors. As a founding member of Investec Bank's emerging market finance team, he was involved in financing mining transactions in sub-Saharan Africa for more than a decade. He 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

Experience
Finance and accounting
Risk management
Business and strategy
Leadership
Technology
Taxation

Committee membership

Refer to our website for profiles of the executive and operations committee members
www.panafricanresources.com/about/the-team/

[1] *Resigned from the remuneration committee with effect from 10 September 2019.*
[2] *Resigned from the audit and risk committee with effect from 10 September 2019.*
[3] *Appointed to the audit and risk committee with effect from 17 July 2019.*
[4] *Appointed to the remuneration committee with effect from 17 July 2019.*
[5] *Appointed as chairperson of the remuneration committee with effect from 17 July 2019.*

THE BOARD AND ITS COMMITTEES (AT JUNE 2020)

The board

meets at least four times a year

KEITH SPENCER
Chairman

The board assumes ultimate responsibility for the Group's adherence to sound corporate governance standards and integrates responsible corporate citizenship into the Group's strategy to deliver sustainable stakeholder value.

The board is appropriately skilled and comprises a diverse group of individuals who are committed to responsibility, accountability, fairness and transparency.

The board 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 board delegates to management the responsibility of managing the Group's operations, developing strategy and implementing the board's directives.

The audit and risk committee

meets at least four times a year

HESTER HICKEY
Chairperson

Members: Charles Needham, Thabo Mosololi

Other non-executive and executive board members attend as invitees.

The audit and risk committee assists the board to fulfil its corporate governance and oversight responsibilities to ensure the integrity of the Group's financial and corporate reporting, while ensuring that adequate systems of internal control and risk management processes are in place and are operating effectively.

The safety, health, environment, quality and community committee

meets at least four times a year

KEITH SPENCER
Chairman

Members: Hester Hickey, Cobus Loots

The committee was established to assist the board in its oversight of the effectiveness of Pan African's SHEQC policies and programmes and to keep the board informed on Pan African's objectives and compliance with and maintenance of standards in these areas.

The social and ethics committee

meets at least four times a year

THABO MOSOLOLI
Chairman

Members: Yvonne Themba, Deon Louw

The committee assists the board in ensuring that the Company and the other entities in the Group are and remain committed, socially responsible corporate citizens by creating a sustainable business and having regard to the Company's economic, social and environmental impact on the communities in which it operates.

EXECUTIVE COMMITTEE

The executive committee (Exco) meets on a regular basis to review the Company's performance against set objectives and manages the Group's operations, develops strategy and implements the board's directives. The Exco is not a sub-committee of the board. Members of the Exco include the chief executive officer, financial director and chief operating officer. Refer to www.panafricanresources.com/about/the-team/ for profiles of the executive and operations committee (Opsco) members.

The nomination committee

meets when required

KEITH SPENCER
Chairman

Members: Hester Hickey, Thabo Mosololi, Yvonne Themba, Charles Needham

The role of the nomination committee is to assist the board in ensuring that:

- the composition of the board has an appropriate level of skills, experience, diversity and independence
- directors are appointed through a formal process
- induction and ongoing training and development of directors takes place
- formal succession plans for the board, chief executive officer and senior management appointments are in place.

The remuneration committee

meets at least twice a year

YVONNE THEMBA
Chairperson

Members: Charles Needham, Thabo Mosololi

The remuneration committee assists the board to ensure that:

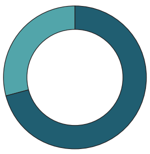
- both executive and non-executive directors are fairly and responsibly remunerated
- executive directors' remuneration is structured to incentivise sustainable performance to the benefit of shareholders
- the disclosure of director remuneration is accurate, complete and transparent.

Board composition

DIVERSITY OF EXPERIENCE

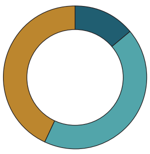
Finance and accounting	71%
Technical and operational	57%
Risk management	57%
Governance and regulation	57%
Business and strategy	100%
Leadership	100%
Technology	29%
Taxation	43%
Environmental and sustainability	29%

DIRECTOR INDEPENDENCE



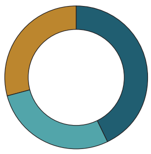
Independent non-executive directors	71%
Executive directors	29%

DIVERSITY OF AGE



40 – 50 years	14%
50 – 60 years	43%
Above 60 years	43%

DIVERSITY OF TENURE



Three to six years	43%
Six to nine years	28%
Above nine years	29%

GENDER AND EMPLOYMENT EQUITY DIVERSITY

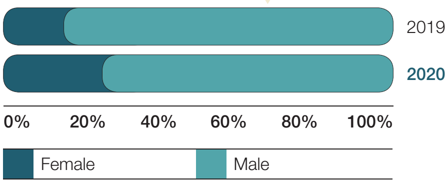
Pan African promotes employment diversity and gender equality. We respect people from diverse backgrounds and promote a culture in which our employees feel valued, which in turn, encourages our employees to contribute to the growth and sustainability of our Company.

Pan African acknowledges that delivering and contributing to genuine transformation is critical for the sustainability of our business, the communities in which we operate and the country as a whole. We are committed to integrating real transformation throughout the Group, as guided by the MPRDA, the Mining Charter III and our SLPs.

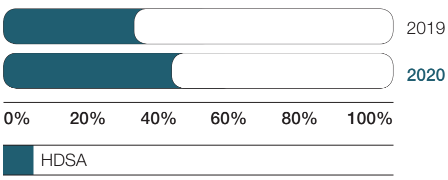
On 17 July 2019, we strengthened our board with the appointment of two new independent non-executive directors. With the appointment of Yvonne Themba, the gender and employment equity representation on our board improved for the 2020 financial year.

The board has set the following targets for its director representation:
25% female
40% HDSAs

GENDER



HISTORICALLY DISADVANTAGED SOUTH AFRICANS



TRANSFORMATION AND OWNERSHIP

Pan African has a strong record across all transformation categories, including procurement and staff demographics at all levels of the business. The mining sector directly and indirectly supports almost 20 million South Africans, representing roughly one-third of the country's population. We are committed to integrating real transformation throughout the Group under the auspices of the MPRDA, the Mining Charter III and our SLPs.

Ownership

The Mining Charter III seeks to strike a balance between improving transformation and ensuring the industry's viability in a volatile environment. It differentiates between new and existing mining rights holders with regards to ownership. Existing rights holders can continue to have 26% black ownership for the duration of their rights, although increased HDSA ownership is required for licence renewals and transfers. Companies that applied for mining rights before the introduction of the 2018 Mining Charter require 26% black ownership and have five years to increase that percentage to 30%.

Pan African's B-BBEE ownership is calculated at 26%, comprising 21% in Pan African Resources SA Holding Company Proprietary Limited (PAR SA Holding) and 5% from its on-mine employee ownership schemes. Refer to our website for our Company ownership structure at www.panafricanresources.com/about-overview/Company-structure/.

Key stakeholder concerns and board oversight

Understanding and considering the legitimate needs, interests and expectations of the Group's key stakeholders through effective engagement supports our vision of creating long-term sustainable value for all our stakeholders.

The board ensures that the legitimate interests and views of stakeholders are considered as part of its decision-making process.

Directors of the Company must act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, taking into account the factors listed in section 172 of the Companies Act 2006. Board meetings are a mechanism to discharge the board's duties under section 172.

Stakeholder engagement plays a vital role throughout the Group. Our directors are aware of their responsibilities to act in a way that they consider, in good faith, would most likely promote the short-, medium- and long-term success of the Company for the benefit of its members as a whole taking into account the factors as listed in section 172 of the Companies Act 2006.

Key governance concerns and the affected stakeholder group as identified by the board have been set out below, including a summary of our stakeholder engagement activity.

OUR PURPOSE

To safely extract gold from mineral deposits in a manner that creates sustainable value for our stakeholders.

Building an ethical culture

Stakeholders affected

- Providers of capital
- Security exchanges
- Customer
- Suppliers
- Employees
- Unions
- Communities
- Government and regulatory bodies
- The environment

Governance responsibility

- Board
- Audit and risk committee
- Social and ethics committee

Governance activity in 2020

- The audit and risk committee reviewed ongoing compliance with King IV™
- Board review and approval of the board and audit and risk committee charters
- The board of directors' conflict of interest policy was approved by the board in September 2019
- Directors were appointed after assessing their skills and competence and performing a thorough background check

Looking ahead

- Review of the Group's code of ethics which was approved in November 2015
- Improved oversight by our ESG department to ensure sustainable and ethical practices across the Group

Fair remuneration

Stakeholders affected

- Providers of capital
- Employees
- Unions

Governance responsibility

- Board
- Remuneration committee

Governance activity in 2020

- Transparent reporting of the remuneration of the executive directors
- The board ensured that remuneration of the executive directors was fair and equitable and informed by the achievement of strategic objectives

Looking ahead

- Continue to seek endorsement annually of the remuneration policy and implementation report by the shareholders at the AGM
- Continued engagement with stakeholders to ensure fair remuneration across the Group

Stakeholder relationships and engagement

Stakeholders affected	Governance responsibility	Governance activity in 2020
Providers of capital Security exchanges Customer Suppliers Employees Unions Communities Government and regulatory bodies The environment	• Board • Social and ethics committee • SHEQC committee	• Stakeholder relationships were managed by the executive directors • The chairperson of the audit and risk committee attended the AGM • At an operational level, stakeholder engagement was the responsibility of the general and human resources managers • Supplied aid in the form of food and hygiene hampers to employees and communities during the COVID-19 outbreak and subsequent lockdown period

Looking ahead
- Formalise a stakeholder engagement and relationship policy
- Develop a Group CSI/community engagement and development policy

Safe working environment

Stakeholders affected	Governance responsibility	Governance activity in 2020
Providers of capital Customer Suppliers Employees Unions Government and regulatory bodies	• Board • SHEQC committee • Exco • Opsco	• The board, assisted by the SHEQC committee, had oversight of the Group's compliance to health and safety standards and monitored health and safety performance and improvement measures implemented at operations • Monitored safety precautions in relation to the COVID-19 outbreak and all measures implemented to ensure the safety of our employees

Looking ahead
- Continue to drive improvement in safety performance year on year
- Implement new safety initiatives at all operations
- Continued implementation and monitoring of COVID-19 safety measures

Minimise the impact of our operations on the environment

Stakeholders affected	Governance responsibility	Governance activity in 2020
Communities The environment	• Board • SHEQC committee	• The board, assisted by the SHEQC committee, continually assessed and responded to any negative impacts the Group's operations may have had on communities and the environment

Looking ahead
- Continue to grow a culture of environmental care and positive behaviour
- Commission independent audits on environmental compliance of the Group
- Investigate the implementation of sustainable projects such as agri-businesses
- Investigate the feasibility of solar photovoltaic plants to reduce our carbon footprint

Regulatory environment

Stakeholders affected	Governance responsibility	Governance activity in 2020
Providers of capital Security exchanges Customer Government and regulatory bodies	• Board • Audit and risk committee • SHEQC committee	• The board, assisted by the audit and risk committee, approved the following policies and procedures in September 2019: – Protection of personal information policy – Diversity policy – Slavery and human trafficking policy – Human rights policy – Legal action policy – Board of directors' conflict of interest policy • The board assisted by the SHEQC committee approved the following: – Submission of mining right renewal applications – Submission of new SLPs, SLP annual reports and implementation plans – Independent environmental audits – External audits to ensure compliance with water-use licence requirements • Fully funded rehabilitation guarantees

Looking ahead
- Implement a compliance management policy and continue to monitor performance

Remuneration report

Part one: background statement

On behalf of the remuneration committee (Remco) and the board, I am pleased to present the 2020 financial year's Remco report. This report presents a brief overview of Remco's activities during the past year and also provides context to the Group's remuneration philosophy and practices. We review our corporate governance practices regularly and have adopted King IV™ as the recognised corporate governance code to ensure that we act in the best interest of our stakeholders, comply with applicable laws and regulations and quickly adapt to changes in our regulatory environment.

In compliance with King IV™, this report is presented in three parts: **Part one** is the background statement and provides context for our remuneration considerations and decisions. **Part two** contains our forward-looking remuneration policy and **Part three** sets out how we have implemented our remuneration policy during the 2020 financial year. Directors' and prescribed officers' emoluments and incentives are disclosed in the annual financial statements section on pages 189 to 193.

INTERNAL AND EXTERNAL FACTORS IMPACTING REMUNERATION OUTCOMES

In the current financial year, management continued to deliver into the board mandate of positioning Pan African as a sustainable, safe and higher-margin gold producer. The Group's production exceeded our revised guidance, following the outbreak of COVID-19, and, had it not been for the impact of the pandemic and the resultant government lockdown regulations, the Group would have also exceeded its original production guidance for the year. The Group's strategy for containing the impact of COVID-19 on its operations and employees is further detailed on pages 32 to 35.

Remco is satisfied that the executive directors, guided by the board, continue to provide exemplary leadership and remain committed to achieving the Group's objectives and targets. Our Group's performance over the past year is testament to the efforts and acumen of our senior management team and all of the employees of the Group who performed exceptionally well under trying circumstances. The Group's performance and outlook for the year ahead once again affirms that our remuneration strategy and policies are producing the necessary results.

We wish to thank management and all of our employees for their continued efforts in what are unprecedented and tumultuous times, and we look forward to the year ahead and further progress in positioning Pan African as a sector-leading gold producer.

ENGAGEMENT WITH SHAREHOLDERS

Remco engages with key shareholders on the Group's remuneration structures on an annual basis. Furthermore, Remco commits to engage with major shareholders in the event that either the remuneration policy or the implementation report, or both, are disapproved by 25% or more of the votes exercised at the AGM.

We were satisfied with the high levels of support for our remuneration policy during 2019 (95.21%) but were disappointed with the support for our implementation report (57.63%). As a result, Remco engaged with certain large institutional shareholders regarding their concerns on the Company's remuneration policies and the implementation thereof. We value these constructive engagements and, as such, we have addressed many of these concerns and implemented further improvements to our remuneration policies and structures.

REMUNERATION GOVERNANCE

Remco, comprising only independent non-executive directors, monitors the credibility of the Group's executive remuneration system through the application of its charter, which is reviewed on an annual basis. It reviews the performance of the executive officers 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 remuneration packages and policies and makes recommendations to the board in this regard. The membership and attendance of Remco is shown in the governance report on page 16.

The chief executive officer, financial director and the chief operating officer attend Remco meetings as invitees, but are not present when their remuneration is discussed. Some of the key focus areas discussed during the financial year are tabled below:

Focus areas	Discussion
Setting appropriate short-term incentive (STI) parameters for 2020/2021	Ensuring appropriate parameters are set for the upcoming financial year. Approved the implementation of below-target, on-target and stretch targets for the 2020/2021 financial year
Salary adjustments and benchmarking	Ensuring that salary adjustments were in line with the Group's remuneration philosophy and aligned with industry peer benchmarks provided by PWC Reward, the PwC REMchannel® market analysis and other independent sources
Value creation	Identifying key value drivers for the Group and incorporating these into managerial incentive schemes
COVID-19	Impact of COVID-19 on Group performance and mitigating actions implemented by management

Focus areas	Discussion
Other areas of focus	Internal and external matters considered by Remco during the current financial year include: • ratification of salary increases for unionised operational employees • approval of salary increases for corporate managerial and non-managerial staff • reviewing corporate office staffing and corporate costs • approval of 2020 financial year STI incentives to be paid • reviewing non-executive directors' remuneration • reviewing and monitoring the performance of senior executives, together with the Pan African board

Remco reviewed general remuneration levels and structures across the Group and is satisfied that current procedures and practices adequately ensure that employee performance objectives are defined, 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 levels and structures.

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 benchmarked against a competitor and peer group, which includes the South African mining and South African national sectors, as well as international peers, to provide Remco with a detailed view of the current executive remuneration environment.

The board reviews and ratifies remuneration proposals from Remco whereafter they are submitted to shareholders for approval at the AGM.

In the 2020 financial year, PwC Reward (for executive management) and PwC REMchannel® (for senior management) were appointed to conduct a benchmarking exercise on total remuneration (guaranteed pay, short-term incentives and long-term incentives) of the Group's non-executive and executive directors and senior management. This review was performed against a comparator group (both local and international) constituted by PwC REMchannel®, which compared Pan African's incentive levels to their comparator matrix.

LOOKING FORWARD

In the coming year, Remco's areas of focus will include the continued review of operational production incentives and bonuses (to further emphasise key deliverables essential for sustainable operational performance), further alignment of long-term incentive (LTI) schemes with shareholder requirements and initiatives to improve the efficiency and effectiveness of LTI schemes, as well as a review of Group compliance with regulatory requirements pertaining to executive compensation.

IN CLOSING

Executive remuneration continues to evolve into an increasingly complex and highly contentious field, and Remco is responsive thereto by regularly benchmarking and enhancing our practices and policies to entrench a culture of high-performance and accountability across the Group.

Remuneration should drive sustainable value-creating growth, aligned with our business strategies and stakeholder aspirations.

We will again engage with shareholders on remuneration issues in the coming year and Remco undertakes to respond in writing to any queries from shareholders.

Finally, we can assure our stakeholders that we will continue to shape the remuneration policy to ensure that it fairly rewards deserving employees and contributes to propelling the Group into a sustainable and bright future.

APPRECIATION

I would like to thank my fellow committee members for assisting me in dealing with all relevant remuneration-related matters during this financial year.

I would also like to thank management for their efforts during this trying financial year – your efforts are what differentiates Pan African from its industry peers.

Yours faithfully

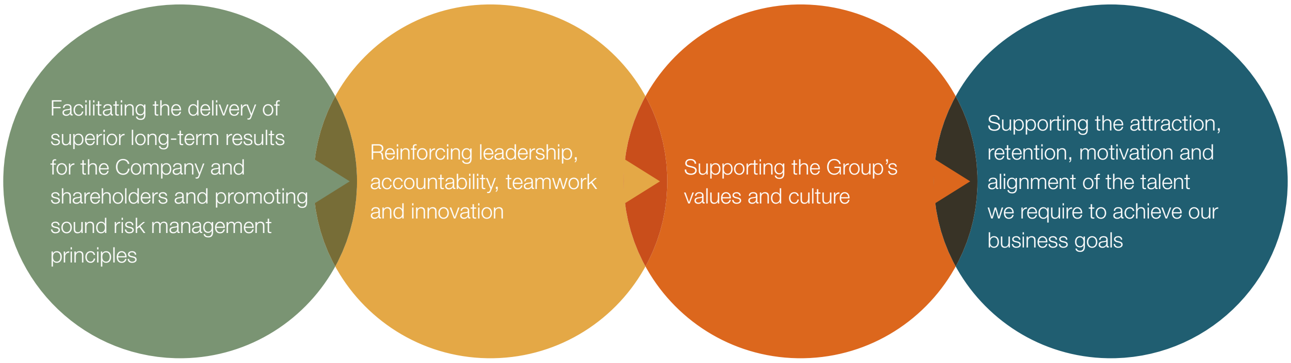
Yvonne Themba
Remco chairperson

16 September 2020

Part two: remuneration policy

OBJECTIVES OF THIS REPORT

The Group's remuneration framework is structured to provide remuneration that is fair, reasonable and transparent. The framework is also aligned to the achievement of our strategic objectives over the short, medium and long term.



REMUNERATION PHILOSOPHY

Pan African's remuneration philosophy seeks to reward executive directors, senior management and our various levels of employees for performance, consistent with its key remuneration objectives, shown above. 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 and competitive environment. It is therefore critical that remuneration levels align to the contribution and performance of the Group, its operating units and importantly, the contribution of key individuals.

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**
Comprises an annual incentive which rewards management for matters under their control and influence, but does not consider matters outside their control, specifically commodity prices and exchange rates	Aligns 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 Pan African's share price relative to that of its peers. These awards generally vest over a period of three to four years	We believe that the combination of these incentives should achieve the objectives embedded in the renumeration philosophy by aligning the interests of employees with aspirations of our shareholders	To achieve its remuneration objectives, Remco, in consultation with and oversight from the board, retains flexibility in terms of the manner in which it incentivises and rewards performance. Remco has, however, taken note of concerns raised by our shareholders and has undertaken that from the 2020 financial year, no incentives/ discretionary bonuses will be paid to employees for successfully concluding transactions or projects. The only exception to this decision, where Remco retains discretion, is in the event of a change in control of Pan African

ALIGNING REMUNERATION TO STRATEGY

Remco assists the board to align remuneration with the Group's overall business strategy, cognisant that Pan African needs to attract, incentivise and retain personnel who create long-term value for all our stakeholders. Remco reviews compensation levels and incentive schemes regularly to ensure these remain market-related and continue to fairly incentivise key personnel. The alignment of the Group's overall business strategy to remuneration incentives is detailed in the table below:

Strategic business objectives	Incentive criteria
Safety	Benchmarked safety parameters relative to industry standards and the requirement for continuous improvement
Investing	Disciplined capital allocation to ensure sustaining and expansion capital expenditure that meets the Group's investment criteria
Production	Optimal extraction combined with cost control, benchmarked against international standards
Sustainability	Management of the Group's operations in a manner which is aligned to current ESG requirements and trends
Compelling returns	Generating value consistent with shareholder and other stakeholder expectations

In this regard, Remco utilises PwC's REMchannel® market analysis and other independent benchmarking sources to ensure compensation levels and structures remain aligned with best practice in executive compensation.

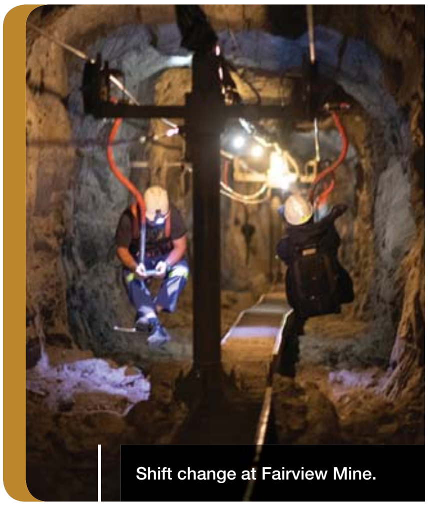
The REMchannel® market analysis is an independent report, compiled from an extensive and detailed internet-based survey, customised for the differences in various sectors and the complexities of remuneration practices, and used by management to inform remuneration policies.

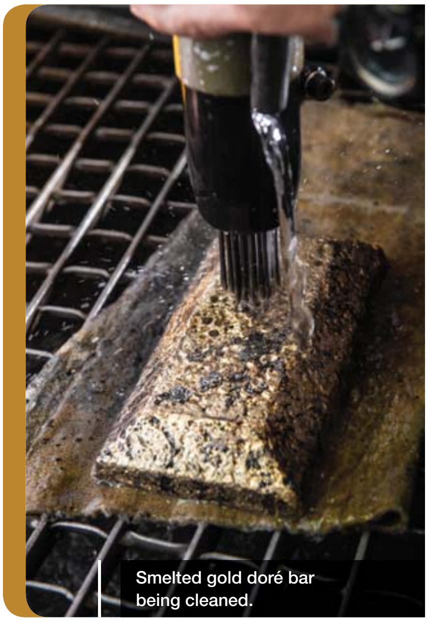
The 2020 REMchannel® market analysis concluded that Pan African generally remunerates its executives between the 25th and 50th percentile. Remco will continue to strive towards fairly remunerating the Group's employees at a level which approximates market-related benchmarks, to ensure the retention of key skills and to enable the Group to attract and retain top candidates for senior management positions.

FAIR AND RESPONSIBLE REMUNERATION

Remco remains committed to ensuring fair remuneration across all levels in the Group. To this extent, male and female employees irrespective of their race, are paid equally for comparable peer positions within the operation in which they are appointed, should they perform with the same degree of success as their comparable peers within the Group. Remuneration is based solely on the employee's qualification, experience, appointment level, scarcity of skill and performance levels with no other differentiating factors being applied.

Remuneration of senior executives is considered responsible in that it does not expose the Group to undue risk, is determined by an independent committee and is generally linked to value creation.


Shift change at Fairview Mine.


Smelted gold doré bar being cleaned.


Our employees are fundamental to our business sustainability.

EMPLOYEE REMUNERATION COMPONENTS

Pan African has adopted a holistic approach to its remuneration philosophy for senior executives and general staff and has implemented a well-designed structure which consists of the following monetary and non-monetary components:

Remuneration is disclosed in US$, however, all non-executive directors, executive directors and employees are remunerated in South African rand and no compensation is 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 annual financial statements on pages 189 to 193.

GUARANTEED PACKAGE

Element	Key features	Eligibility	Policy	How guaranteed pay is determined
Cost to company (CTC)	• Pensionable salary • Leave • Pension/provident fund contributions • Medical contributions • Travel allowance These items are included in the total CTC of an employee	• Exco • Opsco • Manco • HODs	Reviewed annually against competitive industry peer market data supplied by PwC REMchannel® The Group generally rewards employees between the 25th and 50th percentile as per the PwC REMchannel® market analysis 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	Pay is determined by the following factors: • Group performance • Outlook for the next financial year • Individual performance • Inflation • Annual benchmarking against listed peers
Cost-plus benefits	• Pensionable salary • Leave • Medical contributions • Overtime/housing or living-out allowance • Other fixed allowances – underground allowances, rock drill operator allowances and meal allowances	Collective bargaining employees	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 • Pay is determined by all relevant factors in the industry such as annual or multi-year wage agreements	All relevant factors in the industry such as annual or multi-year wage agreements

VARIABLE REMUNERATION CONDITIONS

Short-term incentives

Framework

Details	Executive and senior management STI	Collective bargaining unit STI
Purpose	Designed to drive and reward short- and medium-term results, reflecting the level and time horizon of risk	Designed to drive and reward short-term results, reflecting the level and time horizon of risk
Eligibility	Exco, Opsco, Manco and HODs	Collective bargaining employees
Payment period	• Exco, Opsco and Manco are paid annually • HODs are paid quarterly	Paid monthly, quarterly and annually depending on seniority of employee
Performance measures and STI opportunity	This includes financial and non-financial results and metrics at an organisational, divisional and individual (and team) level: • 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	• Eligibility to participate in the scheme • The maximum variable remuneration as a percentage of total CTC of an individual • The parameters for production targets to be achieved
Maximum STI opportunity (stretch targets)	• For achieving 105% of budgeted gold production (maximum stretch), participating management's production KPI percentage achievement will be increased from the previous maximum of 100% to 140%, with a pro rata increase between 100% and 105% specific to the gold production KPI • An executive previously entitled to a STI of 50% of total guaranteed package (TGP) could therefore, if full stretch of 105% of gold production is achieved, earn a STI of 56% of TGP • For the portion of STI that relates to stretch performance, the executive will be required to acquire Pan African shares on market, with executives being encouraged to accumulate a long-term and material shareholding in the Group	The maximum variable remuneration as a percentage of total CTC of an individual
STI gatekeepers	Remco also implemented STI gatekeeper conditions going forward to protect the Company from incentive payments that are unaffordable in specific circumstances. This will ensure that no incentive is paid without a reasonable (minimum) level of financial performance being achieved These STI gatekeepers are: • Unacceptable or unprofessional personal behaviour resulting in a disciplinary judgement against the accused • The Group is in an operational loss-making position Material non-compliance with regulations, with the executive being guilty of serious misconduct or negligence	Not applicable
Malus and clawback	All STIs are subject to malus and clawback	Not applicable

STI performance measures and maximum opportunity

Position	**2020 maximum variable remuneration as a percentage of CTC 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 kilogramme of gold produced – weight 30% • Group safety record – weight 20% *Stretch targets on production* Refer to the remuneration framework on page 118 for details *40% based on personal KPIs determined by Remco and the board* KPIs relate to predetermined value drivers designed to enhance shareholder value The approved annual incentive is subject to 30% of after-tax proceeds being used to acquire Pan African shares in the market
Financial director	Up to 80%	*60% based on the following production parameters:* • Total Group gold sold – weight 50% • Total Group cost per kilogramme of gold produced – weight 30% • Group safety record – weight 20% *Stretch targets on production* Refer to the remuneration framework on page 118 for details *40% based on personal KPIs determined by Remco and the board* KPIs relate to predetermined value drivers designed to enhance shareholder value The approved annual incentive is subject to 30% of after-tax proceeds being used to acquire Pan African shares in the market
Chief operating officer	Up to 60%	*60% based on the following production parameters:* • Total Group gold sold – weight 50% • Total Group cost per kilogramme of gold produced – weight 30% • Group safety record – weight 20% *Stretch targets on production* Refer to the remuneration framework on page 118 for details *40% based on personal KPIs determined by the chief executive officer in consultation with Remco*
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 kilogramme of gold produced – weight 30% • Group safety record – weight 20% *Stretch targets on production* Refer to the remuneration framework on page 118 for details *40% based on personal KPIs determined by the chief executive officer in consultation with Remco* KPIs relate to predetermined value drivers designed to enhance shareholder value
Senior managers at operational level	Up to 50%	*80% based on the following production parameters:* • Total Group gold sold – weight 50% • Total Group cost per kilogramme of gold produced – weight 30% • Group safety record – weight 20% *20% based on personal KPIs* KPIs relate to predetermined outcomes set by the chief executive officer which are aligned to shareholder value creation

LONG-TERM INCENTIVES

During the 2019 and 2020 financial years, Remco, after consulting with major shareholders, decided to simplify the Group's LTI schemes. As such, the Pan African Resources Senior Management Share Scheme (PARSMSS) was introduced as the only LTI scheme for senior corporate management. Going forward, the only other LTI scheme in the Group with further issues is the Pan African Share Appreciation Bonus Plan (PASABP) for senior operational management.

The Company also has employee share ownership programmes (Barberton Mines and Evander Mines).

Summary of current long-term incentives

<table>
<tr><th>Details</th><th>PASABP</th><th>PARSMSS</th><th>Employee share ownership plans</th></tr>
<tr><td>Objectives</td><td colspan="2">The main objectives of the long-term incentives are to:
• appropriately incentivise selected 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
• alignment to shareholders' aspirations
• longer-term vesting
• equity linked
• measured objectively against the Group's performance and/or personal contribution

Discretionary remuneration designed to drive and reward long-term growth with sustained Company value and align the interests of shareholders and participants. These include share schemes or similar schemes

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</td><td>Alignment of the aspirations of Pan African's employees at its operations with those of management and shareholders

To align the interests of employees with those of its shareholders by providing direct participation in the benefits of the Company's performance</td></tr>
<tr><td>Instrument</td><td>In terms of the PASABP, select senior employees of the Group are allocated notional shares in Pan African. These notional shares will confer a conditional right to participant entitling the employee to be paid a cash bonus equal to the appreciation in the Company's/Group's share price from the date of allocation to the date of surrender or deemed surrender of his/her notional shares (share appreciation bonus)</td><td>PARSMSS is a conditional share plan where actual Pan African shares are awarded at termination of the vesting period, subject to the achievement of performance conditions over a defined period, provided the employee is still in the employment of Pan African. The scheme is equity-settled and the employee becomes the beneficial owner of the actual shares at the end of the defined scheme term</td><td>Equity participation in operational ownership is provided

Collective bargaining employees have up to 5% ownership in gold operations</td></tr>
<tr><td>Eligibility</td><td>Operational management</td><td>Corporate senior managers</td><td>Paterson Grading C level and below on operations</td></tr>
<tr><td>Vesting period</td><td>Four years</td><td>Three years</td><td>Not applicable</td></tr>
<tr><td>Performance criteria and vesting percentages</td><td>Continued employment within the Group for senior managers at an operational level

Share price performance is the main driver behind this scheme. If the share price does not increase there will be no appreciation for the participant</td><td>• The conditional share plan is performance-linked and based on a percentage of TGP in line with current market benchmarks
• Total shareholder's return (TSR) benchmarked against a relevant peer group (therefore relative TSR) is the most appropriate performance criterion given its accepted use within the industry and its alignment with shareholder returns and is measured over a three-year performance period
• In the event of the Company's performance being equal to the peer group, 25% of the possible vesting will occur, with all shares vesting at an outperformance percentage of 5% or more and pro rata vesting between 0% and 5%
• In the event that the Company underperforms the peer group, no vesting will occur</td><td>Not applicable</td></tr>
</table>

Details	PASABP	PARSMSS	Employee share ownership plans
Allocation criteria	**Minimum phantom shareholding formula:** Current CTC multiplied by a Paterson Grading factor, divided by the 30-day volume weighted average price (VWAP) share price *Paterson Grading factors applied:* • E-Upper – 3 times • E-Lower – 2 times • D-Upper – 1 time	Annual share allocation formula: Current CTC multiplied by the industry benchmark percentage, divided by the 90-day VWAP share price Current industry benchmark percentages used: • CEO – 130% • CFO – 120% • COO – 100% • Senior management – 70%	Not applicable
Measurement criteria	30-day volume VWAP share price	90-day VWAP share price to determine settlement value	Not applicable
Strike price	30-day VWAP on date of first issue as well as on any subsequent annual potential allocations going forward	Not applicable	Not applicable
Change of control	All unvested options vest automatically	Shares will vest on a pro rata basis based on time lapsed. In the event of death or disability, similar pro rata vesting will occur	Not applicable
Other criteria	Lapses on the sixth anniversary of the date on which the option was issued	• There is no mechanism to carry over unvested shares (due to underperformance) • Malfeasance/malice and clawback clauses are included, consistent with current best practice • In the event of vesting, Pan African will acquire settlement shares on market, no primary issuance or treasury shares to be utilised	Not applicable
Settlement	Cash, based on the share price appreciation between award and exercise	Actual Pan African listed shares	Not applicable
Dilution limit	Non-dilutive scheme	Non-dilutive as shares will be purchased on market by the Company and transferred to each participant	Not applicable

FORMER LTIS

Pan African Corporate Option Scheme (PACOS)

(discontinued other than the 2018 allocation, replaced by PARSMSS)

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 predefined objectives to reposition the Group on a low-cost and sustainable production basis.

The four key strategic objectives and vesting criteria were the following:

- Barberton Mines' production, with contributions from both underground and surface mining operations, must be stabilised on a sustainable basis at approximately 100,000oz per annum within a two-year period;
- The new Elikhulu project must be commissioned prior to 31 December 2018, within budget, and with the project's performance being materially consistent with the bankable feasibility study and market guidance, including the production profile and AISC projection (as defined by the World Gold Council);
- Efficient and expeditious closure of the 8 Shaft underground mining operations to curtail its substantial cash burn rate by implementing a retrenchment process and a care and maintenance programme so as to reduce monthly costs to less than ZAR3 million; and
- To deliver into the growth objective, at least one internal or external board-approved growth project must be advanced to production, or construction of this project must have commenced within two years of PACOS' inception. Furthermore, this project must be a substantial project and contribute incremental annual production equal to or greater than 15% of the 2019 financial year's budgeted production of 170,000oz. Alternatively, any other project comprising a disposal, joint venture or any other similar arrangement, must have been executed into and generated a return in excess of Pan African's cost of capital as determined by BDO South Africa Inc. or any other independent accounting firm at the time that the board approves the investment decision.

This scheme was replaced by the PARSMSS on 1 July 2019 and, as such, no new options will be issued under this scheme.

Senior corporate executive scheme: Cash incentive

(discontinued other than 2018 allocation, replaced by PARSMSS)

Participants are incentivised to outperform their peers with cash rewards linked to the outperformance of these peers over a two-year period ending on 30 June 2020. In the event that Pan African's share price outperforms peers by more than 5%, the cash incentive begins to vest. Between 5% and 10% outperformance of our peers, the cash incentives vest on a pro rata basis from 50% vesting at 5% outperformance up to 100% vesting when the share price performance outperforms that of our peers by 10% or more.

Post year-end, Remco confirmed that all of the deliverables for the economic vesting of the PACOS incentive scheme and the cash incentive scheme had been fulfilled. At financial year-end, no completed and signed exercise notice in terms of the PACOS scheme rules has been received by the Group.

RISK MANAGEMENT AND REMUNERATION

Pan African recognises the need to fairly remunerate employees to attract, incentivise and retain talent. It is, however, cognisant of the need to ensure that effective risk management is part of its remuneration criteria to motivate the desired behaviour and to 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 senior management KPIs include specific performance elements and deliverables aligned to the Group's strategic long-term objectives.

These performance elements incorporate production and personal performance 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.

Executive directors are required to use 30% of their post-tax STI to acquire Pan African shares, on market, at the first opportunity to do so (taking cognisance of closed periods), with clawback and malus provisions being applicable. Executive directors are encouraged to accumulate a meaningful shareholding in the Group.

The following malus and clawback clauses as mentioned above were included as part of the Group's STI and LTI schemes:

Malus

If the board considers, acting reasonably, that:

- there has been a significant downward restatement of the financial results of the Company
- there is reasonable evidence of gross misconduct or gross negligence by the participant
- there is reasonable evidence of a material breach by the participant of the Company's code of business principles or the Company's code policies
- there is reasonable evidence of conduct by the participant which results in significant losses or reputational damage to the Company or the Group
- the participant is in breach of any applicable restrictions on competition, solicitation or the use of confidential information (whether arising out of the participant's employment contract, his termination arrangements or any internal policies), it may, in its reasonable discretion, at any time prior to vesting, exercise (in the case of an option), or the end of any retention period, decide that:
  - a discretionary award will lapse wholly or in part (wholly or in part again determined in reasonable discretion)
  - the delivery of discretionary awards or the end of any retention period will be delayed until any action or investigation is completed, within a reasonable period
  - vesting of the award or delivery of the award will be subject to additional conditions (again with the board acting reasonably).

Clawback

If the board, acting reasonably, considers there has been a significant downward restatement of the financial results of the Company or any material act of malfeasance that has resulted in a material financial loss to the Group, it may, in its reasonable discretion, within two years of an award vesting or the start of any retention period:

- require a participant to transfer to the Company (or as the Company directs), for nominal or nil consideration, some or all of the after-tax discretionary awards which have previously vested, or pay to the Company (or as the Company directs) an amount equal to the value of those awards (as determined by the board)
- require the Company to withhold from, or offset against, the grant or vesting of any other award to which the participant may be or become entitled in connection with his/her employment with the Group such an amount as the board considers appropriate (again acting reasonably).

Where a participant is notified that they must transfer awards or pay an amount in accordance with the abovementioned, any shares or cash must be transferred or paid (in the manner directed by the Company) within 60 days of that participant being so notified.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Remco advises the board on non-executive directors' fees. Non-executive directors' fees are also reviewed by the company secretary for reasonableness. 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 levels. 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. Non-executive directors' remuneration is subject to regulations which include the Companies Act 2006, the JSE Listings Requirements and King IV™.

EXCO, OPSCO AND MANCO REMUNERATION

Remco is responsible for making recommendations to the board on the remuneration of the chief executive officer, financial director, chief operating officer and senior corporate management. Remuneration of executive and senior management is reviewed on an annual basis in relation to the Group's operational, financial and strategic performance as well as 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, either all or a portion of the discretionary awards are forfeited. An annual benchmarking exercise, conducted by PwC REMchannel® market analysis (supplemented with other independent benchmarking sources), is used to determine a fair market-related remuneration package.

Individual KPIs are agreed annually and contain the performance elements disclosed on page 119.

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

The board and the 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.

EXECUTIVE DIRECTOR SERVICE CONTRACTS

The chief executive officer and financial director are remunerated in rand for services performed, according to their employment contracts. The current contracts have been extended and now terminate on 30 June 2022. 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 and equity-settled performance incentives to ensure individual and Group performance is aligned with shareholders' interests. Such long-term incentives are linked to Pan African's shareholder returns relative to the sector and achieving specific medium- and long-term tangible deliverables which will enhance Group financial and operational performance and create shareholder value.

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's prescribed officers include:

- André van den Bergh, chief operating officer, corporate office
- Bert van den Berg, Group mining engineer, corporate office
- Niel Symington, Group management accounting and IT manager, corporate office
- Barry Naicker, Group environmental, social and governance manager, corporate office
- Jonathan Irons, Group metallurgist, corporate office
- Marileen Kok, Group financial manager, corporate office
- Hendrik Pretorius, Group mineral resource manager, corporate office
- Mandla Ndlozi, Group SHEQC manager, Barberton Mines and corporate office
- Lazarus Motshwaiwa, general manager, Evander Mines
- Jan Thirion, general manager, Barberton Mines
- Oriel Shikwambana, operations manager, Elikhulu Tailings Retreatment Plant
- Martin Pieters, environmental, social and governance manager, Barberton Mines
- Mthandazo Dlamini, finance and admin manager, Barberton Mines
- Paul van Heerden, finance and admin manager, Evander Mines
- Neal Reynolds, Group financial controller, corporate office (resigned 30 November 2020).


Our remuneration structure rewards employees for delivering results.

Part three: implementation report

EXECUTIVE DIRECTORS' OPERATIONAL AND PERSONAL KPI PERFORMANCE ANALYSIS

Executive director remuneration – financial year ended 30 June 2020

	Share option taxable benefit US$ thousand	Basic remuneration US$ thousand	Allowances 30 June 2020 US$ thousand	Leave payout US$ thousand	Total US$ thousand	Incentives[1, 2] US$ thousand
Mr JAJ Loots	189.8	396.1	12.5	22.2	620.6	410.2
Mr GP Louw	–	360.6	0.3	–	360.9	238.4
Total	189.8	756.7	12.8	22.2	981.5	648.6

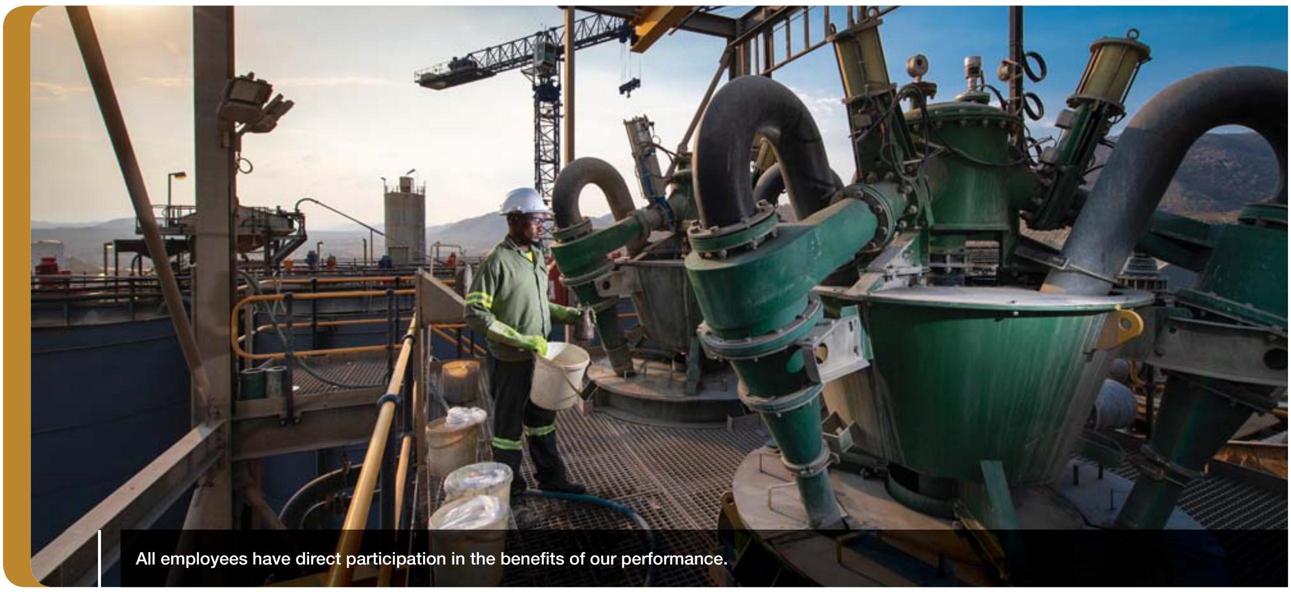
[1] *These incentives paid relate to the 2019 financial year annual STI achievement as per the approved parameters and also include 30% deferred incentives from the 2017 financial year. The 30% incentives from 2017 included in their incentives were:*
- *JAJ Loots – US$68.1 thousand*
- *GP Louw – US$62.6 thousand.*

[2] *As per the amended STI rules, 30% for the post-tax 2019 financial year STI was used to acquire Pan African shares on market. Detail of the share purchases are as follows:*
- *JAJ Loots – acquired 423,000 shares on 19 September 2019 at US 14 cents per share (total post-tax value US$60.0 thousand)*
- *GP Louw – acquired 250,000 shares on 19 September 2019 at US 15 cents per share (total post-tax value US$36.6 thousand).*

Executive director remuneration – financial year ended 30 June 2019

	Share option taxable benefit US$ thousand	Basic remuneration US$ thousand	Allowances 30 June 2020 US$ thousand	Leave payout US$ thousand	Total US$ thousand	Incentives[1] US$ thousand
Mr JAJ Loots	–	358.2	14.7	20.0	392.9	299.5
Mr GP Louw	–	311.2	0.7	–	311.9	260.7
Total	–	669.4	15.4	20.0	704.8	560.2

[1] *These incentives paid relate to the successful completion of the Elikhulu project. After consultation with shareholders, Remco concluded that from the 2020 financial year onwards, no incentives/discretionary bonuses will be paid to employees for successfully concluding transactions or projects.*


All employees have direct participation in the benefits of our performance.

CHIEF EXECUTIVE OFFICER'S PERFORMANCE FOR INCENTIVE PURPOSES

2020	2019
Production parameters Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety weighting of 60% was 23.26% (max 39.45%) • Evander Mines' production and safety weighting of 40% was 23.46% (max 26.55%)	**Production parameters** Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety weighting of 59% was 38.77% (max 38.77%) • Evander Mines' production and safety weighting of 41% was 19.06% (max 27.23%)
Personal KPIs Personal KPIs approved by Remco for the 2020 financial year were the following: • Launched value-accretive projects, including Elikhulu's solar photovoltaic plant initiative and Barberton's Blueberries agriculture project • Completed successful feasibility into growth project – Egoli • Successfully settled contractual dispute with major contractor with net benefit to Pan African • Successfully led the Group through the initial impact of COVID-19 with impact on people, production, and profits well managed • Successfully championed the Group culture of delivery, accountability and risk management • Establishment of a dedicated ESG function and ongoing improvement to the Group's ESG profile and activities • Excellent focus on accountability for safety performance with clear results	**Personal KPIs** Personal KPIs approved by Remco for the 2019 financial year were the following: • Successfully deliver into Group turnaround strategy • Progress strategic initiatives to reduce costs and increase Group gold production • Successful conclusion of three-year wage agreement at Barberton Mines

FINANCIAL DIRECTOR'S PERFORMANCE FOR INCENTIVE PURPOSES

2020	2019
Production parameters Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety weighting of 60% was 16.90% (max 28.69%) • Evander Mines' production and safety weighting of 40% was 17.06% (max 19.31%)	**Production parameters** Production parameters per operation are weighted on budgeted profit contribution: • Barberton Mines' production and safety weighting of 59% was 28.2% (max 28.2%) • Evander Mines' production and safety weighting of 41% was 13.86% (max 19.8%)
Personal KPIs Personal KPIs approved by Remco for the 2020 financial year were the following: • Successfully implemented ADR programme • Solar funding structure – structured and consensus reached with all parties in 2020 financial year – now being implemented • Reschedule of gold loan tranches – on COVID-19 announcement in May 2020 to improve Group liquidity • Sale of gold inventory – December 2019	**Personal KPIs** Personal KPIs approved by Remco for the 2019 financial year were the following: • Successfully deliver into Group turnaround strategy • Refinancing of the Group's revolving credit facility

EXECUTIVE DIRECTORS' LONG-TERM INCENTIVES ANALYSIS

The executive directors' long-term incentives are both cash- and equity-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.

2020 financial year

Executive director	Opening balance	Issued[1]	Exercised	Forfeited	Closing balance	Weighted average strike price US$	Value of options accrued at year-end US$	Value of options paid during the year US$
Cobus Loots								
Notional share options (PACOS)	12,427,686	–	–	–	12,427,686	–	–	–
Share incentive	6,533,334	–	1,533,334	–	5,000,000	–	–	189,832
Equity share incentive (PARSMSS)	–	4,667,768	–	–	4,667,768	–	–	–
Deon Louw								
Notional share options (PACOS)	8,690,599	–	–	–	8,690,599	–	–	–
Share incentive	3,100,000	–	–	–	3,100,000	–	–	–
Equity share incentive (PARSMSS)	–	3,826,998	–	–	3,826,998	–	–	–

[1] *These are equity-settled share options issued under the PARSMSS scheme. These options only vest if the specified vesting criteria are met at the end of the three-year vesting period.*

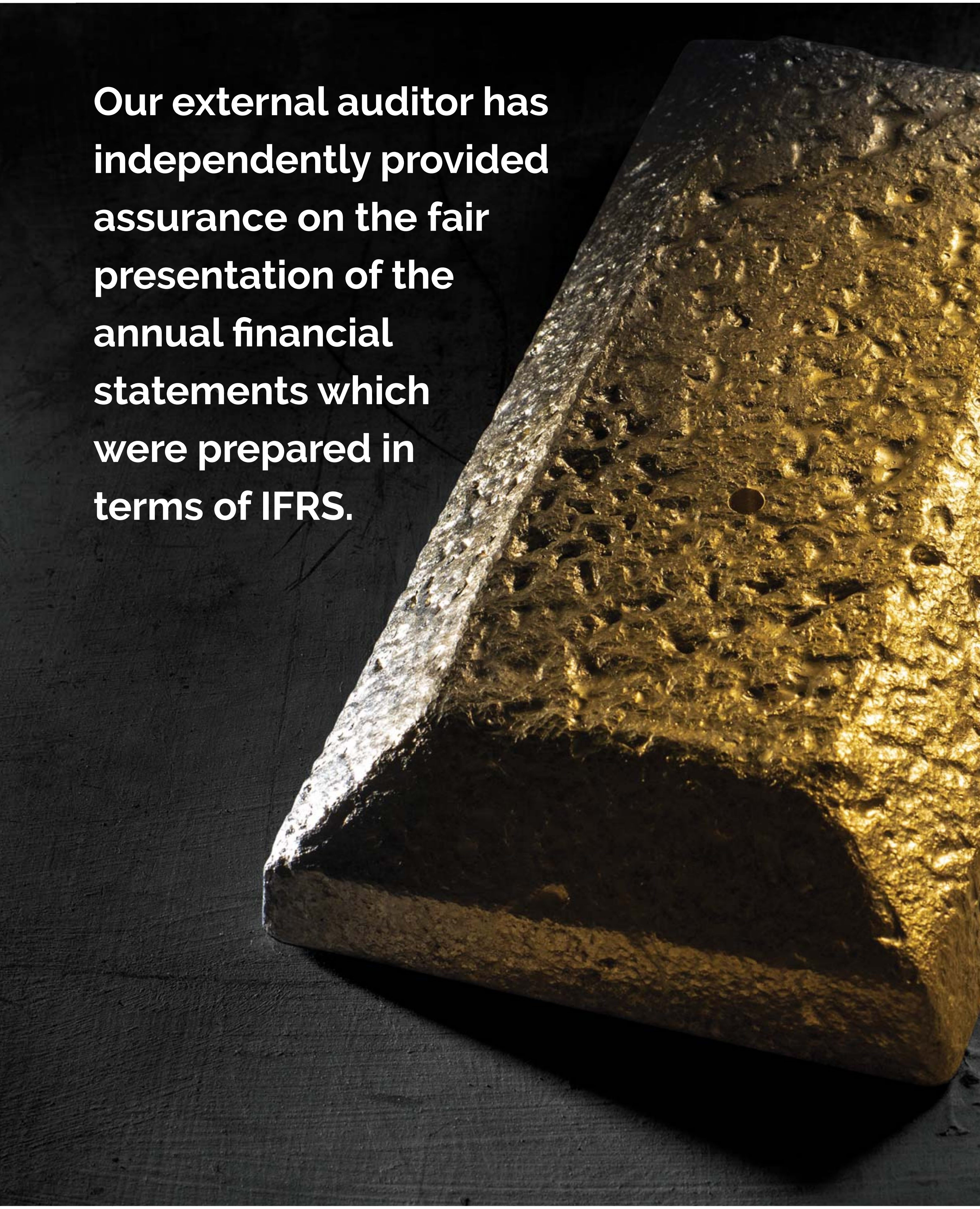
2019 financial year

Executive director	Opening balance	Issued[2]	Exercised	Forfeited	Closing balance	Weighted average strike price US$	Value of options accrued at year-end US$	Value of options paid during the year US$
Cobus Loots								
Notional share options (PACOS)	–	12,427,686	–	–	12,427,686	–	–	–
Share incentive	6,533,334	–	–	–	6,533,334	–	–	–
Notional share options (PACOS)	–	8,690,599	–	–	8,690,599	–	–	–
Deon Louw								
Share incentive	3,100,000	–	–	–	3,100,000	–	–	–

[1] *1,533,334 shares vested subsequent to year-end, following fulfilment of agreed vesting conditions.*
[2] *PACOS options issued as per 2018 remuneration report.*

SUMMARY OF KEY CONTRACTUAL ARRANGEMENTS FOR THE CHIEF EXECUTIVE OFFICER AND FINANCIAL DIRECTOR

Term	Chief executive officer	Financial director
Contract duration	Contract extended, ending 30 June 2022	Contract extended, ending on 30 June 2022
Short-term annual incentive	A maximum of 110% of annual CTC of which 30% of their post-tax incentive is to be used to acquire Pan African shares, on market, at the first opportunity to do so (taking cognisance of closed periods), after payment of the initial incentive. These shares are required to be held for a period of two years post the financial year to which they relate	A maximum of 80% of annual CTC of which 30% of their post-tax incentive is to be used to acquire Pan African shares, on market, at the first opportunity to do so (taking cognisance of closed periods), after payment of the initial incentive. These shares are required to be held for a period of two years post the financial year to which they relate
Participation in the phantom share scheme (PASABP)	No further participation in the phantom share scheme	No further participation in the phantom share scheme
Participation in the corporate option scheme (PACOS)	No further participation in PACOS (other than existing allocation as disclosed)	No further participation in PACOS (other than existing allocation as disclosed)
Minimum shareholding in Pan African	• Initial requirement of a minimum shareholding of ZAR2 million, which is to be held for a minimum of two years • Shareholding requirements were subsequently increased – refer to amendments to STI scheme which requires additional shares to be acquired	• Initial requirement of a minimum shareholding of ZAR0.5 million, which is to be held for a minimum of two years • Shareholding requirements were subsequently increased – refer to amendments to STI scheme which requires additional shares to be acquired
Long-term share incentive	Allocation of 5,000,000 Pan African shares, effective on 1 March 2018, vesting over a three-year period (1 March 2018 to 28 February 2021). Vesting will occur subject to TSR (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's TSR outperforms that of the peer group, with a pro rata vesting for superior performance up to 8%, whereafter all shares vest	Allocation of 3,100,000 Pan African shares, effective on 1 March 2018, vesting over a three-year period (1 March 2018 to 28 February 2021). Vesting will occur subject to TSR (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's TSR outperforms that of the peer group, with a pro rata vesting for superior performance up to 8%, whereafter all shares vest
Participation in the PARSMSS	Allocation of 4,667,768 Pan African equity share options effective 1 July 2019. These shares vest over a three-year period if the vesting criteria are met at the end of the three-year period The current vesting criterion for these equity share options is TSR benchmarked against a relevant peer group Vesting will occur on a pro rata basis between 0% and 5% outperformance of the relevant peer group with 5% or above outperformance equalling 100% of options vesting	Allocation of 3,826,998 Pan African equity share options effective 1 July 2019. These shares vest over a three-year period if the vesting criteria are met at the end of the three-year period The current vesting criterion for these equity share options is TSR benchmarked against a relevant peer group Vesting will occur on a pro rata basis between 0% and 5% outperformance of the relevant peer group with 5% or above outperformance equalling 100% of options vesting



Our external auditor has independently provided assurance on the fair presentation of the annual financial statements which were prepared in terms of IFRS.

ANNUAL FINANCIAL STATEMENTS

Statement of directors' responsibilities

The directors are responsible for preparing the integrated annual report and the annual financial statements in accordance with applicable laws and regulations.

The 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 consolidated annual financial statements in accordance with IFRS as adopted by the European Union (EU) and have also chosen to prepare the Parent Company annual financial statements under IFRS as adopted by the EU. In terms of the Companies Act 2006, the directors should 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 Parent Company for that period.

In preparing these annual financial statements, directors are legally required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy, at any time, the financial position of the Group, and ensure that the annual financial statements comply with the 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.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The Company is in compliance with the provisions of the Companies Act 2006, specifically relating to its incorporation and is operating in conformity with its articles of association and relevant constitutional documents
- The annual financial statements, prepared in accordance with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- 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.

By order of the board

Cobus Loots
Chief executive officer

Deon Louw
Financial director

16 September 2020

Certificate of the company secretary

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

St James's Corporate Services Limited

St James's Corporate Services Limited
Company secretary

16 September 2020

Directors' report

The directors present the integrated annual report and the audited annual financial statements for the year ended 30 June 2020.

PRINCIPAL ACTIVITIES

Pan African is incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 with the registration number 3937466. The Company has a dual primary listing on South Africa's JSE and London's AIM market. The nature of the Group's operations and its principal activities relate to gold mining and exploration activities. The Group owns and operates a portfolio of high-quality, low-cost operations and projects located in South Africa.

A full review of the activities of the business and of its prospects is contained in the chairman's statement and chief executive officer's review that accompany these annual financial statements, with financial and non-financial key performance indicators shown on pages 76 and 77.

RESULTS AND HISTORICAL DIVIDENDS

The results for the 2020 financial year are disclosed in the consolidated statement of profit or loss and other comprehensive income on page 143. The key features of these results can be found on page 86.

DIVIDENDS

At the AGM of the shareholders held on 28 November 2019, a final dividend of ZA 2.2375 cents per share equating to 0.11725 pence per share (US 0.15179 cents per share) was approved.

POLICY FOR PAYMENT OF CREDITORS

It is the Company's policy to settle all transactions within the terms established with suppliers. The Company's intent is to settle creditors 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. The Group's risk management and key business risks are documented within our risk and opportunities section on page 16.

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 the 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 Group policies.

The board has reviewed the operation and effectiveness of the Group's system of internal control for the 2020 financial year and the period up to the date of approval of the annual financial statements, and are satisfied that there has been no material breakdown in the Group's system of internal controls for the review period.

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 US$8.1 million (2019: US$17.7 million) of available debt facilities and US$33.5 million (2019: US$5.3 million) of cash and cash equivalents at 30 June 2020. Based on the current status of the Group's finances, having considered going concern forecasts and reasonable downside scenarios, including a rand gold price of ZAR635,000/kg (US$1,260/oz at a prevailing US$/ZAR average exchange rate of ZAR15.67), and reduced production volumes, also potentially impacted by the COVID-19 pandemic outlined below, the Group's forecasts demonstrate it will have sufficient liquidity headroom to meet its obligations, in the ordinary course of business (refer to note 22), and will comply with financial covenants for the 12 months from the date of approval of the annual financial statements.

The Group is conscious of the ongoing impact of the COVID-19 pandemic and will continue to implement stringent preventative and precautionary measures to limit incidences of infection among our employees and in our host communities and minimise the potential adverse impact of the pandemic on the Group's production.

In evaluating the potential adverse impact of the COVID-19 pandemic on Group production, a range of 5% to 20% possible production loss was considered.

Reasons considered in determining the potential adverse impact include, inter alia:

- Mining was considered as an essential service according to government lockdown regulations imposed during the pandemic, enabling production to continue to a certain extent
- Both Evander Mines and Barberton Mines have local workforces which limits the risk and exposure of transmitting the disease and also reduces the time to ramp up production after any potential lockdown impositions
- The Group's operations are diversified and include surface re-mining and processing activities which are less prone to lockdown restrictions when compared to underground operations
- The Group maintains a minimum liquidity level of ZAR250 million to ensure that the Group has sufficient liquidity to withstand possible interruptions to our operations over the short term.

The board has a reasonable expectation that the Group 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 2020 annual financial statements.

EVENTS AFTER THE REPORTING PERIOD

It is with regret that we announce that an employee at Fairview Mine in Barberton lost his life in a fall-of-ground accident on 21 July 2020. We are deeply saddened by this incident and our sincere condolences have been extended to the family, friends and colleagues of the deceased. The health and safety of our employees continues to be our number one priority and we continue to reassess and reinforce all safety protocols, procedures and standards in our ongoing quest to achieve zero harm for all our employees, every day.

DIRECTORS

Directors during the year under review:

Mr KC Spencer	*Independent non-executive chairman*
Mr JAJ Loots	*Chief executive officer*
Mr GP Louw	*Financial director*
Mrs HH Hickey	*Independent non-executive director*
Mr TF Mosololi	*Independent non-executive director*
Mrs YN Themba	*Independent non-executive director**
Mr CDS Needham	*Independent non-executive director**

** Appointed to the board with effect from 17 July 2019.*

The Company has directors' and public officers' liability insurance in place that provides insurance cover in the event of a claim or legal action. The insurance cover was in place throughout the financial year and remains in place.

AUDITOR

PwC's appointment as external auditor was effective from 7 December 2018 and was approved at the AGM on 28 November 2019. Their reappointment is subject to approval by shareholders at the Company's next AGM on 26 November 2020. Tim McAllister is the designated audit partner for the financial year ending 30 June 2020.

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

- As far as the directors are aware, all relevant information has been provided to the Group's auditor
- The directors have taken all the steps that they ought to have taken as directors to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

PwC has expressed its willingness to continue in office as auditor, and a resolution to reappoint them will be proposed at the forthcoming AGM.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

By order of the board

Cobus Loots
Chief executive officer

16 September 2020

Audit and risk committee report

INTRODUCTION

The principal purpose of the audit and risk 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 and risk committee.

The committee has both reporting responsibilities to 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 AIM) and South Africa, and through adopting King IV™ as its code of corporate governance.

The performance of the audit and risk committee is evaluated against its 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 28 November 2019. In terms of King IV™ all three members of the audit and risk committee are independent non-executive directors.

At 30 June 2020, the audit and risk committee comprised of three independent non-executive directors. Charles Needham, an independent non-executive director, was appointed to the audit and risk committee with effect from 17 July 2019.

Keith Spencer resigned from the audit and risk committee with effect from 10 September 2019.

The independent non-executive directors of the audit and risk committee at the date of approval of this report were:

- Hester Hickey *(chairperson of the audit and risk committee)*
- Thabo Mosololi
- Charles Needham

Details on the number of meetings held and attendance by members are included on page 16 of the governance report.

All the members of the audit and risk committee are considered by the board to have an independent and objective mindset. The board believes that the audit and risk committee members collectively have the necessary skills to carry out their duties effectively and with due care. In cases where circumstances and issues arise, which are deemed outside of the scope of expertise of the audit and risk committee members, independent services and advice from professional bodies and service providers are sourced.

AUDIT AND RISK COMMITTEE RESPONSIBILITIES AND DUTIES

The audit and risk committee fulfils its responsibilities and duties as set out in its charter. The functions of the audit and risk committee include:

- Reviewing the interim and year-end financial statements, challenging the consistency and appropriateness of accounting principles, policies and practices that have been applied in the preparation, measurement and disclosures in the financial reports, culminating in a recommendation to the board for approval
- Reviewing the integrity of the integrated annual report by ensuring its content is reliable, includes all relevant operational, financial and other non-financial information, risks and other relevant factors
- Considering significant judgements and estimates applied in the preparation of the 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
- Reviewing the effectiveness of the external audit function
- Assessing the external auditor's independence and specifying guidelines and authorising the award of non-audit services to the external auditor
- Determining the audit fees in respect of the year-end external audit
- Making recommendations to the board on the appointment, reappointment or change of the Group's external auditor. Such changes are subject to shareholder approval at the Company's AGM
- Reviewing the effectiveness of the internal audit function
- Reviewing the internal audit management reports with, when relevant, recommendations being made to the board
- Approving the internal audit plan
- 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 governance processes
- Dealing with concerns relating to accounting practices, internal audit, the audit or content of annual financial statements and internal financial controls
- Evaluation of the performance of the financial director and the financial department
- Review of the adequacy of the Group's risk management process, policies, mitigating controls and risk register
- Review of the governance of information and technology and the effectiveness of the Group's information systems
- Review of the Group's going concern to determine the appropriateness of the Group's annual financial statements being presented on a going concern basis.

EXTERNAL AUDITOR

The committee is responsible for recommending the appointment or reappointment of a firm of external auditors to the board that, in turn, will recommend the appointment to shareholders. The committee is responsible for determining that the designated appointee firm and signing registered auditor have the necessary independence, experience, qualifications and skills and that the audit fee is adequate.

Tim McAllister is the designated audit partner for the 2020 financial year. PwC's appointment as external auditor was effective 7 December 2018, PwC was reappointed for the 2020 financial year as approved by the shareholders at the Company's previous AGM held on 28 November 2019. PwC will be recommended for reappointment for the 2021 financial year at the next AGM.

The audit and risk committee is satisfied with the accreditation of PwC. The committee satisfied itself that the external auditor is independent as defined by the Companies Act 2006 and the standards stipulated by the auditing profession. The committee received the quality information from the firm regarding the individual auditor, their quality process, their JSE accreditation and the regulator's inspection letters. The audit and risk committee concluded it is appropriate to recommend PwC to the board for shareholder approval. The audit and risk committee held meetings with the external auditor, without the presence of management, on four occasions, and the chairperson of the audit and risk committee independently met with the external auditor on four occasions.

The audit and risk 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 2020 financial year, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The committee monitors the external auditor's performance and the effectiveness of the audit process as provided in the terms of engagement and in respect of audit scope and approach. The committee reviewed and approved the annual audit plan at its meeting in June 2020 including the proposed scope, materiality levels and significant risk areas.

It was established that the approach was appropriate to be responsive to regulatory changes and organisational risks and other applicable requirements.

Through the review of external audit reports, and interactions with the external audit team, the audit and risk committee is satisfied with the quality of the external audit performed for the financial year.

The Group's subsidiaries are also audited by PwC. Tim McAllister will rotate as the audit partner after the June 2023 financial year.

EXTERNAL AUDITOR INDEPENDENCE

The committee has a policy on the nature and extent of non-audit services which is reviewed annually. The policy allows for limited other services as well as the provision of reporting accountant services in relation to capital market transactions.

The external auditor's independence is impacted by non-audit services that are provided to the client.

Pan African has put measures in place in order to prevent the impairment of the external auditors' independence, namely:

- Disallowance of certain services that may cause impairment of their independence such as providing internal audit services
- All non-audit services provided by external auditors are pre-approved by the Exco and the audit and risk committee
- Appropriate disclosure of all non-audit services provided by the external auditor.

The approval of non-audit services by the external auditor only occurs when there is certainty that these services will not cause any impairment to the independence of the external auditor.

Non-audit fees represented 5.9% of the 2020 audit fee of US$340.2 thousand. Refer to note 13 to the annual financial statements for the disclosure of the audit and non-audit fees.

FINANCIAL REPORTING

The principal role of the audit and risk committee in relation to financial reporting is reviewing, with senior 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 Parent Company annual financial statements for the year ended 30 June 2020 and, based on the information provided to the committee, considers that the consolidated and Parent Company annual financial statements comply, in all material respects, with the requirements of the Companies Act 2006 and IFRS. The consolidated and Parent Company annual financial statements were subsequently recommended to the board for approval. The audit and risk committee makes its recommendation based on a comprehensive review conducted by the executive directors and other senior management. Furthermore, compliance to 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.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT AND RISK COMMITTEE

Significant judgements, estimates and assumptions made by management are detailed in the notes to the consolidated and Parent Company annual financial statements. Position papers were presented to the audit and risk committee by management during the course of the financial year detailing management's critical and other significant accounting judgements and estimates. These were reviewed by the audit and risk committee and included, but were not limited to, the following areas:

Critical accounting judgements	Audit and risk committee response
Impairment of goodwill and impairment reversal of assets In accordance with IAS 36, goodwill is tested for impairment annually or earlier where an indicator of impairment becomes apparent The values of mining operations are sensitive to a range of attributes unique to each asset. Management is required to apply judgement in the estimation of: • Mineral Resources and Mineral Reserves • Commodity prices • Foreign exchange rate • Discount rates • Operating costs, capital expenditure and other operating factors	The committee monitors the impairment review process, including the identification of impairment and impairment reversal indicators. The committee has reviewed the judgements used in the valuation and identification of cash-generating units (CGUs) • Evander Mines' underground operations were impaired by US$140.3 million during the 2018 financial year following the cessation of large-scale underground operations • Following receipt of a positive feasibility study on the technical and financial merits of 8 Shaft pillar, an impairment reversal of US$17.9 million was recognised in the prior reporting period The audit and risk committee considered the assessment for reversal of impairment, key assumptions and disclosure to be reasonable and appropriate

Other significant accounting judgements	Audit and risk committee response
New accounting standards	The committee reviewed management's assessment of the impact of the adoption of IFRS 16: *Leases*, which became effective in the current financial period. The committee has considered these disclosures in the notes to the consolidated and Parent Company annual financial statements prepared by management and has concluded that these were appropriate. Refer to note 38 to the annual financial statements for the disclosure of the impact of applying IFRS 16: *Leases*
Going concern basis of accounting	The committee has reviewed the forecasted net debt levels, headroom on existing facilities and compliance with debt covenants. The going concern analysis covered the period 1 July 2020 to 30 September 2021, and considered a range of downside sensitivities, including the impact of lower commodity prices and reduced production levels. The committee concluded that it was appropriate to adopt going concern as a basis for the preparation of the annual financial statements
Deferred taxation	The committee has reviewed management's judgement applied in the determination of the future expected deferred taxation rate for the Group's gold mining entities The committee considered the key assumptions applied in the determination of the future expected deferred taxation rate to be reasonable
Rehabilitation and decommissioning provision	The audit and risk committee reviewed the estimate for the environmental and decommissioning provision, which was based on the work of external consultants and internal experts The committee considered the disclosure of the rehabilitation and decommission provision in the consolidated and Parent Company annual financial statements and the changes in assumptions and other drivers of the movement in the provision and concluded that the recorded provision was appropriate
COVID-19 impact on financial results	The audit and risk committee reviewed management's COVID-19 financial reporting impact assessment Management performed a robust impact assessment on all financial statement line items. The committee reviewed management's assessment and concluded that it was appropriate and reasonable

RESTATEMENT OF COMPANY FINANCIAL STATEMENTS

During the 2020 financial year it was detected that investments in subsidiaries held by the Company, had been incorrectly converted from the functional currency (ZAR) to the presentation currency (US$) at the historical US$/ZAR exchange rate as opposed to the closing US$/ZAR exchange rate. The correction of this prior period error impacts investments in subsidiaries and the foreign currency translation reserve in the Parent Company's statement of financial position and other comprehensive income in the statement of profit or loss and other comprehensive income. The correction has no impact on the consolidated financial statements or on the Parent Company's profit after taxation, basic and diluted earnings per share or cash flows.

The audit and risk committee has reviewed the misstatement and considered the circumstances that led to the restatement. Additional internal controls have been implemented in the last year to improve the financial reporting process. The audit and risk committee believe that the steps implemented will reduce the likelihood of a reoccurrence of such a restatement in future.

INTERNAL AUDITOR

The committee performs an oversight role of the internal audit function, which is outsourced to a third party, by approval of the internal audit plan and review of the internal auditor's findings on a regular basis. The committee has 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 chairperson of the audit and risk committee and the internal auditor is invited to attend each audit and risk committee meeting.

The committee assesses the work of internal audit on a regular basis through receipt of reports on the progress of the internal audit plan. The committee met with the head of internal audit on three occasions, which enables further evaluation of the work performed.

The committee reviewed the proposed 2020 internal audit plan and assessed whether the plan addressed the key areas of risk for the Group. The committee approved the plan having discussed the scope of work in relationship to the Group's risk.

COMMITTEE REMUNERATION

Audit and risk committee members are remunerated in the same way as members of other board sub-committees. The fees are reviewed annually by the remuneration committee. The remuneration report, which includes the remuneration policy and the implementation report, is tabled for endorsement by the shareholders at the AGM. No retirement fund contributions are made by the Group to or on behalf of non-executive directors. Refer to page 190 of the consolidated and Parent Company annual financial statements for disclosure of remuneration to audit and risk committee members.

SUBSIDIARY COMPANIES

The functions of the audit and risk committee are also performed for each subsidiary company of the Pan African Group.

FINANCIAL DIRECTOR

The committee 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 skills, expertise and experience, for the role of financial director, as required by the JSE Listings Requirements and AIM rules.

RISK MANAGEMENT

Risk management is the responsibility of the board and is integral to the achievement of the Group's objectives. Refer to our risks and opportunities section of the integrated annual report on page 16 where the risk management approach and process has been further discussed.

The board, through the audit and risk committee, fulfils its responsibility in reviewing the effectiveness of the Group's risk management approach and internal controls through the review of reports submitted over the course of the year covering the risk management process and control environment, specifically in-depth reviews of the Group's risk registers and review of internal audit reports.

The committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review.

On behalf of the audit and risk committee

Hester Hickey
Chairperson, audit and risk committee

16 September 2020

Independent auditors' report

to the members of Pan African Resources PLC

Report on the audit of the annual financial statements

OPINION

In our opinion, Pan African Resources PLC's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2020 and of the Group's and the Parent Company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Integrated Annual Report (the "Annual Report"), which comprise: the Consolidated and Parent Company statements of financial position as at 30 June 2020; the Consolidated and Parent Company statements of profit or loss and other comprehensive income, the Consolidated and Parent Company statements of cash flows, and the Consolidated and Parent Company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

OUR AUDIT APPROACH

- Overall Group materiality: US$2.61 million (2019: US$2.44 million), based on 5% of profit before tax.
- Overall Parent Company materiality: US$1.88 million (2019: US$2.16 million), based on 1% of total assets.

- We conducted a full scope audit of four significant components based on their size and risk characteristics; three operating entities and the Parent Company in South Africa.
- To ensure sufficient oversight of our component audit team, the Group team performed a number of procedures throughout the audit which included directing the audit approach and procedures, remote file reviews and remote face to face meetings with the local management and the component team.

- Impairment assessments of goodwill, intangible assets and property, plant and equipment and mineral rights (Group).
- Impact of COVID-19 (Group and Parent Company).

OVERVIEW

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment assessments of goodwill, intangible assets and property, plant and equipment and mineral rights – Group Refer to page 135 (audit and risk committee report) and notes 14 and 17. Impairment assessments require significant judgement and there is the risk that the valuation of the assets may be incorrect and any potential impairment charge or reversal miscalculated. As such, this was a key area of focus for our audit due to the material nature of the respective balances. The Group has goodwill of US$17.5 million and property, plant and equipment and mineral rights of US$270.3 million as at 30 June 2020, primarily contained in four cash generating units ("CGUs"). The Barberton CGU has the total goodwill balance of US$17.5 million allocated to it. The Barberton CGU has been assessed for impairment using a fair value less costs of disposal model which is based on future cash flow forecasts using life of mine reserve and production estimates approved by the internal competent person. In addition, management has performed an impairment trigger assessment for the other three CGUs. Management has determined that there were no triggers for impairment in either of the other CGUs, having considered factors such as long-term gold prices, foreign exchange, inflation, interest rates, reserves and production.	In assessing the carrying value of the Barberton CGU, we evaluated management's future cash flow forecasts and the process by which they were drawn up, including checking the mathematical accuracy of the cash flow model. We agreed future capital and operating expenditure to the latest Board approved budget and the latest approved resources and reserves statement, forecast life of mine production plan, capital expenditure budget and forecast operational costs. We assessed the reasonableness of management's future forecasts of capital and operating expenses included in the cash flow forecasts in light of the historical accuracy of such forecasts and the current operational results. We assessed the competent person's skills and experience and concluded that they are appropriately qualified and experienced. We used our valuation experts to assist us in evaluating the appropriateness of key market related assumptions in management's valuation model, including gold prices, and foreign exchange, inflation and discount rates. We performed sensitivity analysis around the key assumptions within the cash flow forecasts using a range of discount rates and lower long-term gold prices and exchange rates based on what, in our view, a market participant may apply. We considered management's impairment trigger and reversal analysis and agreed that no impairment or reversal indicators existed for any CGUs other than the reversal of certain specific immaterial assets. We examined the related disclosures in notes 14 and 17 of the financial statements, including the sensitivities provided with respect to the CGUs. Based on our analysis, we consider management's impairment assessment and conclusions relating to the recoverable amount of goodwill, property, plant and equipment and mineral rights as well as the associated disclosures, to be reasonable.
Impact of COVID-19 – Group and Parent Company Disclosure of the risk to the Group of COVID-19 has been included within the Strategic Report on pages 31 to 35 and note 2 (significant accounting policies) on page 146. Management has considered the impact of the pandemic on the recoverable amount of assets including property, plant and equipment and mineral rights, goodwill, inventory and receivables as well as a need to recognise additional liabilities. The extent of the potential impact of the pandemic on future trading performance is unclear and measurement of the impacts on the financial statements entails a significant degree of estimation uncertainty. Management considered the impact of the pandemic on the going concern status of the Group. As part of this assessment, management has modelled possible downside scenarios to its base case budgets taking into account the possible effects of COVID-19 on the mining operations. This includes a reduction of between 5% and 20% in production. Having taken into account these scenarios and a robust assessment of planned and possible mitigating actions, management has concluded that the Group remains a going concern, that there is no material uncertainty in respect of this conclusion and that there is no impact on the carrying values of assets and liabilities.	We obtained management's detailed COVID-19 impact assessment and evaluated the key judgements and estimates made by management in determining the potential outcomes for the Group. We undertook the following procedures: • We considered the potential impact on the balance sheet, specifically around property, plant and equipment and mineral rights, goodwill, trade receivables, and inventory and do not consider there to be any indicators of material impairment as at the balance sheet date or subsequently (for disclosure only) and no provisions or additional liabilities were recorded. • We reviewed management's disclosures relating to the impact in the year and the potential impact of COVID-19 and found them to be consistent with the analysis performed. • We tested the accuracy and reasonableness of the assumptions used by management in its assessment of going concern and the impact of COVID-19 against the life-of-mine plans used in the impairment assessment and consider the sensitised production scenarios to be reasonable. • We increased the frequency and extent of our oversight of our component audit team, using video conferencing and remote working paper reviews, to satisfy ourselves as to the appropriateness of audit work performed at our significant components in South Africa. Overall, we consider the assessment by management in relation to COVID-19 to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the statutory reporting unit level by us, as the Group audit team, or through involvement of our component auditors in South Africa. The Group's assets and operations are primarily located within two mine sites in South Africa. Financial reporting is undertaken at the head office in Johannesburg.

We identified four reporting units which, in our view, required an audit of their complete financial information, either due to their size or risk characteristics. This included the three main operating subsidiaries in South Africa, as well as the Parent Company. Audit work was performed by our component auditors in South Africa and we determined the level of involvement we needed to have in the audit work for each reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As COVID-19 prevented travel to South Africa post year-end, we were unable to make site visits as planned; we instead extended our oversight of the component teams through extended conference calls, video conferencing and remote working paper reviews to satisfy ourselves as to the appropriateness of the audit work performed by components.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	US$2.61 million (2019: US$2.44 million).	US$1.88 million (2019: US$2.16 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate benchmark as the entity is the ultimate holding company of the Group therefore its results are driven substantially by its investments and inter-company loans.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between US$2.36 million and US$1.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the audit and risk committee that we would report to them misstatements identified during our audit above US$130,500 (Group audit) (2019: US$122,000) and US$94,000 (Parent Company audit) (2019: US$108,090) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 and 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 130, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

COMPANIES ACT 2006 EXCEPTION REPORTING

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister
Senior statutory auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
London

16 September 2020

Consolidated and Parent Company
statements of financial position

as at 30 June 2020

	Notes	Consolidated		Parent Company		
		30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	Restated[1] 30 June 2019 US$ thousand	Restated[1] 30 June 2018 US$ thousand
ASSETS						
Non-current assets						
Property, plant and equipment and mineral rights	14	**270,286.3**	305,354.7	**–**	–	–
Other intangible assets	15	**493.0**	655.2	**–**	–	–
Deferred taxation	29	**4,416.1**	2,141.1	**2,770.0**	1,593.1	2,016.5
Long-term inventory		**411.3**	614.5	**–**	–	–
Long-term receivables	16	**626.4**	1,021.9	**–**	–	–
Goodwill	17	**17,512.5**	21,554.8	**–**	–	–
Investments in subsidiaries[1]	18	**–**	–	**90,703.4**	111,639.7	114,569.0
Investments – other	18	**1,216.2**	6,802.0	**1,216.2**	6 802.0	4,133.9
Rehabilitation fund	19	**20,006.4**	25,021.1	**–**	–	–
		314,968.2	363,165.3	**94,689.6**	120,034.8	120,719.4
Current assets						
Inventories	20	**7,626.1**	5,708.5	**–**	–	–
Receivables from other Group companies	36	**–**	–	**93,650.8**	93,672.9	95,653.6
Current taxation asset	29	**1,247.1**	1,888.6	**–**	103.4	99.1
Trade and other receivables	21	**10,864.0**	15,101.3	**32.9**	22.4	6.4
Current portion of long-term receivables	16	**381.4**	1,924.8	**–**	1,108.5	1,027.7
Cash and cash equivalents	22	**33,529.8**	5,341.2	**208.5**	36.3	269.0
		53,648.4	29,964.4	**93,892.2**	94,943.5	97,055.8
Total assets		**368,616.6**	393,129.7	**188,581.8**	214,978.3	217 775.2
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	23	**38,150.6**	38,150.6	**38,150.6**	38,150.6	38,150.6
Share premium		**235,063.2**	235,063.2	**235,063.2**	235,063.2	235,063.2
Retained earnings		**154,344.3**	112,984.2	**67,263.3**	54,076.8	55,059.6
Reserves[1]	24	**(243,938.6)**	(202,616.1)	**(158,818.3)**	(114,639.8)	(111,235.2)
Equity attributable to owners of the Parent		**183,619.5**	183,581.9	**181,658.8**	212,650.8	217,038.2
Total equity		**183,619.5**	183,581.9	**181,658.8**	212,650.8	217,038.2
Non-current liabilities						
Long-term provisions	25	**9,200.1**	15,781.3	**–**	–	–
Long-term liabilities – financial institutions	26	**73,332.7**	109,617.7	**–**	–	–
Long-term liabilities – other	27	**6,781.3**	1,727.2	**116.9**	402.3	47.5
Deferred taxation	29	**16,961.5**	18,567.1	**–**	–	–
		106,275.6	145,693.3	**116.9**	402.3	47.5
Current liabilities						
Trade and other payables	28	**35,181.8**	35,921.3	**1,833.3**	1,024.8	466.3
Derivative financial liabilities	34	**9,639.0**	917.7	**–**	–	–
Current portion of long-term liabilities – financial institutions	26	**15,916.0**	24,147.7	**–**	–	–
Current portion of long-term liabilities – other	27	**16,164.5**	2,390.9	**4,042.3**	900.4	223.2
Current taxation liability	29	**1,820.2**	476.9	**930.5**	–	–
		78,721.5	63,854.5	**6,806.1**	1,925.2	689.5
Total equity and liabilities		**368,616.6**	393,129.7	**188,581.8**	214,978.3	217,775.2

[1] *Investments in subsidiaries and the translation reserve balance (included in the reserves balance) have been restated in the prior financial year. Refer to note 40: Correction of prior period error.*

The above consolidated and Parent Company statements of financial position should be read in conjunction with the accompanying notes.

The annual financial statements on pages 130 to 205 were approved by the board of directors and authorised for issue on 16 September 2020 and were signed on its behalf by:

Cobus Loots
Chief executive officer

Deon Louw
Financial director

Consolidated and Parent Company statements of profit or loss and other comprehensive income

for the year ended 30 June 2020

		Consolidated		Parent Company	
	Notes	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	Restated[1] 30 June 2019 US$ thousand
Revenue		**273,708.3**	217,374.6	**–**	–
Other revenue		**398.5**	304.4	**7,317.1**	1,973.2
Revenue and other revenue	4	**274,106.8**	217,679.0	**7,317.1**	1,973.2
Cost of production	5	**(158,457.3)**	(152,980.0)	**–**	–
Mining depreciation and amortisation	14, 15	**(21,503.2)**	(16,227.8)	**–**	–
Mining profit		**94,146.3**	48,471.2	**7,317.1**	1,973.2
Other expenses and income	7	**(28,681.9)**	(7,562.3)	**9,660.5**	(3,396.0)
Royalty costs		**(473.8)**	(354.1)	**–**	–
Impairment reversal		**88.6**	17,853.5	**–**	–
Net income/(loss) before finance income and finance costs		**65,079.2**	58,408.3	**16,977.6**	(1,422.8)
Finance income	8	**464.8**	849.7	**72.8**	192.6
Finance costs	8	**(13,346.2)**	(13,041.8)	**(0.1)**	(0.1)
Profit/(loss) before taxation for the year	9	**52,197.8**	46,216.2	**17,050.3**	(1,230.3)
Income taxation (expense)/income	29	**(7,904.5)**	(8,174.0)	**(464.8)**	247.5
Profit/(loss) after taxation for the year		**44,293.3**	38,042.2	**16,585.5**	(982.8)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to the statement of profit or loss (net of taxes)					
Investment measured at fair value through other comprehensive income adjustment	18	**(4,766.8)**	2,876.3	**(4,766.8)**	2,876.3
Taxation on investment measured at fair value through other comprehensive income adjustment		**1,067.8**	(621.3)	**1,067.8**	(621.3)
Items that will not be reclassified to the statement of profit or loss					
Foreign currency translation reserve[1]		**(37,890.6)**	(3,702.9)	**(40,612.9)**	(5,659.6)
Total comprehensive income/(loss) for the period		**2,703.7**	36,594.3	**(27,726.4)**	(4,387.4)
Profit attributable to:					
Owners of the Parent		**44,293.3**	38,042.2	**16,585.5**	(982.8)
Total comprehensive income/(loss) attributable to:					
Owners of the Parent		**2,703.7**	36,594.3	**(27,726.4)**	(4,387.4)
Earnings per share (US cents)	10	**2.30**	1.97	**0.86**	(0.05)
Diluted earnings per share (US cents)	10	**2.30**	1.97	**0.86**	(0.05)

[1] *The translation reserve balance has been restated in the prior financial year. Refer to note 40: Correction of prior period error.*

The above consolidated and Parent Company statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated and Parent Company statements of cash flows

for the year ended 30 June 2020

	Notes	Consolidated 30 June 2020 US$ thousand	Consolidated 30 June 2019 US$ thousand	Parent Company 30 June 2020 US$ thousand	Parent Company 30 June 2019 US$ thousand
Cash flow from operating activities					
Net cash generated by operating activities before dividend, taxation, royalties and net finance costs and income	35	**73,399.4**	56,889.0	**21,045.9**	215.6
Net dividend paid[1]		**(2,933.2)**	–	**(3,399.0)**	–
Income taxation (paid)/received		**(4,876.7)**	(3,847.0)	**88.9**	–
Royalties paid		**(926.9)**	(649.9)	**–**	–
Finance costs paid		**(11,157.6)**	(15,014.8)	**(0.1)**	(0.1)
Finance income received		**323.3**	329.4	**67.0**	7.0
Net cash generated by operating activities		**53,828.3**	37,706.7	**17,802.7**	222.5
Cash flow from investing activities					
Additions to property, plant and equipment and mineral rights	14	**(34,557.3)**	(55,115.7)	**–**	–
Additions to other intangible assets	15	**(174.6)**	(16.3)	**–**	–
Repayments of long-term loans receivable		**1,798.5**	286.0	**–**	–
Rehabilitation funds withdrawn	19	**2,084.7**	2,585.4	**–**	–
Proceeds from disposal of property, plant and equipment and mineral rights		**206.7**	466.3	**–**	–
Net cash utilised in investing activities		**(30,642.0)**	(51,794.3)	**–**	–
Cash flow from financing activities					
Borrowings raised	26	**48,468.0**	21,494.0	**–**	–
Borrowings repaid	26	**(44,158.1)**	(3,523.6)	**–**	–
Advances in loans to subsidiaries	35	**–**	–	**(32,608.3)**	(461.4)
Repayments from loans to subsidiaries	35	**–**	–	**13,204.7**	–
Proceeds from long-term loan receivables settled		**–**	–	**996.0**	–
Capital repayment on instalment sale obligation	27	**(166.9)**	–	**–**	–
Capital repayment on lease obligations	27	**(803.6)**	–	**–**	–
Net cash generated by/(utilised in) financing activities		**3,339.4**	17,970.4	**(18,407.6)**	(461.4)
Net increase/(decrease) in cash and cash equivalents		**26,525.7**	3,882.8	**(604.9)**	(238.9)
Cash and cash equivalents at the beginning of the year		**5,341.2**	921.8	**36.3**	269.0
Effect of foreign exchange rate changes		**1,662.9**	536.6	**777.1**	6.2
Cash and cash equivalents at the end of the year	22	**33,529.8**	5,341.2	**208.5**	36.3

[1] *Net dividend paid represents the total dividend paid less the reciprocal dividend received from PAR Gold.*

The above consolidated and Parent Company statements of cash flows should be read in conjunction with the accompanying notes.

Consolidated and Parent Company
statements of changes in equity

for the year ended 30 June 2020

	Consolidated				
	Share capital US$ thousand	Share premium US$ thousand	Retained earnings US$ thousand	Reserves[1] US$ thousand	Total US$ thousand
Balance as at 1 July 2018	38,150.6	235,063.2	74,942.0	(201,168.2)	146,987.6
Total comprehensive income/(loss)	–	–	38,042.2	(1,447.9)	36,594.3
Profit for the year	–	–	38,042.2	–	38,042.2
Other comprehensive loss	–	–	–	(1,447.9)	(1,447.9)
Balance as at 30 June 2019	**38,150.6**	**235,063.2**	**112,984.2**	**(202,616.1)**	**183,581.9**
Total comprehensive income/(loss)	**–**	**–**	**44,293.3**	**(41,589.6)**	**2,703.7**
Profit for the year	**–**	**–**	**44,293.3**	**–**	**44,293.3**
Other comprehensive loss	**–**	**–**	**–**	**(41,589.6)**	**(41,589.6)**
Dividends paid	**–**	**–**	**(3,399.1)**	**–**	**(3,399.1)**
Reciprocal dividends – PAR Gold[2]	**–**	**–**	**465.9**	**–**	**465.9**
Share-based payment – charge for the year	**–**	**–**	**–**	**267.1**	**267.1**
Balance as at 30 June 2020	**38,150.6**	**235,063.2**	**154,344.3**	**(243,938.6)**	**183,619.5**

	Parent Company				
	Share capital US$ thousand	Share premium US$ thousand	Retained earnings US$ thousand	Reserves[1, 3] US$ thousand	Total US$ thousand
Balance as at 1 July 2018 (restated)	38,150.6	235,063.2	55,059.6	(111,235.2)	217,038.2
Total comprehensive loss	–	–	(982.8)	(3,404.6)	(4,387.4)
Loss for the year	–	–	(982.8)	–	(982.8)
Other comprehensive loss	–	–	–	(3,404.6)	(3,404.6)
Balance as at 30 June 2019 (restated)	**38,150.6**	**235,063.2**	**54,076.8**	**(114,639.8)**	**212,650,8**
Total comprehensive income/(loss)	**–**	**–**	**16,585.5**	**(44,311.9)**	**(27,726.4)**
Profit for the year	**–**	**–**	**16,585.5**	**–**	**16,585.5**
Other comprehensive loss	**–**	**–**	**–**	**(44,311.9)**	**(44,311.9)**
Dividends paid	**–**	**–**	**(3,399.1)**	**–**	**(3,399.0)**
Share-based payment – charge for the year	**–**	**–**	**–**	**133.4**	**133.4**
Balance as at 30 June 2020	**38,150.6**	**235,063.2**	**67,263.3**	**(158,818.3)**	**181,658.8**

[1] *Reserves comprises all reserves balances, refer to note 24 for further details.*
[2] *Reciprocal dividend – PAR Gold is an inter-company transaction which eliminates on consolidation as disclosed above. Refer to the related party note 36.*
[3] *Translation reserve balance (included in the reserves balance) has been restated in the prior year. Refer to note 40: Correction of prior period error.*

The above consolidated and Parent Company statements of changes in equity should be read in conjunction with the accompanying notes.

Notes to the consolidated and Parent Company annual financial statements

for the year ended 30 June 2020

1. GENERAL INFORMATION

Pan African is a company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 with the registration number 3937466. The Company has a dual primary listing on AIM of the LSE and the main board of the JSE. The nature of the Group's operations and its principal activities relate to commodity mining and exploration activities.

The Group's presentation currency was changed in the prior financial year to US$ from GBP. Reporting in US$ provides a more relevant presentation of the Group's financial position, financial performance and cash flows.

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 the Company operates. The Company, and the subsidiary companies of Pan African, have determined their functional currency as the South African rand.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

The Group's consolidated and Parent Company annual financial statements have been prepared in accordance with EU adopted IFRS and interpretations issued by the IFRS Interpretations Committee in accordance with the provisions of the Companies Act 2006.

The consolidated and Parent Company annual financial statements have been prepared under the historical cost basis, except for certain financial instruments that are stated at fair value. The consolidated and Parent Company annual financial statements have been prepared on the going concern basis.

The consolidated and Parent Company annual financial statements are presented in US$ and all values are rounded to the nearest thousand (US$'000), except where otherwise indicated.

Basis of consolidation

The annual financial statements incorporate a consolidation of the annual financial statements of the Company and the entities controlled by the Company (its subsidiaries). Entities that constitute the Group are those enterprises controlled by the Group regardless of the number of shares owned by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise to obtain benefits from its activities. Entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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 operations. The Group had US$8.1 million (2019: US$17.7 million) of available debt facilities and US$33.5 million (2019: US$5.3million) of cash and cash equivalents at 30 June 2020. Based on the current status of the Group's finances, having considered going concern forecasts and reasonably possible downside scenarios, including a rand gold price of ZAR635,000/kg (US$1,192/oz at a US$/ZAR average exchange rate of ZAR15.67), and reduced production volumes also potentially impacted by the COVID-19 pandemic as outlined below, 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 annual financial statements.

The Group is conscious of the ongoing impact of the COVID-19 pandemic and will continue to implement stringent preventative and precautionary measures to limit incidences of infection among our employees and in our host communities and minimise the potential adverse impact of the pandemic on the Group's production.

In evaluating the potential adverse impact of the COVID-19 pandemic on Group production, a range of 5% to 20% possible production loss was considered.

Reasons considered in determining the potential adverse impact include, inter alia:

- Mining was considered as an essential service according to government lockdown regulations imposed during the pandemic, enabling production to continue to a certain extent
- Both Evander Mines and Barberton Mines have local workforces which limits the risk and exposure of transmitting the disease and also reduces the time to ramp up production after any potential lockdown impositions
- The Group's operations are diversified and includes surface re-mining and processing activities which are less prone to lockdown restrictions when compared to underground operations
- The Group maintains a minimum liquidity level of ZAR250 million to ensure that the Group has sufficient liquidity to withstand possible interruptions to our operations over the short term.

The board has a reasonable expectation that the Group 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 the preparation of the 30 June 2020 annual financial statements.

New standards, interpretations and amendments effective for the first time as at 30 June 2020

The Group applies all applicable IFRS in preparation of the consolidated and Parent Company annual financial statements. Consequently, all IFRS statements as adopted by the EU that were effective as at 30 June 2020 and are relevant to its operations have been applied.

At the date of authorisation of these consolidated and Parent Company annual financial statements, the following standards, which have been applied in these consolidated and Parent Company annual financial statements, for the first time, were in issue and effective as at 30 June 2020.

Standard	Executive summary of the amendment	Effective	Impact
IAS 19: *Employee Benefits* on plan amendment, curtailment or settlement	The amendments require an entity to use the updated assumptions from a remeasurement of net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service costs and net interest for the remainder of the 2020 financial year after the change to the plan	Annual periods beginning on or after 1 January 2019	No impact
IFRS 9: *Financial Instruments* • on prepayment features with negative compensation • modification of financial liabilities	The amendment affects the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost even in the case of negative compensation payments. Under the amendments, the prepayment amount is not relevant as, depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain	Annual periods beginning on or after 1 January 2019	No impact
IFRS 16: *Leases*	IFRS 16 replaces the previous standard, IAS 17: *Leases*, and related interpretations The principal impact of IFRS 16 is to change the accounting treatment by lessees of leases previously classified as operating leases. Lease agreements give rise to the recognition of a right-of-use asset and a related liability for future lease payments	Annual periods beginning on or after 1 January 2019	Refer to notes 30 and 38 of the consolidated and Parent Company annual financial statements
Annual improvements cycle 2015 – 2017	The annual improvements project is a collection of amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 as a result of conclusions reached by the International Accounting Standards Board (IASB) in terms of proposals made at its annual improvement project	Annual periods beginning on or after 1 January 2019	No impact
IFRIC 23: *Uncertainty over Income Tax Treatments*	The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes. IFRIC 23 specifically clarifies how to incorporate this uncertainty into the measurement of tax as reported in the consolidated and Parent Company annual financial statements. The interpretation does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected	Annual periods beginning on or after 1 January 2019	This amendment will not have a material impact
IAS 23: *Borrowing Costs*	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings	Annual periods beginning on or after 1 January 2019	No impact

New standards, interpretations and amendments issued but not yet effective as at 30 June 2020

As at the date of authorisation of these consolidated and Parent Company annual financial statements, the following standards, amendments and interpretations, which have not been applied in these consolidated and Parent Company annual financial statements, were in issue and not yet effective as at 30 June 2020:

Standard	Effective date
Amendments to references to the conceptual framework in IFRS standards	Annual periods beginning on or after 1 January 2020
IAS 1: *Presentation of Financial Statements* and IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* on the definition of material	Annual periods beginning on or after 1 January 2020
IFRS 3: *Business Combination* on the definition of a business	Annual periods beginning on or after 1 January 2021
IFRS 17: *Insurance Contracts*	Annual periods beginning on or after 1 January 2023

The expected impact of standards in issue and not yet effective is not expected to have a material impact on the Group.

Impairment

At each statement of financial position reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. Impairment losses are immediately recognised as an expense in the statement of profit or loss and other comprehensive income. A reversal of an impairment loss is recognised in the statement of comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised on the asset or CGU.

Foreign currency transaction and translation

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

Foreign currency transactions by Group companies are recognised in the functional currency of the Company at the rates of exchange ruling on the date of the transaction.

At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. Gains or losses arising on translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities 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 the presentation currency (US$) of the Group at the rate of exchange prevailing at the reporting date. Income and expense items are 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.

Financial assets

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial asset investments and are initially recognised at fair value. Transaction costs are capitalised to the instrument in respect of instruments not classified as fair value through profit or loss. The Group's financial assets are classified into the following measurement categories: instruments measured at amortised cost, instruments measured at fair value through other comprehensive income and instruments measured at fair value through profit or loss.

Financial assets are classified as measured at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows and contractual terms of the asset give rise to cash flows that are solely payments of principal interest.

At subsequent reporting dates, financial assets measured at amortised cost are measured at amortised cost less any impairment losses. Other investments are classified either at fair value through profit or loss (which includes investments held for trading) or at fair value through other comprehensive income. Both these categories are subsequently measured at fair value. Where investments are held for trading purposes, unrealised gains and losses for the period are included in the statement of profit or loss and other comprehensive income within other income and expenses.

The Group has elected to measure equity instruments that are neither held for trading nor are a contingent consideration in a business combination, at fair value through other comprehensive income as this better reflects the strategic nature of the Group's equity investments. For equity instruments at fair value through other comprehensive income, changes in the fair value, including those related to foreign exchange, are recognised in other comprehensive income and there is no subsequent reclassification of fair value gains and losses to profit or loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECL) on a financial asset measurement at amortised cost. The Group recognised ECL based on lifetime default events for financial assets, except those that have not experienced a significant increase in credit risk, which are measured using 12-month default events. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, informed credit assessment and including forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. Credit losses are measured at the difference between the cash flows due in accordance with the contract and the cash flows the Group expects to receive. A financial asset is 'credit-impaired' when one or more events that have a detrimental adverse impact on the estimated future cash flows of a financial asset have occurred.

Financial liabilities

Financial liabilities are classified and accounted for as debt according to the substance of the contractual arrangements entered into.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained, but an obligation to pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

A substantial modification of the terms of a financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the extinguished financial liability and the consideration paid is recognised in profit or loss.

The terms of a financial liability are considered substantially different if the present value of the cash flows under the new terms (including any fees paid net of fees received), differs by at least 10% from the present value of the financial liability's cash flows using the original effective interest rate and term.

If an exchange of debt instrument or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any cost or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified financial liability.

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 as at 30 June 2020 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 Resources and Mineral Reserves, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated and Parent Company annual financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that may materially affect the carrying amounts of assets, liabilities and contingent liabilities reported at the date of the consolidated and Parent Company annual financial statements and the reported amounts of revenue and expenses during the current financial year.

These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, historical experience, current and expected future economic conditions and other factors. Actual results may differ from the amounts included in the consolidated and Parent Company annual financial statements. Further information about such judgement and estimates is included in the accounting policies and/or the notes to the consolidated and Parent Company annual financial statements.

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

Refer to the individual notes for details on specific significant accounting judgements and estimates disclosed.

Critical accounting judgements:

- Note 14: Property, plant and equipment and mineral rights
- Note 29: Taxation.

Critical sources of estimation uncertainty:

- Note 14: Property, plant and equipment and mineral rights.

Other accounting judgements and estimates:

- Note 14: Property, plant and equipment and mineral rights
- Note 25: Long-term provisions
- Note 30: Leases
- Note 32: ESOP transactions
- Note 37: Commitments, contingent liabilities and guarantees.

4. REVENUE AND OTHER REVENUE

Accounting policy

Sale of precious metals

The Group sells precious metals, mainly gold, into the market through commodity trading transactions with financial institutions. Revenue from metal sales is recognised when the Group satisfies its performance obligations under its contract with the financial institutions, by transferring such metals to the financial institutions' control. Transfer of control is generally determined to be when risk and title to the metals passes to the customer, being the date of delivery of the precious metals to Rand Refinery Limited. Revenue is measured at the fair value of the consideration specified in the contract with the financial institutions.

Revenue from the sale of material by-products is recognised within revenue at the point control passes.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Management fees

Revenue from management fees is recognised at fair value of the consideration received or receivable in the accounting period in which the management services are rendered and performance obligations are met.

Revenue from contracts with customers

All external revenue from contracts with customers is recognised at the point of delivery to Rand Refinery in South Africa in the following major product lines:

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Gold revenue	**273,708.3**	217,374.6	**–**	–
Silver revenue	**398.5**	304.4	**–**	–
Management fees (recognised on delivery of the service)	**–**	–	**7,317.1**	1,973.2
	274,106.8	217,679.0	**7,317.1**	1,973.2
Liabilities related to contracts with customers				
Amount received in advance of settlement of gold loan[1]	**5,683.5**	–	**–**	–

[1] *Refer to note 27 for the reconciliation of movement in liabilities related to contracts with customers.*

As a consequence of the Group entering into the gold loan, the Group recognised revenue received in advance in the statement of financial position when the gold loan was entered into with the financial institutions. Revenue from the gold loan is subsequently recognised in the statement of comprehensive income in terms of the agreement, at the contractually agreed transaction price.

5. COST OF PRODUCTION

Cost of production is summarised by the nature of its components and consists of the following:

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Salaries and wages	**(43,664.2)**	(46,402.4)	**–**	–
Electricity	**(22,679.2)**	(18,317.2)	**–**	–
Mining	**(16,565.8)**	(27,345.9)	**–**	–
Processing and metallurgy	**(47,572.3)**	(35,454.9)	**–**	–
Engineering and technical services	**(13,854.3)**	(11,968.6)	**–**	–
Administration and other	**(6,696.0)**	(4,780.9)	**–**	–
Realisation costs	**(1,107.6)**	(1,466.8)	**–**	–
Security	**(6,317.9)**	(7,243.3)	**–**	–
Cost of production	**(158,457.3)**	(152,980.0)	**–**	–

6. SEGMENTAL ANALYSIS

Accounting policy

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 Pan African's Exco. Management has determined the operating segments of the Group based on the reports used to make strategic decisions that are reviewed by the Exco. The Exco considers the business principally according to the nature of the products and services provided, with the segment representing a strategic business unit. The reportable operating segments derive their revenue primarily from mining, extraction, production and selling commodities.

6. SEGMENTAL ANALYSIS continued

The Group's operations are involved in gold mining activities and the operations are located in South Africa. The segment results have been presented based on the Exco's reporting format, in accordance with the disclosures presented below:

	30 June 2020				
	Barberton Mines US$ thousand	Evander Mines US$ thousand	Corporate US$ thousand	Funding Company US$ thousand	Group US$ thousand
Revenue[1]	139,413.2	134,295.1	–	–	273,708.3
Other revenue	24.2	374.3	–	–	398.5
Revenue and other revenue	139,437.4	134,669.4	–	–	274,106.8
Cost of production	(91,433.5)	(67,023.8)	–	–	(158,457.3)
Mining depreciation and amortisation	(7,424.3)	(14,078.9)	–	–	(21,503.2)
Mining profit	40,579.6	53,566.7	–	–	94,146.3
Other expenses and income[2]	(9,070.5)	(24,825.0)	4,427.3	786.3	(28,681.9)
Impairment reversal	–	88.6	–	–	88.6
Royalty (income)/costs	(577.6)	103.8	–	–	(473.8)
Net income before finance income and finance costs	30,931.5	28,934.1	4,427.3	786.3	65,079.2
Finance income	7.4	46.6	209.9	200.9	464.8
Finance cost	(452.9)	(1,860.4)	(27.0)	(11,005.9)	(13,346.2)
Profit/(loss) before taxation	30,486.0	27,120.3	4,610.2	(10,018.7)	52,197.8
Income taxation (expense)/income	(4,052.5)	(3,264.9)	(735.8)	148.7	(7,904.5)
Profit/(loss) for the year	26,433.5	23,855.4	3,874.4	(9,870.0)	44,293.3
Inter-company transactions					
Management fees	(7,376.9)	(3,491.0)	10,995.6	(127.7)	–
Interest – inter-company	1,464.7	(10,234.6)	(907.7)	9,677.6	–
Profit/(loss) after taxation after inter-company charges	20,521.3	10,129.8	13,962.3	(320.1)	44,293.3
Segment assets (total assets excluding goodwill)	98,632.3	212,267.7	7,716.7	32,487.4	351,104.1
Segment liabilities	33,546.7	47,355.5	14,824.0	89,270.9	184,997.1
Net assets (excluding goodwill)[3]	65,085.6	164,912.2	(7,107.3)	(56,783.5)	166,107.0
Goodwill	17,512.5	–	–	–	17,512.5
Capital expenditure[4]	18,955.0	21,500.1	648.7	–	41,103.8
Reconciliation of adjusted EBITDA					
Net income before taxation, finance income and finance costs	30,931.5	28,934.1	4,427.3	786.3	65,079.2
Adjust: mining depreciation and amortisation	7,424.3	14,078.9	–	–	21,503.2
EBITDA	38,355.8	43,013.0	4,427.3	786.3	86,582.4
Adjust: impairment reversal	–	(88.6)	–	–	(88.6)
Adjusted EBITDA[5]	38,355.8	42,924.4	4,427.3	786.3	86,493.8

[1] *All gold sales were made in South Africa and revenue was earned from sales to South African financial institutions.*
[2] *Other expenses and income exclude inter-company management fees and dividends.*
[3] *The segmental assets and liabilities above exclude inter-company balances.*
[4] *Capital expenditure is comprised of additions to property, plant and equipment, mineral rights and intangible assets.*
[5] *Adjusted EBITDA is comprised of earnings before interest, taxation, mining depreciation and amortisation and the reversal of impairments.*

6. **SEGMENTAL ANALYSIS** continued

	30 June 2019				
	Barberton Mines US$ thousand	**Evander Mines US$ thousand**	**Corporate US$ thousand**	**Funding Company US$ thousand**	**Group US$ thousand**
Revenue[1]	125,875.8	91,498.8	–	–	217,374.6
Other revenue	42.3	262.1	–	–	304.4
Revenue and other revenue	125,918.1	91,760.9	–	–	217,679.0
Cost of production	(92,046.9)	(60,933.1)	–	–	(152,980.0)
Mining depreciation and amortisation	(7,301.2)	(8,926.6)	–	–	(16,227.8)
Mining profit	26,570.0	21,901.2	–	–	48,471.2
Other expenses and income[2]	(1,262.0)	2,417.3	(8,189.6)	(528.0)	(7,562.3)
Impairment reversal	–	17,853.5	–	–	17,853.5
Royalty (income)/costs	(480.4)	126.3	–	–	(354.1)
Net income/(loss) before finance income and finance costs	24,827.6	42,298.3	(8,189.6)	(528.0)	58,408.3
Finance income	20.5	235.4	340.4	253.4	849.7
Finance cost	(233.7)	89.7	(0.1)	(12,897.7)	(13,041.8)
Profit/(loss) before taxation	24,614.4	42,623.4	(7,849.3)	(13,172.3)	46,216.2
Income taxation (expense)/income	(2,508.5)	(6,285.6)	664.3	(44.2)	(8,174.0)
Profit/(loss) for the year	22,105.9	36,337.8	(7,185.0)	(13,216.5)	38,042.2
Inter-company transactions					
Management fees	(2,889.8)	(2,104.7)	5,135.4	(140.9)	–
Interest – inter-company	696.8	(13,217.3)	(527.3)	13,047.8	–
Profit/(loss) after taxation after inter-company charges	19,912.9	21,015.8	(2,576.9)	(309.6)	38,042.2
Segment assets (total assets excluding goodwill)	110,478.7	244,449.6	12,292.3	4,354.3	371,574.9
Segment liabilities	38,744.1	31,325.6	5,577.9	133,900.2	209,547.8
Net assets (excluding goodwill)[3]	71,734.6	213,124.0	6,714.4	(129,545.9)	162,027.1
Goodwill	21,554.8	–	–	–	21,554.8
Capital expenditure[4]	16,156.3	40,359.1	151.2	–	56,666.6
Reconciliation of adjusted EBITDA					
Net income/(loss) before taxation, finance income and finance costs	24,827.6	42,298.3	(8,189.6)	(528.0)	58,408.3
Adjust: depreciation and amortisation	7,301.2	8,926.6	–	–	16,227.8
EBITDA	32,128.8	51,224.9	(8,189.6)	(528.0)	74,636.1
Adjust: impairment reversal	–	(17,853.5)	–	–	(17,853.5)
Adjusted EBITDA[5]	32,128.8	33,371.4	(8,189.6)	(528.0)	56,782.6

[1] *All gold sales were made in South Africa and revenue was earned from sales to South African financial institutions.*
[2] *Other expenses and income exclude inter-company management fees and dividends.*
[3] *The segmental assets and liabilities above exclude inter-company balances.*
[4] *Capital expenditure is comprised of additions to property, plant and equipment, mineral rights and intangible assets.*
[5] *Adjusted EBITDA is comprised of earnings before interest, taxation, mining depreciation and amortisation and the reversal of impairments.*

7. OTHER EXPENSES AND INCOME

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Foreign exchange loss	(0.4)	(10.6)	(14.5)	(10.4)
Short-term and low-value lease expenses (refer to note 30)	(177.3)	(314.8)	–	–
Non-mining depreciation and amortisation	(277.4)	(97.1)	–	–
Non-executive directors' emoluments	(307.1)	(218.4)	(307.1)	(218.4)
Executive directors' emoluments	(398.4)	(704.8)	(398.4)	(704.8)
Cash-settled share option expense (refer to note 27)	(5,595.3)	(2,350.6)	(3,882.3)	(848.3)
Equity-settled share option expense	(64.7)	–	(133.4)	–
Auditors’ remuneration (refer to note 13)	(360.2)	(339.3)	(214.0)	(129.9)
Salaries corporate office	(913.5)	(3,161.1)	(128.9)	(695.4)
Investor and public realisation costs	(173.7)	(208.5)	(67.0)	(96.6)
Business development costs	(391.3)	(260.5)	(391.3)	(260.5)
Legal fees	(115.6)	(44.9)	(41.6)	–
Corporate social expenditure	(1,289.3)	(1,743.2)	–	–
Loss arising from unrealised derivative financial instruments (refer to note 34)	(9,835.5)	(1,190.5)	–	–
(Loss)/profit arising from realised derivative financial instruments (refer to note 34)	(12,108.3)	1,572.4	–	–
Profit on disposal of property, plant and equipment and mineral rights	92.9	181.4	–	–
Rehabilitation funds fair value adjustment (refer to note 19)	1,728.2	1,604.8	–	–
Rehabilitation provision change in estimate	3,045.7	–	–	–
Inter-company dividend received	–	–	16,810.7	–
Loss on loan modification adjustment	–	(423.1)	–	–
Deferred consideration provision	–	(72.6)	–	(72.6)
Net other (expense)/income	(1,540.7)	219.1	(1,571.7)	(359.1)
Other expenses and income	**(28,681.9)**	**(7,562.3)**	**9,660.5**	**(3,396.0)**

8. FINANCE (COSTS)/INCOME

Accounting policy

Borrowing costs are recognised in the statement of profit or loss and other comprehensive income.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Finance income related to financial instruments				
Finance income – financial institutions	**317.2**	252.9	**67.0**	7.0
Finance income – other	**114.0**	452.6	**–**	178.8
Finance income – rehabilitation fund investment	**–**	137.2	**–**	–
	431.2	842.7	**67.0**	185.8
Finance income – other				
Finance income – South African Revenue Service (SARS)	**33.6**	7.0	**5.8**	6.8
	33.6	7.0	**5.8**	6.8
Finance income – total	**464.8**	849.7	**72.8**	192.6
Finance costs related to financial instruments				
Finance costs – financial institutions	**(11,097.2)**	(12,981.7)	**(0.1)**	(0.1)
Finance costs – other	**(57.8)**	(0.4)	**–**	–
	(11,155.0)	(12,982.1)	**(0.1)**	(0.1)
Finance costs – other				
Finance cost – lease liability	**(518.3)**	–	**–**	–
Finance costs – instalment sale	**(38.1)**	–	**–**	–
Finance costs – SARS	**(6.9)**	(0.1)	**–**	–
Finance costs – rehabilitation fund provision	**(1,627.9)**	(59.6)	**–**	–
	(2,191.2)	(59.7)	**–**	–
Finance costs – total	**(13,346.2)**	(13,041.8)	**(0.1)**	(0.1)
Net finance (costs)/income	**(12,881.4)**	(12,192.1)	**72.7**	192.5

9. PROFIT/(LOSS) BEFORE TAXATION

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Included in profit/(loss) before taxation are the following:				
Cash-settled share option expenses (refer to note 27)	**(5,595.3)**	(2,350.5)	**(3,882.3)**	(848.3)
Staff costs (refer to note 12)	**(44,976.1)**	(50,281.4)	**(1,613.8)**	(1,413.3)
Business development costs	**(391.3)**	(260.5)	**(391.3)**	(260.5)
(Loss)/profit arising from realised and unrealised derivative financial instruments	**(21,943.8)**	381.9	**–**	–
Deferred consideration costs	**–**	(72.6)	**–**	(72.6)
Short-term and low-value lease expenses (refer to note 30)	**(177.3)**	(314.8)	**–**	–

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10. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic and diluted earnings per share are based on the Group's profit or loss 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 that all potentially dilutive ordinary shares are converted to 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. There was no dilutive impact on the weighted average number of shares in issue during the current and prior year.

	Consolidated					
	30 June 2020			30 June 2019		
	Profit after taxation for the period US$ thousand	Weighted average number of shares in issue	Earnings per share US cents	Profit after taxation for the period US$ thousand	Weighted average number of shares in issue	Earnings per share US cents
Basic earnings per share	**44,293.3**	**1,928,329.5**	**2.30**	38,042.2	1,928,329.5	1.97
Diluted potential ordinary shares	**–**	**–**	**–**	–	–	–
Diluted earnings per share	**44,293.3**	**1,928,329.5**	**2.30**	38,042.2	1,928,329.5	1.97

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.

The reconciliation between earnings and headline earnings is disclosed below:

	Consolidated					
	30 June 2020			30 June 2019		
	Profit after taxation for the period US$ thousand	Weighted average number of shares in issue	Earnings per share US cents	Profit after taxation for the period US$ thousand	Weighted average number of shares in issue	Earnings per share US cents
Basic earnings per share	**44,293.3**	**1,928,329.5**	**2.30**	38,042.2	1,928,329.5	1.97
Adjustment						
Profit on disposal of property, plant and equipment and mineral rights	**(92.9)**	**–**	**(0.01)**	(181.4)	–	(0.01)
Taxation on profit on disposal of property, plant and equipment and mineral rights	**26.0**	**–**	**–**	50.8	–	0.02
Impairment reversal	**(88.6)**	**–**	**–**	(17,853.5)	–	(0.93)
Taxation on impairment reversal	**20.4**	**–**	**–**	2,795.9	–	0.14
Headline earnings per share	**44,158.2**	**1,928,329.5**	**2.29**	22,854.0	1,928,329.5	1.19
Dilutive potential ordinary shares	**–**	**–**	**–**	–	–	–
Diluted earnings per share	**44,158.2**	**1,928,329.5**	**2.29**	22,854.0	1,928,329.5	1.19

Headline earnings per share is required in terms of the JSE Listings Requirements.

10. EARNINGS PER SHARE continued

Basic and diluted earnings per share continued

	Consolidated	
	30 June 2020 US cents	30 June 2019 US cents
Net asset value per share[1]	**9.52**	9.52
Tangible net asset value per share[2]	**6.04**	5.14

[1] Net assets is total assets less non-current and current liabilities.

[2] Tangible net assets is total assets less non-current liabilities, current liabilities, mineral rights, goodwill and mining properties.

11. DIVIDENDS

The board has proposed a final dividend of ZAR312.9 million for the 2020 financial year (approximately US$18.7 million), equal to ZA 14.00000 cents per share or approximately US 0.83582 cents per share (0.65451 pence per share). The dividend is subject to approval by shareholders at the AGM, which is convened for Thursday, 26 November 2020.

In light of the robust results for the 2020 financial year and the favourable financial prospects for the operations in the 2021 financial year, the board has applied its discretion and has proposed a dividend in excess of the Company's dividend policy's guidelines, which provide for a 40% payout ratio of net cash generated from operating activities.

12. STAFF COSTS AND COMPLEMENT

Accounting policy

Retirement and pension benefits

Payments to the Group's 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 in the Group's statement of financial position. The provision is reviewed annually with movements in the provision recorded in the statement of comprehensive income.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Their aggregate remuneration comprised:				
Salaries and wages	**44,976.1**	50,281.4	**527.3**	1,413.3
	44,976.1	50,281.4	**527.3**	1,413.3
In addition to staff costs above are staff costs capitalised to property, plant and equipment	**7,488.6**	9,412.0	**1,086.5**	–
Included in staff costs above are other retirement costs	**2,312.0**	2,877.3	**14.4**	7.6

12. STAFF COSTS AND COMPLEMENT continued

Accounting policy continued

	Consolidated			
	30 June 2020		30 June 2019	
	Average (number)	Closing (number)	Average (number)	Closing (number)
Operating cost employees				
Corporate	**19**	**19**	18	17
Evander Mines	**158**	**168**	174	181
Barberton Mines	**1,727**	**1,708**	1,739	1,743
	1,904	**1,895**	1,931	1,941
Capital employees				
Barberton Mines	**195**	**195**	200	207
Evander Mines	**34**	**36**	5	–
	229	**231**	205	207
Total employees	**2,133**	**2,126**	2,136	2,148

The majority of employees are required to be members of either the Barberton Pension Umbrella Fund, the Sentinel Retirement Fund, the 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 Pension Act of 1956 as amended. The assets of the schemes are held separately from those of the Group in independent funds and they are in the control of the fund's trustees. A total cost of US$2.3 million (2019: US$2.9 million) was recognised in the statement of comprehensive income at a consolidated level and US$14.4 thousand (2019: US$7.6 thousand) at Company level. This cost represents the employer's contributions payable to the respective 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 SARS' life expectancy tables as the benefits payable are a fixed amount per pensioner. The balance of post-employment medical benefits liability was US$32.4 thousand (2019: US$50.5 thousand).

13. AUDITORS' REMUNERATION

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Audit of the Parent Company's annual financial statements	**1.7**	1.8	**1.7**	1.8
Audit of the consolidated annual financial statements	**328.4**	317.8	**182.6**	89.5
Under provision of audit fee in the prior year	**10.1**	19.7	**29.7**	38.6
Total audit fees	**340.2**	339.3	**214.0**	129.9
Other services rendered by the auditor				
External auditor	**20.0**	–	**–**	–
Total non-audit fees	**20.0**	–	**–**	–

All audit fees are paid locally in South Africa with the exception of the PwC UK audit fee of US$0.1 million (2019: US$0.1 million).

Details of the Company's policy on the use of the statutory auditors' non-audit services and the safeguards to ensure their independence and objectivity are disclosed in the audit and risk committee report on pages 133 to 136.

14. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS

Accounting policy

Property, plant and equipment and mineral rights is stated at cost less accumulated depreciation and accumulated impairment losses. Cost is the fair value of the consideration required to acquire and develop the asset and includes the purchase consideration, acquisition of mineral rights, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner as intended by management, the initial estimate of any decommissioning obligation for assets that take a substantial period of time to get ready for their intended use and their associated borrowing costs. Income generated from the sale of products extracted during the development or pre-commissioning phase of a mining asset is capitalised to the cost of property, plant and equipment and mineral rights as per IAS 16: *Property, Plant and Equipment*.

Depreciation of property, plant and equipment and mineral rights

Mineral rights and mining property, plant and machinery and shaft and exploration assets are depreciated over the estimated life-of-mine to their residual values using the units-of-production method based on estimated Proved and Probable Mineral Reserves.

Buildings and infrastructure and items of plant and machinery for which the consumption is not linked to production is depreciated to their residual values at varying rates on a straight-line basis over their estimated useful lives or the life-of-mine, whichever is shorter. The estimated useful life may vary between five and 10 years.

Other non-mining assets are recorded at cost less accumulated depreciation and accumulated impairment on the straight-line basis over their expected useful lives which may vary between three and 10 years. Capital under construction is measured at cost less any recognised impairment. Depreciation commences when the assets are capable of operating in the manner as intended by management, at which point they are transferred to the appropriate asset class.

Land is not depreciated. Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Mineral exploration and evaluation costs

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 that they 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 property, plant and equipment and mineral rights. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production. Exploration expenditure is the cost of exploring for Mineral Resources other than that occurring at existing operations and projects and comprises geological and geophysical studies, exploratory drilling and sampling and Mineral Resources development. Evaluation expenditure includes the cost of conceptual and pre-feasibility studies and evaluation of Mineral Resources at existing operations. Capitalised pre-production expenditure is assessed for impairment in accordance with the Group's accounting policy.

Right-of-use asset

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The right-of-use asset is measured at cost, which is made up of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

The Group applies IAS 36: *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Critical accounting judgements

Impairment and impairment reversals of assets

The Group assesses at each reporting date whether there are any indicators that its assets and CGUs may be impaired or require previous impairment provisions to be reversed. Goodwill is tested for impairment annually. Operating and economic assumptions which could affect the valuation of assets using discounted cash flow models are regularly reviewed and updated as part of the Group's monitoring of operational and financial performance and forecasting processes. Judgement is required in determining if operating and economic changes are significant and impact the performance potential of an asset or CGU, and therefore an indication of an impairment or an impairment reversal.

14. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

Critical accounting judgements continued

Impairment and impairment reversals of assets continued

Assets (other than goodwill) that have previously been impaired must be assessed for indicators of both impairment and impairment reversal. Such assets are recorded on the statement of financial position at their recoverable amount at the date of the last impairment assessment, therefore a change in operational plans, assumptions or economic conditions could result in further impairment or an impairment reversal if an indicator is identified. The Group has previously impaired Evander Mines' large-scale underground operations, and during the prior financial year, recorded a reversal of impairment on Evander Mines' pillar project related to the previously impaired 8 Shaft, 7 Shaft and Kinross plant infrastructure.

Cash-generating units

The Group defines a CGU as the smallest identifiable group of assets that generate cash flows largely independent of cash flows from other assets or groups of assets. The allocation of assets to a CGU requires judgement.

Consistent with the prior financial year, our CGUs have been classified as follows:

- **Barberton Mines' underground operations:** Underground operations (Fairview, Sheba and New Consort) are reliant on the Fairview BIOX® plant for processing and these operations have been grouped together and 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 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 Elikhulu being classified as a single CGU
- **Evander Mines' underground operations:** Includes 7 Shaft, 8 Shaft and the run-of-mine circuit in the Kinross metallurgical plant and 8 Shaft pillar mining, which are independent of Elikhulu and the Egoli project, resulting in them being classified as a single CGU.

Cash flow projections and key assumptions

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. Cash flow projections are significantly affected by a number of factors including Mineral Resources and Mineral Reserves together with economic factors such as commodity price and discount rates and estimates of production costs and future capital expenditure. Where discounted cash flow models based on management's assumptions 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.

Cash flow projections are based on financial forecasts and life-of-mine plans incorporating key assumptions as detailed below:

- **Mineral Resources and Mineral Reserves:** Mineral Resources and, where considered appropriate, Mineral Reserves, are incorporated in projected cash flows, based on Mineral Resources and Mineral Reserves 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 Resources. Refer to the abridged Mineral Resources and Mineral Reserves report on pages 47 to 55 for further disclosure of the Group's Mineral Resources and Mineral Reserves and life-of-mine plans
- **Commodity prices:** Commodity prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure that they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts or hedging arrangements are considered in determining future cash flows
- **Discount rates:** Value in use and fair value less cost of disposal projections are sensitive to changes in the discount rate
- **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 (for example the grade of Mineral Resources and Mineral Reserves varying significantly over time and unforeseen operational issues).

14. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

Critical accounting judgements continued

8 Shaft pillar date of commissioning

Given the nature of the 8 Shaft pillar, a key area of judgement was the determination of when the 8 Shaft pillar was in the location and condition necessary for it to be capable of operating as intended by management.

Pan African has applied a guiding principle that once the mining project is structurally complete and achieves commercial production the various assets by major component are recorded in the fixed asset register on the date the mining project is structurally complete and has achieved commercial production. From this date, the assets are subject to depreciation over their respective useful lives, consistent with the Group's depreciation policy.

Commercial production is assumed when management can demonstrate that the mining project is able to materially achieve the technical design parameters established by the feasibility study and it is probable that future economic benefits will be generated by the plant.

On 15 May 2020, the 8 Shaft pillar demonstrated steady-state production by achieving the required technical design parameters, and thus this is determined to be the commissioning date.

Critical sources of estimation uncertainty

Impairment and impairment reversals of assets

For assets where indicators of impairment or impairment reversals are identified, the Group performs an impairment review to assess the recoverable amount of its operating assets, principally with reference to fair value less costs of disposal, which is assessed using discounted cash flow models. Mining operations are large, complex assets requiring significant technical and financial resources to operate. Their value may be sensitive to characteristics unique to each asset. 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 previously.

Evander Mines' underground operations

Following an internal and external review of Evander Mines' underground operations, it was concluded that there was no realistic prospect of mining on a sustainable basis from this operation, and the decision was taken on 18 May 2018 to cease large-scale underground operations at Evander Mines and, as a result, the CGU was fully impaired. An impairment charge of US$104.3 million was recognised in the 2018 financial results.

Subsequently, an independent feasibility study into the merits of mining the 8 Shaft pillar and high-grade areas in proximity to the pillar was completed and the board of directors approved the development of this project on 12 June 2019. Consequently, the valuation of Evander Mines' underground operations has been assessed and the previous impairment of the Kinross plant, the 7 Shaft and 8 Shaft infrastructure has been reversed to the recoverable amount of US$17.9 million that would have been recognised had no impairment loss been recorded previously.

The carrying value based on discounted cash flow is sensitive to changes in input assumptions.

14. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

	Land[1] US$ thousand	Mineral rights and mining property US$ thousand	Exploration assets[2] US$ thousand	Buildings and infrastructure – owned US$ thousand
Consolidated				
Cost				
Opening balance as at 1 July 2018	2,691.7	52,232.4	34,320.3	44,404.6
Transfers	–	–	–	13,737.3
Additions	–	217.6	–	2,360.2
Disposals	–	–	–	(422.8)
Transfer to intangible assets	–	–	–	–
Foreign currency translation reserve	(68.8)	(1,333.8)	(877.5)	(1,012.9)
Closing balance as at 30 June 2019	**2,622.9**	**51,116.2**	**33,442.8**	**59,066.4**
Right-of-use asset recognised – IFRS 16	**–**	**–**	**–**	**–**
Transfers	**–**	**(237.2)**	**–**	**14,503.1**
Additions	**–**	**–**	**–**	**1,995.2**
Disposals	**(15.8)**	**–**	**–**	**(153.2)**
Foreign currency translation reserve	**(490.4)**	**(14,913.2)**	**(6,271.7)**	**(12,642.8)**
Closing balance as at 30 June 2020	**2,116.7**	**35,965.8**	**27,171.1**	**62,768.7**
Accumulated depreciation and impairment				
Opening balance as at 1 July 2018	–	(26,365.7)	–	(23,066.7)
Depreciation charge for the year	–	(535.3)	–	(2,020.7)
Disposals	–	–	–	139.9
Impairment cost	–	4,621.4	–	1,262.7
Foreign currency translation reserve	–	669.9	–	575.2
Closing balance as at 30 June 2019	**–**	**(21,609.7)**	**–**	**(23,109.6)**
Transfers	**–**	**30.2**	**–**	**–**
Depreciation charge for the year	**–**	**(1,430.1)**	**–**	**(3,255.7)**
Disposals	**–**	**–**	**–**	**55.2**
Impairment reversal	**–**	**–**	**–**	**88.6**
Foreign currency translation reserve	**–**	**7,217.1**	**–**	**4,640.4**
Closing balance as at 30 June 2020	**–**	**(15,792.5)**	**–**	**(21,581.1)**
Carrying amount				
As at 30 June 2019	2,622.9	29,506.5	33,442.8	35,956.8
As at 30 June 2020	**2,116.7**	**20,173.3**	**27,171.1**	**41,187.6**

[1] *Land registers are maintained at the offices of Barberton Mines and Evander Mines, which may be inspected by a member or their duly authorised agents.*

[2] *Exploration assets comprised of Evander South, Rolspruit and Poplar, were recognised on 1 March 2013 at their respective fair values in terms of IFRS 3:* Business Combinations.

[3] *Capital under construction decreased in the 2020 financial year as a result of the 8 Shaft pillar project being commissioned in June 2020 (refer to page 95). The remaining capital under construction balance relates to ongoing capital projects within the Group.*

Refer to note 26 for property, plant and equipment pledged as security for the Group's senior debt.

Buildings and infrastructure – right-of-use asset US$ thousand	Plant and machinery – owned US$ thousand	Plant and machinery – right-of-use asset US$ thousand	Capital under construction[3] US$ thousand	Shafts and exploration US$ thousand	Other US$ thousand	Total US$ thousand
–	153,800.8	–	105,311.2	82,624.8	501.3	475,887.1
–	123,623.8	–	(137,361.1)	–	–	–
–	4,601.7	–	40,358.9	8,976.9	135.0	56,650.3
–	(40.7)	–	–	–	–	(463.5)
–	–	–	(772.0)	–	–	(772.0)
–	(2,930.9)	–	(3,456.4)	(2,042.8)	(11.8)	(11,734.9)
–	**279,054.7**	**–**	**4,080.6**	**89,558.9**	**624.5**	**519,567.0**
290.3	**–**	**5,454.4**	**–**	**–**	**–**	**5,744.7**
–	**4,449.0**	**–**	**(18,919.0)**	**197.0**	**–**	**(7.1)**
–	**5,411.4**	**–**	**21,384.8**	**11,970.9**	**166.9**	**40,929.2**
–	**–**	**–**	**–**	**–**	**(8.9)**	**(177.9)**
(53.4)	**(51,004.3)**	**(1,004.0)**	**(660.1)**	**(18,076.4)**	**(343.3)**	**(105,459.6)**
236.9	**237,910.8**	**4,450.4**	**5,886.3**	**83,650.4**	**439.2**	**460,596.3**
–	(128,543.5)	–	–	(43,360.6)	(303.9)	(221,640.4)
–	(11,121.0)	–	–	(2,366.8)	(93.9)	(16,137.7)
–	38.8	–	–	–	–	178.7
–	11,960.6	–	–	–	–	17,844.7
–	3,200.1	–	–	1,090.2	7.0	5,542.4
–	**(124,465.0)**	**–**	**–**	**(44,637.2)**	**(390.8)**	**(214,212.3)**
–	**0.9**	**–**	**–**	**(31.1)**	**–**	**–**
(149.7)	**(13,674.3)**	**(557.0)**	**–**	**(2,416.6)**	**(79.1)**	**(21,562.5)**
–	**–**	**–**	**–**	**–**	**8.9**	**64.1**
–	**–**	**–**	**–**	**–**	**–**	**88.6**
14.3	**24,678.7**	**53.4**		**8,633.6**	**74.5**	**45,312.1**
(135.4)	**(113,459.7)**	**(503.6)**	**–**	**(38,451.3)**	**(386.5)**	**(190,310.0)**
–	154,589.7	–	4,080.6	44,921.7	233.7	305,354.7
101.5	**124,451.1**	**3,946.8**	**5,886.3**	**45,199.1**	**52.7**	**270,286.3**

14. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

Depreciation reconciliation to the statement of comprehensive income

	Consolidated	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Depreciation on property, plant and equipment and mineral rights	(21,562.5)	(16,137.7)
Amortisation of intangible assets	(218.1)	(187.2)
Non-mining depreciation and amortisation	277.4	97.1
Total mining depreciation and amortisation	(21,503.2)	(16,227.8)

Impairment considerations

In the current year, there was no change in the composition of the Group's CGUs. Evander Mines' underground operations ceased in 2018, resulting in an impairment charge recognised for those operations categorised as discontinued and certain continuing operations.

As at 30 June 2020, no impairment indicators were identified on the Group's CGUs for impairment testing. Goodwill, however, as disclosed in note 17, and the Group's resources not included in the life-of-mine, were also tested for impairment.

Impairment reversal

Development and equipping of the 8 Shaft pillar project commenced in May 2019, with first gold produced in June 2020.

In light of the commencement of the pillar mining, Evander Mines assessed, in compliance with IAS 36, the carrying value of the assets to be used in the mining of the pillar project for an impairment reversal, which resulted in a reversal of the impairment charge in the prior year of US$17.8 million to the carrying value of property, plant and equipment and mineral rights, and US$8.8 thousand to the carrying value of other intangible assets (refer to note 15).

The pillar project is a new mining project following the successful conclusion of a feasibility study during March 2019. The pillar project will mine new Mineral Reserves not previously recognised in the prior financial year, and mining will occur in a separate area from Evander Mines' historical large-scale underground discontinued operations. Although the pillar project will utilise previously impaired 8 Shaft, 7 Shaft and Kinross plant infrastructure which has resulted in the reversal of the associated impairment charge, this does not result in the need to re-present previously reported discontinued operations in the comparative numbers, for the reasons noted above.

Impairment reversal assessment assumptions

The Group derives the recoverable amounts of property, plant and equipment and mineral rights by calculating the value in use of the respective CGUs. Value in use is derived by discounting future cash flows of the CGUs on a nominal basis using the following key assumptions. The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management and forecast future cash flows on a nominal basis.

14. PROPERTY, PLANT AND EQUIPMENT AND MINERAL RIGHTS continued

Impairment reversal assessment assumptions continued

	30 June 2020				
	Barberton Mines CGUs		Evander Mines CGUs		
	Mining operations	BTRP surface mining operations	Mining operations	Elikhulu surface mining operations	Egoli project
Nominal discount rate (post-tax) (%)	16.86	16.86	16.34	12.41	16.34
Real gold price (ZAR/kg)[1]	953,210	953,210	953,210	953,210	953,210
Long-term cost inflation (%)	5.1	5.1	5.1	5.1	5.1
Life-of-mine (years)	20	6	3	12	9

	30 June 2019				
	Barberton Mines CGUs		Evander Mines CGUs		
	Mining operations	BTRP surface mining operations	Mining operations	Elikhulu surface mining operations	Egoli project
Nominal discount rate (post-tax) (%)	15.40	15.40	26.80	12.90	17.50
Real gold price (ZAR/kg)[1]	599,510	599,510	599,510	599,510	599,510
Life-of-mine (years)	20	9	3	13	11

[1] *In the impairment assessment, the Group applied a consensus rand gold price forecast which increases over a 20-year period at an effective annual compound rate of approximately 5.1%.*

Below is a sensitivity table on impairment reversal recorded in the prior financial period:

	Unit	Sensitivity		(Reduction)/ increase in impairment reversal US$ thousand
Gold price	ZAR/kg	5% decrease in US$ gold price	569,535	(4,664.2)
South African rand	US$/ZAR	5% stronger	13.38	(4,909.7)
South African rand	US$/ZAR	3% weaker	14.50	2,717.0

15. OTHER INTANGIBLE ASSETS

Accounting policy

Other intangible assets, which excludes mining rights and exploration assets, are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised over their estimated useful lives, usually between three and five years, or period of duration of licenses. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Software costs				
Opening balance	655.2	41.7	–	–
Transfer from property, plant and equipment and mineral rights[1]	–	772.0	–	–
Additions	174.6	16.3	–	–
Amortisation	(218.1)	(187.2)	–	–
Impairment reversal (refer to note 14)	–	8.8	–	–
Foreign currency translation reserve	(118.7)	3.6	–	–
Closing balance	493.0	655.2	–	–

[1] *Following the commissioning of Elikhulu on 1 September 2018, the Group transferred software costs relating to the project from capital under construction in property, plant and equipment and mineral rights. Refer to note 14 and* pages 97 and 99 *for additional information on Elikhulu.*

The Group has no internally generated intangible assets at year-end.

16. LONG-TERM RECEIVABLES

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Long-term receivables[1]	626.4	1,021.9	–	–
	626.4	1,021.9	–	–
Current portion of long-term receivables	381.4	1,924.8	–	1,108.5
Deferred consideration receivable[2]	–	2,136.7	–	2,136.7
Deferred consideration receivable provision[2]	–	(1,028.2)	–	(1,028.2)
Current portion of other long-term receivables	381.4	816.3	–	–

[1] *Long-term loans receivable accrue interest at the prime rate with repayment terms of up to 24 months.*

[2] *The MC Mining Limited deferred consideration was settled in full on 1 July 2019. The deferred consideration receivable was assessed at 30 June 2019 in relation to the actual settlement received on 1 July 2019. The amended deferred consideration net of the provision as at 30 June 2019 was US$1.1 million.*

The carrying value of long-term receivables approximate their fair value given the nature of the counterparty and the historical low levels of credit default. There is no current observable data to indicate a material future default risk and, as a result, the credit quality at year-end is considered high.

17. GOODWILL

Accounting policy

Goodwill is an intangible asset with an indefinite useful life which is not amortised but tested for impairment on an annual basis, or when there is an indication of impairment. Goodwill acquired in a business combination is allocated at acquisition.

Impairment

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 its carrying amount, 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.

Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised on the asset or CGU.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Goodwill	**17,512.5**	21,554.8	**–**	–

The Group's goodwill was historically created upon the acquisition of Barberton Mines during July 2007, and was allocated to the Barberton Mines' CGU from which the expected benefit from the business combination will arise.

The Group tests Barberton Mines' goodwill carrying amount annually for impairment or more frequently if there are indications that goodwill may be impaired. The impairment assessment was performed in accordance with the Group's accounting policies and did not indicate that the goodwill carrying amount was impaired.

The recoverable amount of the Barberton Mines' CGU is determined from discounted life-of-mine model cash flows to indicate fair value less cost to sell. The key assumptions for the fair value less cost to sell calculation include the discount rate, changes to the gold price and direct costs expected over the life-of-mine. These key assumptions are disclosed in the impairment considerations section of note 14.

There is a degree of uncertainty associated with the 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 normal gold price to ZAR635,000/kg, assuming all other variables remain constant. The outcome of this sensitivity analysis would result in an impairment of goodwill by approximately US$17.5 million.

Below are additional sensitivities on impairment of goodwill:

	Unit	Sensitivity		(Reduction)/ increase in recoverable amount US$ thousand	Potential goodwill impairment US$ thousand
Gold price	ZAR/kg	5% decrease in US$ gold price	905,549	(31,204.7)	3,419.6
Nominal post-tax discount rate	%	1% increase in discount rate	17.90	(4,913.0)	–
South African rand	US$/ZAR	5% stronger	16.15	(31,204.6)	3,419.5
South African rand	US$/ZAR	3% weaker	17.51	18,341.2	–

18. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

Accounting policy

Investments in subsidiaries are measured cost.

Investments in equity interests are measured at fair value through other comprehensive income.

	Country of incorporation	Principal activity	Registered address
Barberton Mines[1]	South Africa	Gold mining	
Evander Mines[1]	South Africa	Gold mining	
Evander Gold Mining Proprietary Limited (Evander Mines)	South Africa	Gold mining	
Pan African Resources Funding Company Proprietary Limited (Funding Company) [2]	South Africa	Treasury services	
Pan African Resources SA Holding Company Proprietary Limited (PAR SA Holdings)[3]	South Africa	Holding company	The Firs, Office Building 2nd floor, Office 204, corner Biermann and Cradock Avenues, Rosebank. Johannesburg, 2196
Pan African Resources Management Services Company Proprietary Limited (PAR Management Services)[4]	South Africa	Administration services company	
Concrete Rose Proprietary Limited[5]	South Africa	B-BBEE company	
PAR Gold Proprietary Limited (PAR Gold)[6]	South Africa	Investing	
Barberton Mines BEE Company Proprietary Limited (Barberton Mines BEE Company)[7]	South Africa	ESOP arrangement	
Barberton Mines ESOP Trust[7]	South Africa	ESOP arrangement	
Evander Mines BEE Company Proprietary Limited (Evander Mines BEE Company)[8]	South Africa	ESOP arrangement	
Evander Mines ESOP Trust[8]	South Africa	ESOP arrangement	
Evander Solar Solutions Proprietary Limited[9]	South Africa	Solar plant	
Total investments in subsidiaries			
MC Mining Limited (MC Mining)[10]	Australia	Coal mining	Suite 8, 7 The Esplanade, Mt Pleasant WA 6153, Australia
Total other investments			

	Consolidated		Parent Company	
				Restated[11]
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Reconciliation of investments				
Opening balance	**6,802.0**	4,133.9	**118,441.7**	118,702.9
Investment in Evander Solar Solutions Proprietary Limited	**–**	–	**0.1**	–
Fair value adjustment on investments (through other comprehensive income)	**(4,310.2)**	2,876.3	**(4,310.2)**	2,876.3
Foreign currency translation reserve	**(1,275.6)**	(208.2)	**(22,212.0)**	(3,137.5)
Closing balance	**1,216.2**	6,802.0	**91,919.6**	118,441.7

[1] Employees own 5% of the issued shares of Barberton Mines and Evander Mines through an employee share ownership scheme (ESOP). During the 2018 financial year, the Group's South African investments were restructured resulting in Barberton Mines and Elikhulu being transferred to PAR SA Holdings. The employee share ownership programme at Evander Mines is being reviewed to ensure compliance with B-BBEE share ownership programme requirements (refer to note 32).

[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] The purpose of PAR Management Services is to provide management services to the mining operations.

30 June 2020 Statutory holding %	30 June 2019 Statutory holding %	Holding effectively held by Company for consolidation purposes %	Accounting method in separate company	Consolidated: Carrying amounts 30 June 2020 US$ thousand	Consolidated: Carrying amounts 30 June 2019 US$ thousand	Parent Company: Carrying amounts 30 June 2020 US$ thousand	Parent Company: Restated[11] Carrying amounts 30 June 2019 US$ thousand
95.00	95.00	100.00	Investment in subsidiary	**–**	–	**–**	–
95.00	95.00	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**0.2**	0.2
89.00	89.00	100.00	Investment in subsidiary	**–**	–	**89,549.0**	110,219.0
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**1,154.1**	1,420.5
49.90	49.90	100.00	Investment in subsidiary	**–**	–	**–**	–
49.90	49.90	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	100.00	100.00	Investment in subsidiary	**–**	–	**–**	–
100.00	–	100.00	Investment in subsidiary	**–**	–	**0.1**	–
						90,703.4	111,639.7
		9.30	Measured at fair value through other comprehensive income	**1,216.2**	6,802.0	**1,216.2**	6,802.0
				1,216.2	6,802.0	**1,216.2**	6,802.0

5 Concrete Rose is the Group's B-BBEE entity following the B-BBEE restructure concluded on 15 January 2018. Concrete Rose is held 49.9% by Funding Company and 50.1% by the following strategic B-BBEE 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 concluded a share buy-back transaction in which 49.9% of PAR Gold's issued share capital was acquired. The transaction translated to a share buy-back for accounting purposes due to Funding Company receiving the majority of the economic benefits of PAR Gold. Following the conclusion of the B-BBEE restructure on 15 January 2018, PAR Gold's shareholders now comprise 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 voting rights. PAR Gold disposed of 130 million shares in Pan African on 30 May 2018, resulting in its shareholding in Pan African reducing to 13.7% (refer to note 24).

7 The Barberton Mines ESOP arrangement was set up through two entities which are effectively controlled by the Group. These entities are Barberton Mines BEE Company which owns 5% of the issued shares in Barberton Mines and the Barberton Mines ESOP Trust which holds all the issued shares in Barberton Mines BEE Company. Barberton Mines employees are beneficiaries of the ESOP Trust. The financial position and results of the Barberton Mines ESOP Trust and B-BBEE company are consolidated into the Group (refer to note 32).

8 The Evander Mines ESOP arrangement was set up through two entities which are effectively controlled by the Group. These entities are Evander Mines BEE Company which owns 5% of the issued shares in Evander Mines and the Evander Mines ESOP Trust which holds all the issued shares in Evander Mines BEE Company. Evander Mines' employees are beneficiaries of the ESOP Trust. The financial position and results of the Evander Mines ESOP Trust and B-BBEE Company are consolidated into the Group. The employee share ownership programme at Evander Mines is being reviewed to ensure compliance with B-BBEE share ownership programme requirements (refer to note 32).

9 During the current period, Evander Solar Solutions was incorporated and 100% of its shares were acquired by Pan African. The purpose of the Company is to establish a solar photovoltaic plant in order to provide electricity to Evander Mines' operations.

10 The Company holds 13,064,381of MC Mining's issued shares representing a 9.3% shareholding. MC Mining is an emerging coal exploration, development and mining company operating in South Africa.

11 Investments have been restated in the prior financial year. Refer to note 40: Correction of prior period error.

19. REHABILITATION FUND

Accounting policy

The rehabilitation fund investments are classified as a financial asset at fair value through profit or loss. The investments are recognised when the Group becomes a party to the contractual provisions. The investments are measured at initial recognition at fair value. Investments are subsequently measured at fair value through profit or loss.

Contributions are made in the form of premiums paid to Cenviro Solutions and funds held in insurance investment products are recognised separately on the statement of financial position as non-current assets at fair value.

	Barberton Mines US$ thousand	Evander Mines US$ thousand	Total US$ thousand
Funds held in trust fund			
Opening balance as at 1 July 2018	3,687.3	13,873.4	17,560.7
Transfer to a rehabilitation fund insurance investment	(3,580.7)	(13,535.6)	(17,116.3)
Interest earned on rehabilitation funds	15.5	121.7	137.2
Foreign currency translation reserve	(122.1)	(459.5)	(581.6)
Closing balance as at 30 June 2019	**–**	**–**	**–**
Closing balance as at 30 June 2020	**–**	**–**	**–**
Funds held in insurance investment product			
Opening balance as at 1 July 2018	–	8,989.3	8,989.3
Premium contributions	3,580.7	13,535.6	17,116.3
Drawdowns	–	(2,585.4)	(2,585.4)
Fair value adjustment	249.4	1,355.4	1,604.8
Foreign currency translation reserve	29.9	(133.8)	(103.9)
Closing balance as at 30 June 2019	**3,860.0**	**21,161.1**	**25,021.1**
Drawdowns	**(28.4)**	**(2,056.3)**	**(2,084.7)**
Interest earned on rehabilitation funds	**–**	**–**	**–**
Fair value adjustment	**273.2**	**1,455.0**	**1,728.2**
Foreign currency translation reserve	**(747.4)**	**(3,910.8)**	**(4,658.2)**
Closing balance as at 30 June 2020	**3,357.4**	**16,649.0**	**20,006.4**
Total rehabilitation funds at year-end (trust fund and insurance investment product)	**3,357.4**	**16,649.0**	**20,006.4**

In the prior financial year, the Group transferred the rehabilitation funds invested in the Group's rehabilitation trust to an insurance investment product held by Cenviro Solutions underwritten by Centriq Insurance Company Limited. The insurance policies are in the respective names of the mining operations, Evander Mines and Barberton Mines.

Cenviro Solutions has issued guarantees to the DMRE in support of the Group's environmental liabilities. The Group's environmental liabilities are fully funded by the investments contained in the investment product.

Refer to note 25: Long-term provisions for the associated rehabilitation provision disclosure.

20. INVENTORIES

Accounting policy

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.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Consumables stores	**8,358.5**	6,640.7	**–**	–
Current portion of long-term inventory[1]	**96.9**	193.1	**–**	–
Provision for obsolete stock	**(829.3)**	(1,125.3)	**–**	–
	7,626.1	5,708.5	**–**	–
Long-term inventory[1]	**411.3**	614.5	**–**	–
Total inventories	**8,037.4**	6,323.0	**–**	–
Inventory recognised as cost of production	**24,382.1**	20,638.7	**–**	–

[1] *The long-term inventory relates to a holding of tailings contained in Barberton Mines' Harper tailings storage facility.*

21. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Trade receivables	**3,425.5**	9,168.5	**–**	–
Provision for doubtful debts	**(49.8)**	(107.5)	**–**	–
Other receivables and prepayments	**2,846.3**	3,184.8	**32.9**	22.4
VAT receivable	**4,642.0**	2,855.5	**–**	–
	10,864.0	15,101.3	**32.9**	22.4

The Group's credit risk is deemed to be minimal as it only sells refined gold to rated South African financial institutions. Given the creditworthiness of these institutions, the likelihood of impairment is considered minimal. Due to the nature of these institutions and the historical low levels of credit default, the Group has not raised a provision for doubtful debts pertaining to trade receivables. Refer to the credit risk disclosure in note 34. These financial institutions are the major customers representing more than 5% of the trade receivable balance for the individual gold mining subsidiaries (Barberton Mines and Evander Mines). 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's circumstances.

No interest is charged on trade receivables given their short-term nature.

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 receivables approximates the carrying value given their short-term nature. Trade receivables have been pledged as security in terms of the Group's senior debt. Refer to note 26.

22. CASH AND CASH EQUIVALENTS

Accounting policy

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. Cash and cash equivalents are stated at carrying amounts which are deemed to be fair value.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Cash and cash equivalents	**33,529.8**	5,341.2	**208.5**	36.3
Restricted cash[1]	**(389.8)**	–	**–**	–
Cash and cash equivalents net of restricted cash	**33,140.0**	5,341.2	**208.5**	36.3

[1] *Restricted cash relates to funds withdrawn from the rehabilitation fund which has been utilised subsequent to year-end.*

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Credit facilities				
Revolving credit facility[1]	**43,277.6**	71,022.7	**–**	–
Term loan facility[2]	**46,162.7**	71,022.7	**–**	–
Guarantees[3]				
Eskom Holdings SOC Limited	**1,041.0**	1,313.9	**–**	–
DMRE – Cenviro Solutions insurance investment product	**21,644.5**	25,613.2	**–**	–
DMRE	**–**	852.3	**–**	–
General banking facility[4]	**8,078.5**	9,943.2	**–**	–
Pre-settlement splits				
Forward exchange contract limit facility	**2,596.7**	2,840.9	**–**	–
Precious metals hedging facility	**2,308.1**	7,954.5	**–**	–
Gold hedging facility	**15,579.9**	19,176.1	**–**	–
US$ trading and derivatives facility[5]	**35,851.7**	37,642.0	**–**	–
Gold loan facility	**16,734.0**	–	**–**	–
Credit cards	**136.8**	106.5	**–**	–
Other limit	**288.5**	355.1	**288.5**	355.1
	193,700.0	247,843.1	**288.5**	355.1
Available debt facilities	**8,078.5**	17,704.7	**–**	–
General banking facility	**8,078.5**	9,943.2	**–**	–
Utilisation of the general banking facilities at year-end	**–**	(51.0)	**–**	–
Revolving credit facilities	**43,277.6**	71,022.7	**–**	–
Utilisation of the revolving credit facility at year-end[6]	**(43,277.6)**	(63,210.2)	**–**	–
Term loan facility	**46,162.7**	71,022.7	**–**	–
Utilisation of the term loan facility at year-end[6]	**(46,162.7)**	(71,022.7)	**–**	–

[1] *The Group has a revolving credit facility from Nedbank Limited, Absa Bank Limited and Rand Merchant Bank (a division of FirstRand Bank Limited) (refer to note 26).*

[2] *The Group has a term loan facility for the funding of Elikhulu with Rand Merchant Bank, Ashburton Investments, Absa Bank Limited and Nedbank Limited (refer to note 26).*

[3] *The guarantees relate to US$1.0 million (2019: US$1.3 million) for Eskom Holdings SOC Limited (electricity utility – for the provision of electricity) and US$21.6 million (2019: US$26.5 million) for the DMRE in support of the Group's rehabilitation liabilities.*

[4] *The Absa Bank Limited, Nedbank Limited and Rand Merchant Bank general banking facilities are unsecured and US$nil million was utilised (2019: US$0.05 million) at year-end. These facilities attract interest at rates linked to the South African prime interest rate.*

[5] *The US$, gold and derivative trading facilities are used by the Group for the purpose of trading gold inventory and subsequent conversion of US$ sales proceeds into rand. The facilities are held with the following financial institutions:*

- *Absa Bank Limited*
- *Nedbank Limited*
- *Rand Merchant Bank*
- *Investec Bank.*

[6] *Excludes accrued interest on facility as at 30 June 2020.*

23. SHARE CAPITAL

	Consolidated		Parent Company	
	30 June 2020 Number	30 June 2019 Number	30 June 2020 Number	30 June 2019 Number
Issued				
Number of ordinary shares issued and fully paid[1]	**2,234,687,537**	2,234,687,537	**2,234,687,537**	2,234,687,537
Treasury shares	**(306,358,058)**	(306,358,058)	**(306,358,058)**	(306,358,058)
	1,928,329,479	1,928,329,479	**1,928,329,479**	1,928,329,479

[1] *No additional ordinary shares were issued during the current financial year (2019: nil).*

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Share capital	**38,150.6**	38,150.6	**38,150.6**	38,150.6

24. RESERVES

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	Restated[7] 30 June 2019 US$ thousand
Translation reserve[1]	**(177,430.6)**	(138,857.1)	**(158,952.5)**	(117,656.6)
Share option reserve[2]	**2,891.7**	2,624.7	**1,750.3**	1,616.9
Realisation of equity reserve[3]	**(18,121.7)**	(18,121.7)	**–**	–
Treasury capital reserve[4]	**(24,871.4)**	(24,871.4)	**–**	–
Merger reserve[5]	**(21,637.4)**	(21,637.4)	**3,153.1**	3,153.1
Other reserves[6]	**(4,769.2)**	(1,753.2)	**(4,769.2)**	(1,753.2)
Total reserves	**(243,938.6)**	(202,616.1)	**(158,818.3)**	(114,639.8)

[1] *The translation reserve comprises all foreign exchange differences arising from the translation of the financial results' functional currency (rand) to the Group's presentational currency (US$).*

[2] *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 approved by the board. On 15 January 2018, the Group concluded a B-BBEE restructuring exercise with Concrete Rose as the Group's new B-BBEE entity (refer to note 18). Concrete Rose is held 49.9% by Funding Company, and 50.1% by strategic B-BBEE partners through a vendor financed arrangement. The nature of the restructuring transaction gave Concrete Rose a 22.11% ownership in PAR SA Holdings. The B-BBEE entity's ultimate shareholding in PAR SA Holdings will be determined by reference to the value of PAR SA Holdings and the increase in the vendor loan on expiry of the scheme. On the effective date of the transaction, the implied option in this scheme was valued at US$608.3 thousand. The incremental value disclosed arose due to an extension of the B-BBEE scheme's original term from 31 December 2018 to 31 December 2021, and an increase in the trickle dividend from 5% to 10%.*

[3] *The 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 to PAR Gold.*

[4] *The treasury capital reserve was created on 7 June 2016. The Group purchased shares in PAR Gold, representing 23.83% or 436.4 million of its issued share capital at the time. The accounting effect of this transaction was akin to that of a share buy-back as the Group acquired shares in a company that held an investment in the Group's Parent Company. On 30 May 2018, PAR Gold publicly disposed of 130 million shares in Pan African resulting in its shareholding in Pan African reducing to 13.7%.*

[5] *The merger reserve was created through the historical reserve acquisition of Barberton Mines in July 2007.*

[6] *Other reserves comprise of unrealised gains or losses recognised when financial assets are measured at fair value through other comprehensive income.*

[7] *The translation reserve balance (included in the reserve balance) has been restated in the prior financial year. Refer to note 40: Correction of prior period error.*

25. LONG-TERM PROVISIONS

Accounting policy

Provision for environmental rehabilitation and decommissioning costs

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining asset.

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.

These costs are recognised in the statement of profit or loss over the life of the operation through depreciation of the asset and the unwinding of the discount on the provision.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and changes in estimates. Increases due to additional environmental disturbances are capitalised and amortised over the remaining lives of the mines.

The estimates are reviewed annually by the Group and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

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.

Accounting judgements and estimates

The amount recognised as a provision represents management's best estimate of the consideration required to complete the restoration and rehabilitation activity. These estimates are inherently uncertain and could materially change over time.

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 that 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
- life-of-mine and related Mineral Resources and Mineral Reserves. Refer to the unaudited abridged Mineral Resources and Mineral Reserves report on pages 47 to 55.

An assessment of the Group's environmental rehabilitation plan identified a risk relating to the potential population of groundwater at Barberton Mines. As a result of, inter alia, the amendments to the Financial Closure Provision Regulations as promulgated in terms of the National Environmental Management Act (NEMA), the Group may have a potential exposure to rehabilitate Barberton Mines' groundwater. The Group has undertaken several detailed assessments of this risk and will in the 2021 financial year to ascertain the latent and residual environmental risk associated with potential population of groundwater with a greater level of finality, to determine and qualify the impact of any such liability. If a liability is identified, the mine will account for the groundwater rehabilitation exposure as an environmental liability, and if material in the Group context, may have an adverse impact in the Group's annual financial statements.

	Consolidated		Parent Company	
	Decommissioning and rehabilitation			
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Opening balance	**15,781.3**	19,929.5	**–**	–
Rehabilitation cost incurred[1]	**(2,587.4)**	(4,005.4)	**–**	–
Rehabilitation provision capitalised	**–**	338.0	**–**	–
Change in estimate	**(3,045.7)**	–	**–**	–
Finance costs[2]	**1,627.9**	59.6	**–**	–
Foreign currency translation reserve	**(2,576.0)**	(540.4)	**–**	–
Closing balance	**9,200.1**	15,781.3	**–**	–

[1] *During the prior year, Evander Mines commenced with the rehabilitation of old shafts and associated infrastructure.*

[2] *Finance costs relate to the unwinding of the rehabilitation provision.*

25. LONG-TERM PROVISIONS continued

Rehabilitation provision

The provision includes an estimate of the costs of decommissioning, the cost of environmental and other remedial work such as reclamation costs, closure, restoration and pollution control. 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. Estimates are made annually, based on the estimated life of the mine, following which any deficit is funded by means of premiums to an approved insurer.

The current year's movement in the Group's rehabilitation liability has been impacted by changes in the following assumptions, relative to the prior year:

	30 June 2020		30 June 2019	
	Period to rehabilitation (years)	Risk-free rate (nominal) %	Period to rehabilitation (years)	Risk-free rate (real) %
Barberton Mines (Fairview)	20	11.48	20	3.50
Barberton Mines (Sheba)	20	11.48	19	3.40
Barberton Mines (New Consort)	8	8.27	6	3.00
Barberton Mines (BTRP)	6	7.20	9	3.20
Evander Mines (8 Shaft and Kinross plant)	3	5.20	3	2.60
Evander Mines (Elikhulu)	12	10.36	13	3.40

26. LONG-TERM LIABILITIES: FINANCIAL INSTITUTIONS

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Revolving credit facility				
Opening balance	62,703.8	63,131.2	–	–
Drawdowns	20,130.2	5,285.4	–	–
Finance costs incurred	4,339.5	6,149.7	–	–
Non-refundable fees[1]	307.5	(944.6)	–	–
IFRS 9 adjustments[1]	(53.8)	418.2	–	–
Repayments of capital	(31,597.8)	(3,523.6)	–	–
Repayments of finance costs	(4,350.0)	(6,161.8)	–	–
Foreign currency translation reserve	(8,393.4)	(1,650.7)	–	–
Closing balance	43,086.0	62,703.8	–	–
Less: current portion	(4,375.3)	(9,943.2)	–	–
Long-term portion	38,710.7	52,760.6	–	–
Term loan facility				
Opening balance	71,061.6	56,122.4	–	–
Drawdowns	–	16,208.6	–	–
Finance costs incurred	6,152.8	6,363.7	–	–
Finance costs incurred and capitalised[2]	–	1,199.1	–	–
Repayments of finance loan	(12,560.2)	–	–	–
Repayments of finance costs	(6,187.8)	(7,524.1)	–	–
Foreign currency translation reserve	(12,303.7)	(1,308.1)	–	–
Closing balance	46,162.7	71,061.6	–	–
Less: current portion	(11,540.7)	(14,204.5)	–	–
Long-term portion	34,622.0	56,857.1	–	–

[1] *The terms of the revolving credit facility were renegotiated on 3 June 2019 (refer to terms below). The restructure of the revolving credit facility resulted in a debt modification adjustment being recognised in terms of IFRS 9. The debt modification adjustment was calculated on the differential in the revolving credit facility's fair values based on its original and new terms.*

[2] *Interest incurred and capitalised relates to the term loan facility which was specifically used for the Elikhulu project's construction. Capitalisation of the borrowing costs ceased on 31 August 2018 as the plant was commissioned on 1 September 2018. The capitalisation of the borrowing costs was in accordance with IAS 23:* Borrowing Costs.

26. LONG-TERM LIABILITIES: FINANCIAL INSTITUTIONS continued

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Summary of current and non-current portions of long-term liabilities				
Current portion	**15,916.0**	24,147.7	**–**	–
Long-term portion	**73,332.7**	109,617.7	**–**	–
Total long-term liabilities: financial institutions	**89,248.7**	133,765.4	**–**	–

	Revolving credit facility	Term loan facility
Facility amount	ZAR1 billion	ZAR1 billion
Lenders	Rand Merchant Bank (a division of FirstRand Bank Limited), Absa Bank Limited, Nedbank Limited	Rand Merchant Bank (a division of FirstRand Bank Limited), Absa Bank Limited, Nedbank Limited, Ashburton Investments
Borrower	Funding Company	Funding Company
Interest rate	One-month JIBAR rate	Three-month JIBAR rate
Interest rate margin	3.3%	3.8%
Commitment fee – prior to 3 June 2019	A commitment fee of 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
Commitment fee – after 3 June 2019	A commitment fee of 1% of the aggregate of the available commitment. Payable semi-annually	A commitment fee of 0.95% calculated on a day-to-day basis on the aggregate available commitment. Payable quarterly
Term of loan	Seven years effective 17 June 2015 (previously, five years effective 17 June 2015)	Seven years effective from 15 September 2017
Repayment period	Fully amortising facility as follows: • ZAR25 million on 15 December 2020 • ZAR25 million on 15 June 2021 • ZAR50 million on 15 September 2021 • ZAR50 million on 15 December 2021 • ZAR50 million on 15 March 2022 • ZAR50 million on 15 June 2022 • ZAR500 million on 30 June 2022 The above reductions in the facility's capacity were re-negotiated from the original ZAR80 million semi-annual instalment redemption profile, commencing on 17 June 2018	Fully amortising facility over a repayment term of five years, commencing in September 2019
Final maturity date	30 June 2022	15 September 2024

26. LONG-TERM LIABILITIES: FINANCIAL INSTITUTIONS continued

	Revolving credit facility
Financial covenants	• The net debt to equity ratio must be less than 1:1 • The interest cover ratio must be greater than the following levels: **Measurement date** — **Ratio** 30 June 2020 — 4:1 30 June 2021 — 4.5:1 30 June 2022 — 5.1:1 • The net debt to adjusted EBITDA ratio must be less than the levels disclosed below: **Measurement date** — **Ratio** 30 June 2020 — 2.5:1 30 June 2021 — 2:1 30 June 2022 — 1.5:1 • The debt service cover ratio must be greater than 1.3 times (measured semi-annually)

Bonds as security for the facilities

The following bonds were registered in favour of the lenders:

- Mortgage bond B3644/2015 – Barberton Mines/Bowwood on Main No. 40 (RF) Proprietary Limited
- Mortgage bond B1163/2016 – Evander Gold Mining/Bowwood on Main No. 40 (RF) Proprietary Limited
- Mortgage bond B4673/2015 – Evander Gold Mining/Bowwood on Main No. 40 (RF) Proprietary Limited
- Mortgage bond B7829/2015 – Evander Gold Mining/Bowwood on Main No. 40 (RF) Proprietary Limited
- Mortgage bond B3701/2015 – Evander Township Limited/Bowwood on Main No. 40 (RF) Proprietary Limited
- Mortgage bond B6665/2015 – Evander Township Limited/Bowwood on Main No. 40 (RF) Proprietary Limited
- General notarial bond BN15110/2015 – Barberton Mines/Bowwood on Main No. 40 (RF) Proprietary Limited
- General notarial bond BN15357/2015 – Evander Gold Mining/Bowwood on Main No. 40 (RF) Proprietary Limited
- Special notarial bond BN15563/2015 – Evander Gold Mining/Bowwood on Main No. 40 (RF) Proprietary Limited
- Special notarial bond BN15616/2015 – Barberton Mines/Bowwood on Main No. 40 (RF) Proprietary Limited.

Ceded rights to the lenders as security for the facilities

- Bank accounts
- Trade debtors
- Insurance proceeds
- Immovable property
- Shares held in subsidiaries.

27. LONG-TERM LIABILITIES: OTHER

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Cash-settled share options				
Opening balance	3,774.8	1,453.3	1,009.9	159.0
Expense for the year	5,595.3	2,350.6	3,882.3	848.3
Employee costs capitalised to property, plant and equipment and mineral rights	6,371.9	–	–	–
Payments during the year	(1,236.2)	(10.1)	(189.8)	–
Foreign currency translation reserve	(1,977.1)	(19.0)	(543.2)	2.6
Closing balance	12,528.7	3,774.8	4,159.2	1,009.9
Less: current portion	(10,010.0)	(2,282.0)	(4,042.3)	(791.5)
Long-term portion	2,518.7	1,492.8	116.9	218.4
Gold loan				
Opening balance	–	–	–	–
Gold loan raised	28,337.8	–	–	–
Repayment of gold loan	(18,857.0)	–	–	–
Foreign currency translation reserve	(3,797.3)	–	–	–
Closing balance	5,683.5	–	–	–
Less: current portion	(5,683.5)	–	–	–
Long-term portion	–	–	–	–
Post-retirement benefits (refer to note 12)				
Opening balance	50.5	63.5	–	–
Payments for the year	(9.5)	(11.3)	–	–
Foreign currency translation reserve	(8.6)	(1.7)	–	–
Closing balance	32.4	50.5	–	–
Long-term portion	32.4	50.5	–	–
Deferred executive incentive payments				
Opening balance	292.8	111.7	292.8	111.7
Expense for the year	(263.1)	182.5	(263.1)	182.5
Foreign currency translation reserve	(29.7)	(1.4)	(29.7)	(1.4)
Closing balance	–	292.8	–	292.8
Less: current portion	–	(108.9)	–	(108.9)
Long-term portion	–	183.9	–	183.9
Instalment sale liability (refer to note 31)				
Opening balance	–	–	–	–
Borrowings raised during the year	429.5	–	–	–
Repayment of capital	(166.9)	–	–	–
Finance costs incurred	38.1	–	–	–
Foreign currency translation reserve	(28.8)	–	–	–
Closing balance	271.9	–	–	–
Less: current portion	(129.0)	–	–	–
Long-term portion	142.9	–	–	–
Lease liabilities (refer to note 30)				
Opening balance	–	–	–	–
IFRS 16 transition adjustment	5,183.8	–	–	–
Repayment of capital	(803.6)	–	–	–
Finance costs incurred	518.3	–	–	–
Foreign currency translation reserve	(469.2)	–	–	–
Closing balance	4,429.3	–	–	–
Less: current portion	(342.0)	–	–	–
Long-term portion	4,087.3	–	–	–
Summary of current and non-current portions of long-term liabilities				
Current portion	16,164.5	2,390.9	4,042.3	900.4
Long-term liability	6,781.3	1,727.2	116.9	402.3
Total long-term liabilities: other	22,945.8	4,118.1	4,159.2	1,302.7

27. LONG-TERM LIABILITIES: OTHER continued

The Group recognised cash-settled share option expenses across all schemes as follows during the year:

	Consolidated		Parent Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Group cash-settled share options – PASABP	3,043.3	483.2	2,984.6	(42.4)
ESOP transactions	569.2	72.4	–	–
PACOS (including cash incentive)	1,762.2	1,484.3	677.1	580.0
Executive director share incentive scheme	220.6	310.7	220.6	310.7
Total cash – settled share option expenses	5,595.3	2,350.6	3,882.3	848.3

Group cash-settled share options – PASABP

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

Group cash-settled share options

	30 June 2020		30 June 2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	1.38	106,009,837	1.78	67,941,916
Granted during the year	2.13	18,290,478	1.25	68,088,829
Exercised during the year	2.71	(16,807,175)	1.64	(757,839)
Forfeited due to PACOS (refer to below)	2.60	(6,753,822)	2.01	(29,263,069)
Outstanding and exercisable at the end of the year	1.21	100,739,318	1.38	106,009,837

Cash-settled share options are valued annually at their fair value.

The weighted average share price on redemptions was ZAR1.21 (2019: ZAR1.38).

Fair values were calculated using the Binomial Pricing Model of which the inputs were as follows:

	Consolidated	
	30 June 2020	30 June 2019
Weighted average share price	1.21	1.21
Weighted average exercise/strike price	1.78	1.84
Exercise price	1.15 – 3.93	1.15 – 3.93
Expected volatility (%)	60 – 91	43
Expected life (years)	3 – 6	3 – 6
Weighted average remaining life (years)	3.73	3.46
Risk-free rate (%)	4.54 – 6.26	7.02 – 7.45
Expected dividend yield (%)	0.03	2

Refer to page 121 of the remuneration report for further details on the Group's cash-settled options.

Expected volatility is impacted by the following factors:

- The historical volatility of the share price over the most recent period that is commensurate with the expected option term (taking into account the remaining contractual option life and the effect of expected early exercise)
- The length of time an entity's shares have been publicly traded.

Participation in share-based and other LTI schemes is restricted to employees as described in this note. The Group has introduced employee share ownership schemes at Barberton Mines and Evander Mines which are recorded as cash-settled share options for accounting purposes. Refer to note 32.

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27. LONG-TERM LIABILITIES: OTHER continued

PACOS

As at the 2020 financial year-end, the fair values of PACOS and the cash incentive scheme were calculated using an actuarial valuation. The actuarial valuation inputs are:

	Consolidated	
	30 June 2020	30 June 2019
Number of shares	**46,417,831**	50,467,417
Strike price (ZAR)	**1.21**	1.21
Grant date	**1 July 2018**	1 July 2018
Vesting date	**1 July 2020**	1 July 2020
Expiry date	**1 July 2022**	1 July 2022

The following assumptions were also used in the actuarial valuation:

	Consolidated	
	30 June 2020	30 June 2019
Company volatility (%)	**71.0**	43.00
Gold index volatility (%)	**39.0**	38.00
Risk-free rate	**Swap curve at grant date**	Swap curve at grant date
Spot price	**3.7**	1.86
Dividend yield (%)	**3.0**	2.00
Probability of non-market conditions (%)	**100.0**	100.00
Withdrawal decrement (%)	**10% per annum**	10% per annum

At year-end, a liability of US$7.7 million (2019: US$1.5 million) was recognised in the statement of financial position for the Group and US$3.0 million (2019: US$0.6 million) for the Company pertaining to PACOS.

Refer to page 121 of the remuneration report for further details on the PACOS.

Executive director share incentive scheme

To incentivise and retain the Group's executive directors and align their interests with those of the Group's stakeholders,LTI were introduced and are in issue as at 30 June 2020. Refer to the remuneration report on pages 126 and 127 for further details of executive director share incentives.

Historically, this incentive scheme has been settled in cash and is therefore treated as a cash-settled share option scheme at year-end with a liability of US$1.0 million (2019: US$0.4 million) recognised in the statement of financial position.

28. TRADE AND OTHER PAYABLES

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Trade payables	**19,871.1**	20,431.3	**14.3**	62.9
Accruals and other payables	**13,097.4**	14,843.0	**845.3**	716.0
VAT payable	**2,213.3**	647.0	**973.7**	245.9
Total trade and other payables[1]	**35,181.8**	35,921.3	**1,833.3**	1,024.8

[1] *The fair value of trade and other payables is not materially different from the carrying value presented given their short-term nature.*

No interest is charged on trade payables given their short-term nature.

29. TAXATION

Accounting policy

The taxation expense includes the current taxation and deferred taxation charge recognised in the statement of profit or loss and other comprehensive income.

The charge for the 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 recognised in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the annual financial statements and the corresponding amounts used for taxation purposes. 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 differences arise 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 changed 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 amount of deferred taxation assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or 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 assets 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.

Significant accounting judgements and estimates

Deferred taxation rate

Deferred taxation assets and liabilities are measured at the taxation rate that is expected to apply to the period when the asset is realised or the liability settled, based on the taxation rates (and taxation laws) that have been enacted or substantively enacted at the end of the current financial year.

South African income taxation on gold mining income is determined according to a formula (the gold formula) that takes into account the taxable income and revenue from gold mining operations. Judgement was applied in the determination of the future expected deferred taxation rates of the Group's mining operations.

The Group prepares nominal cash flow models to calculate the expected average income taxation rate over the life-of-mine. The key assumptions in the cash flow models are the same as those noted in the cash flow projections and key assumptions section above.

29. TAXATION continued

Taxation

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Income taxation expense				
South African normal taxation				
– current year	7,989.4	2,861.3	1,029.1	–
– prior year	(267.7)	0.1	–	–
Deferred taxation				
– prior year	200.9	5,312.6	(564.3)	(247.5)
– current year	(18.1)	–	–	–
Total taxation (expense)/income	7,904.5	8,174.0	464.8	(247.5)
Profit/(loss) before taxation for the year	52,197.8	46,216.2	17,050.3	(1,230.3)
Taxation at the domestic taxation rate	14,615.4	12,941.0	4,774.1	(345.0)
Taxation rate differential[1]	1,753.1	(4,391.1)	–	–
Exempt income:				
Other exempt income	(5,308.2)	(79.9)	(4,707.0)	–
Rate change[2]	(3,489.4)	(678.4)	–	–
Non-deductible expenses:				
Impairment reversal/(cost)				
Other non-deductible expenses	356.5	382.3	166.7	97.5
(Over)/under provision – prior year	(278.4)	0.1	–	–
Capital gains taxation	1.5	–	–	–
Taxation effects on the utilisation of taxation losses	254.0	–	231.0	–
Taxation for the year	7,904.5	8,174.0	464.8	(247.5)

	Consolidated		Parent Company	
	30 June 2020 %	30 June 2019 %	30 June 2020 %	30 June 2019 %
Effective taxation rate:				
South African statutory rates	28.0	28.0	28.0	28.0
Taxation rate differential[1]	3.3	(9.5)	–	–
Exempt income:				
Other exempt income	(10.2)	(0.2)	(27.6)	–
Rate change[2]	(6.7)	(1.5)	–	–
Non-deductible expenses:				
Other non-deductible expenses	0.7	0.8	1.0	(7.9)
Over/(under) provision – prior year	(0.5)	–	–	–
Taxation effects on the utilisation of taxation losses	0.5	–	1.3	–
Effective taxation rate	15.1	17.6	2.7	20.1

[1] *Taxation rate differential is the difference between the statutory company taxation rate of 28% and the effective gold mining taxation rate calculated in terms of the gold mining formula.*

[2] *The rate change is as a result of a change in the deferred taxation rates, applied to the taxable and deductible temporary differences prevailing at year-end within the Group's entities.*

South African income tax on mining income is determined according to a formula which takes into account the profit and revenue from mining operations. South African mining taxable income is determined after the deduction of all mining capital expenditure, on condition that these deductions cannot result in an assessed loss.

Capital expenditure not deducted is carried forward as unredeemed capital expenditure, to be deducted from future mining income. Refer to the deferred taxation section for the unredeemed capital expenditure carried forward and deductible against future taxable income.

29. TAXATION continued

Current taxation

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Current taxation asset	1,247.1	1,888.6	–	103.4
Current taxation liability	(1,820.2)	(476.9)	(930.5)	–

Current taxes payable and receivable by the Group relate to the SARS.

Deferred taxation

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Deferred taxation liabilities				
Arising from temporary differences				
Property, plant and equipment and mineral rights	21,941.3	23,428.5	–	–
Provisions	(4,163.3)	(1,633.1)	–	–
Prepayment	18.4	–	–	–
Assessed loss	(13.3)	(3,058.8)	–	–
Other	(821.6)	(169.5)	–	–
Net deferred taxation liabilities	16,961.5	18,567.1	–	–
Reconciliation of deferred taxation liabilities				
Net deferred taxation liabilities at the beginning of the year	18,567.1	18,911.2	–	–
Deferred taxation charge for the year from continuing operations	2,075.1	5,976.9	–	–
Transfer to deferred taxation	–	(5,884.2)	–	–
Foreign currency translation reserve	(3,680.7)	(436.8)	–	–
Net deferred taxation liabilities at the end of the year	16,961.5	18,567.1	–	–
Deferred taxation assets				
Arising from temporary differences relating to:				
Property, plant and equipment and mineral rights	(28.4)	–	–	–
Provisions	440.6	1,364.1	230.5	830.0
Assessed loss	134.6	270.9	–	257.0
Prepayment	(1.8)	–	(1.8)	–
Other	3,871.1	506.1	2,541.3	506.1
Net deferred taxation assets	4,416.1	2,141.1	2,770.0	1,593.1
Reconciliation of deferred taxation assets				
Net deferred assets at the beginning of the year	2,141.1	8,186.4	1,593.1	2,016.5
Transfer from deferred tax liabilities	134.6	(5,884.2)	–	–
Deferred taxation credit for the year	2,720.2	664.3	1,541.0	247.5
Deferred taxation credit for the year raised in equity	1,067.8	(616.5)	1,067.8	(616.5)
Foreign currency translation reserve	(1,647.6)	(208.9)	(1,431.9)	(54.4)
Net deferred taxation assets at the end of the year	4,416.1	2,141.1	2,770.0	1,593.1

29. TAXATION continued

Deferred taxation continued

	Assessed loss carried forward		Unredeemed capital carried forward	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Evander Mines	–	19,532.3	150,763.4	185,642.8
Pan African	–	1,661.5	–	–
PAR Management Services	–	49.6	–	–
	–	21,243.4	150,763.4	185,642.8

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	
	30 June 2020 %	30 June 2019 %
Deferred taxation rates applied within the Group:		
Barberton Mines	16.90	21.05
Evander Mines (other and mining rights)	23.02	15.66
Other companies	28	28

30. LEASES

Accounting policy

The Group as a lessee

For all existing contracts entered into before 1 July 2019 together with any new contracts entered into or after 1 July 2019, the Group considers whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as printers) not exceeding ZAR1 million. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

30. **LEASES** continued

Accounting policy continued

Measurement and recognition of leases as a lessee

The right-of-use asset is measured at cost, which is made up of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate (being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions).

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group applies IAS 36: *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 14.

In the consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment and mineral rights and lease liabilities have been included in long-term liabilities: other (current and non-current).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices except for buildings. Leased assets may not be used as security for borrowing purposes.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied the practical expedient to office buildings as a class of assets.

Accounting judgements and estimates

Management exercises judgement in determining the likelihood of exercising termination or extension options in determining the lease term. Termination and extension options are included to provide operational flexibility should the economic outlook for an asset be different to expectations. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken to help them determine the lease term. All extension options available have been assessed as reasonably certain to be exercised and included in lease liabilities.

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current year, no revision of the lease terms recognised as at 1 July 2019 was required.

Management uses the incremental borrowing rate for all leases. Incremental borrowing rates are determined monthly and based on the aggregate of the JIBAR and the margin applicable to the revolving credit facility.

30. LEASES continued

Lease liabilities

Lease liabilities are included in long-term liabilities: other (refer to note 27).

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Current	(342.0)	–	–	–
Non-current	(4,087.3)	–	–	–
Total lease liabilities	(4,429.3)	–	–	–

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Short-term and low-value lease expenses	177.3	–	–	–
	177.3	–	–	–

The Group did not make any remeasure adjustments during the financial year (2019: nil).

The Group's leasing activities

The Group's leases consist of rental of corporate offices and Aachen reactor equipment at Barberton Mines and Evander Mines. Leases are negotiated for an average term of three to five years. The Group elected to include renewal options of five years for the Aachen reactor equipment in the lease liabilities and corresponding right-of-use assets as it is reasonably certain that the renewal option will be exercised.

Operating leases (2019 disclosure)

	Consolidated
	30 June 2019 US$ thousand
Not later than one year	1,224.4
Later than one year, no later than five years	2,727.6
	3,952.0
Minimum lease payments under operating leases recognised in other expense in the year	314.8
Minimum lease payments under operating leases recognised in costs of production in the year	910.3
	1,225.1

31. INSTALMENT SALE

Terms and conditions

Evander Mines entered into an agreement with Electro Hydro World CC for the construction, operation and maintenance of a grout plant at Evander Mines. The commencement date was 1 July 2019 and the agreement is for a three-year period.

The total cost of the loan (including interest) is US$0.45 million with a capital portion of US$0.39 million. The average effective borrowing rate is 10.25% with monthly repayments of US$0.01 million.

Reconciliation between the total minimum instalment sale payments and their present value:

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Minimum instalment payments				
Within one year	150.9	–	–	–
After one year but not more than five years	150.9	–	–	–
Total minimum instalment sale payments	301.8	–	–	–
Future finance charges	(29.9)	–	–	–
Present value of minimum instalment sale payments	271.9	–	–	–
Present value of minimum lease payments				
Within one year	129.0	–	–	–
After one year but less than five years	142.9	–	–	–
Total instalment sale liability	271.9	–	–	–

Refer to note 14: Property, plant and equipment and mineral rights and note 27: Long-term liabilities: other for additional disclosure.

32. ESOP TRANSACTIONS

Accounting policy

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 benefit reserve.

The B-BBEE restructure transaction was historically equity-settled prior to the Group's acquisition of PAR Gold and the subsequent B-BBEE restructure on 15 June 2018. The transaction agreements specify that these options are equity-settled.

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.

The ESOP is designated as cash-settled as the ESOP agreement provides for the mines to acquire the shares at the end of the agreement.

The employee and director share options may be settled in either cash or equity. Historically, these have been settled in cash and therefore these options have been classified as cash-settled share options.

32. ESOP TRANSACTIONS continued

Accounting judgements and estimates

The Company applies the requirements of IFRS 2: *Share-based Payments* to cash-settled share-based payments made to employees. These are measured at fair value at grant date and, at each subsequent reporting date, the Company revised its estimated fair value in accordance with the requirements of IFRS 2 with the movement recognised in profit or loss. The determination of the fair value of cash-settled share option liability is subject to judgement.

The fair value is calculated using actuarial valuations where required. Refer to note 27 for detailed inputs used in the model and further disclosure on cash-settled share option liabilities.

Barberton Mines' ESOP transaction

On 1 June 2015, Barberton Mines entered into an agreement with Barberton Mines BEE Company Proprietary Limited and Barberton Mines BEE Trust. The agreement provided that Barberton Mines would issue 5% of its authorised share capital for a consideration of ZAR99.5 million to Barberton Mines BEE Company Proprietary Limited who are 100% held by Barberton Mines BEE Trust. The beneficiaries of Barberton Mines BEE Trust are all Barberton Mines' employees from a Paterson Grading C5 level and below.

The share issue was vendor financed by Barberton Mines by means of a preference share issued by Barberton Mines BEE Company Proprietary Limited to Barberton Mines for ZAR99.5 million.

Notional preference share subscription terms:

- Real interest rate of 2% per annum
- Vesting period of the B-BBEE scheme is 10 years.

The ESOP allows for a portion of the dividends declared by Barberton Mines to be offset against the preference shares redemption liability.

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 ordinary dividends withheld for redemption of the preference share liability	50	50	60	70	80
Percentage of dividends accruing to Barberton Mines BEE Trust	50	50	40	30	20
Total dividends	100	100	100	100	100

Barberton Mines' ordinary dividends policy provides for 80% of the mine's net cash generated during a financial year to be declared as a dividend subject to compliance with the liquidity and solvency requirements of the South African Companies Act.

This scheme is classified under IFRS 2 as a cash-settled share option scheme (refer to note 27) and the liability for Barberton Mines was valued by independent actuaries as at 30 June 2020.

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	**30 June 2020 US$ thousand**	30 June 2019 US$ thousand
Statement of financial position				
ESOP share options liability				
Opening balance	**805.0**	751.2	**–**	–
IFRS 2 revaluation expense	**569.2**	72.4	**–**	–
Foreign currency translation reserve	**(324.6)**	(18.6)	**–**	–
Closing balance	**1,049.6**	805.0	**–**	–
Statement of comprehensive income				
ESOP IFRS 2 expense	**569.2**	72.4	**–**	–

33. DIRECTORS' EMOLUMENTS

The key management personnel for whom remuneration has been disclosed below are executive directors, non-executive directors and prescribed officers:

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Executive directors				
Emoluments	**1,440.3**	1,265.0	**1,440.3**	1,265.0
Share options exercised	**189.8**	–	**189.8**	–
Executive directors' emoluments	**1,630.1**	1,265.0	**1,630.1**	1,265.0
Non-executive directors				
Emoluments	**307.1**	229.4	**307.1**	229.4
Non-executive directors' emoluments	**307.1**	229.4	**307.1**	229.4
Total directors' emoluments	**1,937.2**	1,494.4	**1,937.2**	1,494.4

	Share option taxable benefit US$ thousand	Basic remune-ration US$ thousand	Retirement fund US$ thousand	Life and disability plan US$ thousand	Allowances US$ thousand	Leave payout US$ thousand	Total US$ thousand	Incentives[1, 2] US$ thousand
30 June 2020								
Executive directors								
Mr JAJ Loots	**189.8**	**396.1**	**–**	**–**	**12.5**	**22.2**	**620.6**	**410.2**
Mr GP Louw	**–**	**360.6**	**–**	**–**	**0.3**	**–**	**360.9**	**238.4**
Total	**189.8**	**756.7**	**–**	**–**	**12.8**	**22.2**	**981.5**	**648.6**

[1] *These incentives paid relate to the 2019 financial year annual STI achievement as per the approved parameters and also includes 30% deferred incentives from the 2017 financial year. The 30% incentives from 2017 included in their incentives were:*
- *JAJ Loots – US$68.1 thousand*
- *GP Louw – US$62.6 thousand.*

[2] *As per the amended STI rules, 30% for the post-tax 2019 financial year STI was used to acquire Pan African shares on market. Detail of the share purchases are as follows:*
- *JAJ Loots – acquired 423,000 shares on 19 September 2019 at US 14 cents per share (total post-tax value US$60.0 thousand)*
- *GP Louw – acquired 250,000 shares on 19 September 2019 at US 15 cents per share (total post-tax value US$36.6 thousand).*

	Share option taxable benefit US$ thousand	Basic remune-ration US$ thousand	Retirement fund US$ thousand	Life and disability plan US$ thousand	Allowances US$ thousand	Leave payout US$ thousand	Total US$ thousand	Incentives[3] US$ thousand
30 June 2019								
Executive directors								
Mr JAJ Loots	–	358.2	–	–	14.7	20.0	392.9	299.5
Mr GP Louw	–	311.2	–	–	0.7	–	311.9	260.7
Total	–	669.4	–	–	15.4	20.0	704.8	560.2

[3] *These incentives were approved by the remuneration committee following the successful completion of Elikhulu.*

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33. DIRECTORS' EMOLUMENTS continued

Non-executive directors are entitled to the following emoluments as approved annually by the Remco for services rendered, which are based on the sub-committees on which they serve:

	Total 30 June 2020 US$ thousand	Total 30 June 2019 US$ thousand
Non-executive directors		
Mr KC Spencer	**82.6**	86.3
Mrs HH Hickey	**58.5**	51.3
Mr TF Mosololi	**63.8**	47.7
Mr RM Smith[1]	**–**	44.1
Mr CDS Needham[2]	**51.1**	–
Mrs YN Themba[2]	**51.1**	–
Total non-executive directors emoluments	**307.1**	229.4

	Mr KC Spencer (Chairman) US$ thousand	Mrs HH Hickey US$ thousand	Mr TF Mosololi US$ thousand	Mr CDS Needham US$ thousand	Mrs YN Themba US$ thousand
30 June 2020					
Board of directors	**67.5**	**33.3**	**33.3**	**30.9**	**29.1**
Remuneration committee	**–**	**–**	**6.9**	**6.9**	**10.3**
Audit and risk committee	**–**	**13.5**	**8.5**	**8.5**	**–**
SHEQC committee	**10.3**	**6.9**	**–**	**–**	**–**
Nomination committee	**4.8**	**4.8**	**4.8**	**4.8**	**4.8**
Social and ethics committee	**–**	**–**	**10.3**	**–**	**6.9**
	82.6	**58.5**	**63.8**	**51.1**	**51.1**

	Mr KC Spencer (Chairman) US$ thousand	Mrs HH Hickey US$ thousand	Mr TF Mosololi US$ thousand	Mr RM Smith US$ thousand
30 June 2019				
Board of directors	70.4	28.2	28.2	28.2
Remuneration committee	–	–	7.2	10.8
Audit and risk committee	–	10.8	7.2	–
SHEQC committee	10.8	7.2	–	–
Nomination committee	5.1	5.1	5.1	5.1
	86.3	51.3	47.7	44.1

[1] *Rowan Smith resigned as an independent non-executive director on 3 April 2019 and did not receive a portion of his annually approved emolument relating to the last quarter of the previous financial year.*

[2] *Yvonne Themba and Charles Needham were appointed as independent non-executive directors with effect from 17 July 2019.*

33. DIRECTORS' EMOLUMENTS continued

No fees were paid during the year for serving on the social and ethics committee.

No retirement fund contributions are made by the Company on behalf of non-executive directors.

The Company has directors' and public officers' liability insurance in place that provides insurance cover in the event of a claim or legal action. The insurance cover was in place throughout the financial year and remains in place.

	Share option taxable benefit US$ thousand	Basic remune-ration US$ thousand	Retire-ment fund US$ thousand	Life and disability plan US$ thousand	Allow-ances US$ thousand	Other remune-ration US$ thousand	Bonuses US$ thousand	Total 30 June 2020 US$ thousand	Total 30 June 2019 US$ thousand
Prescribed officers									
Mr AD van den Bergh	–	297.4	–	–	0.8	–	146.1	444.3	544.7
Mr AA van den Berg	–	170.8	27.4	3.4	4.7	11.0	76.0	293.3	274.4
Mr NA Reynolds (resigned 30 November 2019)	–	74.6	8.0	1.2	3.0	31.9	76.0	194.7	259.5
Mr JDV Thirion	186.9	203.8	–	–	4.8	–	108.9	504.4	253.1
Mr L Motshwaiwa	89.5	144.4	12.5	3.1	6.1	1.0	76.4	333.0	248.8
Mr MS Ndlozi	80.6	105.5	–	–	11.7	–	57.4	255.2	166.6
Mr JD Symington	–	122.2	19.2	2.5	7.7	8.2	58.9	218.7	201.4
Mr MM Dlamini	–	107.6	6.7	1.0	6.1	–	46.5	167.9	185.3
Mr P Naicker	–	132.2	26.1	–	3.9	–	65.1	227.3	246.4
Mr H Pretorius	–	103.2	13.6	2.1	7.0	5.5	46.5	177.9	141.1
Mr P van Heerden	–	107.8	7.3	1.8	6.1	1.8	59.6	184.4	79.5
Mr J Irons	–	154.0	19.2	–	9.2	9.0	76.0	267.4	357.5
Mr O Shikwambana	–	138.0	12.4	3.1	8.6	0.8	69.3	232.2	130.1
Mrs M Kok (appointed 1 January 2020)	–	51.7	6.0	0.9	–	–	–	58.6	–
Mr M Pieters	88.2	129.3	–	–	0.5	–	58.7	276.7	149.6

33. DIRECTORS' EMOLUMENTS continued

Directors' dealings in shares

All the shares held by directors are direct beneficial interests.

Financial year 30 June 2020

Mr JAJ Loots entered into the following Company share transactions:

- On 19 September 2019: purchased 423,000 shares at a price of ZAR2.08 per share
- On 19 February 2020: purchased 150,000 shares at a price of ZAR2.47 per share
- On 20 February 2020: purchased 100,000 shares at a price of GBP0.13 per share
- On 21 February 2020: purchased 150,000 shares at a price of GBP0.12 per share
- On 6 March 2020: purchased 80,072 shares at a price of GBP0.13 per share.

Mr JAJ Loots had 1,571,747 shares and 514,280 CFDs at year-end, representing 0.08% of the total issued shares of the Company.

Mr GP Louw entered into the following Company share transactions:

- On 19 September 2019: purchased 250,000 shares at a price of ZAR2.14 per share
- On 20 February 2020: purchased 104,012 shares at a price of ZAR2.45 per share.

Mr GP Louw had 611,462 shares at year-end, representing 0.03% of the total issued shares of the Company.

Mr KC Spencer had 3,000,000 shares at year-end, representing 0.13% of the total issued shares of the Company.

Mr TF Mosololi, on 21 February 2020, purchased 50,000 shares at ZAR2.40 per share. Mr TF Mosololi had 100,000 shares as at period-end, representing 0.004% of the total issued shares of the Company.

Mr CDS Needham, on 25 September 2019, purchased 25,000 shares at ZAR2.25 per share. Mr CDS Needham had 25,000 shares as at period-end, representing 0.001% of the total issued shares of the Company.

No dealings in the securities of the Company by the directors took place between the year-end and the date of approval of the annual financial statements.

Financial year 30 June 2019

Mr JAJ Loots entered into the following Company share transactions:

- On 20 September 2018: entered into a contract for difference derivative (CFD) for 64,280 shares at an average price of GBP0.0825 per share
- On 21 September 2018: entered into a CFD for 50,000 shares at an average price of GBP0.085 per share.

Mr JAJ Loots had 668,675 shares and 514,280 CFDs as at 30 June 2019, representing 0.05% of the total issued shares of the Company.

Mr GP Louw had 257,450 shares as at 30 June 2019, representing 0.01% of the total issued shares of the Company.

Mr KC Spencer transferred 3,000,000 shares at ZAR1.75 per share in an off-market transaction from the Strode Trust into his personal capacity on 17 October 2018. Following this transaction, Mr KC Spencer held 3,000,000 shares as at 30 June 2019, representing approximately 0.13% of the total issued shares.

33. DIRECTORS' EMOLUMENTS continued

Cash-settled share options

	Total options 1 July 2019	Grant date	Exercise price in ZAR	Options granted/ (exercised) during the period	Grant/ exercise date	Grant/ exercise price in ZAR	Options forfeited/ discon-tinued	Total options 30 June 2020
Mr JAJ Loots	1,533,334	28 February 2015	–	(1,533,334)	26 July 2019	1.94	–	–
Mr JAJ Loots	5,000,000	1 March 2018	–	–	–	–	–	5,000,000
Mr JAJ Loots	12,427,686	1 July 2018	1.21	–	–	–	–	12,427,686
Mr GP Louw	3,100,000	1 March 2018	–	–	–	–	–	3,100,000
Mr GP Louw	8,690,599	1 July 2018	1.21	–	–	–	–	8,690,599
Mr AD van den Bergh	8,109,463	1 July 2018	1.21	–	–	–	–	8,109,463
Mr AA van den Berg	4,049,587	1 July 2018	1.21	–	–	–	–	4,049,587
Mr J Irons	4,049,587	1 July 2018	1.21	–	–	–	–	4,049,587
Mr P Naicker	3,471,074	1 July 2018	1.21	–	–	–	–	3,471,074
Mr JD Symington	3,140,496	1 July 2018	1.21	–	–	–	–	3,140,496
Mr MM Dlamini	1,239,669	1 July 2018	1.21	–	–	–	–	1,239,669
Mr H Pretorius	1,239,669	1 July 2018	1.21	–	–	–	–	1,239,669
Mr MS Ndlozi	865,303	30 July 2015	1.64	(865,303)	18 September 2019	2.45	–	–
Mr MS Ndlozi	571,542	2 August 2017	2.38	(285,771)	8 June 2020	3.39	–	285,771
Mr MS Ndlozi				683,976	24 August 2019	2.22	–	683,976
Mr MS Ndlozi	989,163	23 August 2018	1.36	(274,291)	18 September 2019	2.45	–	741,872
Mr L Motshwaiwa	2,776,777	23 August 2018	1.36	(694,194)	10 June 2020	3.38	–	2,082,583
Mr L Motshwaiwa				666,633	24 August 2019	2.22	–	666,633
Mr O Shikwambana	3,977,901	1 April 2019	1.81	–		–	–	3,977,901
Mr JDV Thirion	6,543,624	12 March 2018	1.49	(1,635,906)	1 June 2020	3.28	–	4,907,718
Mr M Pieters	77,260	2 August 2017	2.38	–		–	–	77,260
Mr M Pieters	906,603	23 August 2018	1.36	(226,651)	18 September 2019	2.45	–	679,952
Mr M Pieters	–			1,032,284	24 August 2019	2.22	–	1,032,284
Mr NA Reynolds	4,049,587	1 July 2018	1.21	–	–	–	(4,049,587)	–
Mr P van Heerden	1,657,459	1 April 2019	1.81	–	–	–	–	1,657,459
	77,894,841		1.16	(2,819,786)		1.57	(4,049,587)	71,311,239

Equity-settled share options

	Total options 1 July 2019	Grant date	Exercise price in ZAR	Options granted/ (exercised) during the period	Grant/ exercise date	Grant/ exercise price in ZAR	Options forfeited/ discon-tinued	Total options 30 June 2020
Mr JAJ Loots	–	1 July 2019	–	4,667,768	–	1.80	–	4,667,768
Mr GP Louw	–	1 July 2019	–	3,826,998	–	1.80	–	3,826,998
Mr AD van den Bergh	–	1 July 2019	–	2,604,396	–	1.80	–	2,604,396
Mr AA van den Berg	–	1 July 2019	–	1,244,444	–	1.80	–	1,244,444
Mr J Irons	–	1 July 2019	–	1,055,440	–	1.80	–	1,055,440
Mr P Naicker	–	1 July 2019	–	970,686	–	1.80	–	970,686
Mr JD Symington	–	1 July 2019	–	927,607	–	1.80	–	927,607
Mr MM Dlamini	–	1 July 2019	–	576,261	–	1.80	–	576,261
Mr H Pretorius	–	1 July 2019	–	541,150	–	1.80	–	541,150
	–		–	16,414,750	–	1.80	–	16,414,750

None of the direct or indirect beneficial interests held by the directors in the share capital of the Parent Company is subject to security, guarantee, collateral or otherwise.

34. 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	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Components of capital and financial covenants		
Cash and cash equivalents	**(33,529.8)**	(5,341.2)
Revolving credit facility	**43,086.0**	62,703.8
Term loan facility	**46,162.7**	71,061.6
Add: derivative financial liability	**9,639.0**	917.7
Gold loan	**5,683.5**	–
Lease liability	**4,429.3**	–
Instalment sale liability	**271.9**	–
Restricted cash	**389.8**	–
Refinancing modification adjustment	**(293.8)**	(418.2)
Facilities arranging fees	**532.9**	944.6
Net debt[1]	**76,371.5**	129,868.3
Total equity	**183,619.4**	183,581.9
Net debt to equity ratio	**0.42**	0.71
Finance costs – revolving credit facility	**4,339.5**	6,149.7
Finance costs – term loan facility	**6,152.8**	7,562.8
Finance costs – general banking facilities	**214.6**	384.3
Total finance costs – interest-bearing facilities	**10,706.9**	14,096.8
Adjusted EBITDA[2]	**86,493.8**	56,782.6
Fair value losses from financial instruments	**21,943.8**	1,190.5
Net adjusted EBITDA	**108,437.6**	57,973.1
Interest cover ratio	**10.1**	4.1
Net debt	**76,371.5**	129,868.3
Net adjusted EBITDA[3]	**108,437.6**	57,973.1
Net debt to net adjusted EBITDA	**0.7**	2.2
Net adjusted EBITDA[3]	**108,437.6**	57,973.1
Net working capital change	**(1,412.2)**	1,253.8
Add: non-cash flow items	**17,694.1**	1,580.5
Total capital expenditure less capital funded through permitted indebtedness	**(36,793.9)**	(37,161.6)
Less: net dividends paid[4]	**(2,933.2)**	–
Less: taxation paid	**5,803.6**	(4,496.9)
Free cash flow	**90,796.0**	19,148.9
Finance costs from interest-bearing facilities	**10,706.9**	14,096.8
Capital repayments	**15,891.1**	–
Debt service obligation	**26,598.0**	14,096.8
Debt service cover ratio	**3.4**	1.4

[1] *The Group's net debt excludes the refinancing modification adjustment and facilities arranging fees.*
[2] *Adjusted EBITDA is represented by earnings before interest, taxation, depreciation and amortisation and impairment reversal.*
[3] *Net adjusted EBITDA is the adjusted EBITDA excluding realised and unrealised gains and losses from financial instruments.*
[4] *Net dividend paid represents the total dividend paid less the reciprocal dividend received from PAR Gold.*

Refer to note 26 for a summary of the financial covenant limits.

34. FINANCIAL INSTRUMENTS continued

Categories of financial instruments

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	**33,529.8**	5,341.2	**208.5**	36.3
Long-term receivables	**1,007.8**	2,946.7	**–**	1,108.5
Receivables[1]	**6,222.0**	12,245.8	**32.9**	22.4
Measured at fair value through other comprehensive income				
Investments – other	**1,216.2**	6,802.0	**1,216.2**	6,802.0
Financial assets at fair value through profit or loss				
Rehabilitation trust fund	**20,006.4**	25,021.1	**–**	–
Financial liabilities				
Measured at fair value through profit or loss				
Derivative financial liabilities	**9,639.0**	917.7	**–**	–
Measured at amortised cost				
Trade and other payables	**32,968.5**	35,274.3	**859.6**	778.9
Revolving credit facility	**43,086.0**	62,703.8	**–**	–
Term loan facility	**46,162.7**	71,061.6	**–**	–

[1] *At year-end, the Group did not have trade receivables that are past due and thus no trade receivables are impaired.*

Financial risk management objectives

The Group seeks to minimise the adverse 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, interest rate, credit and liquidity risk in terms of the treasury policy. Exposure limits are reviewed on a continuous basis. The Group does not enter into financial derivative 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 combined maximum credit risk exposure of the Group is as follows:

	Consolidated	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Long-term receivables	**1,007.8**	2,946.7
Receivables	**6,222.0**	12,245.8
Guarantees to the DMRE and Eskom	**22,685.5**	27,779.4

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34. FINANCIAL INSTRUMENTS continued

Categories of financial instruments continued

Credit risk continued

Expected credit loss assessment as at 30 June 2020

The Group determines each exposure to credit risk based on data that is determined to be predictive of the risk of loss and the past experienced credit judgement.

Long-term receivables

The Group's credit risk is deemed to be minimal given the nature of the counterparty and the historical low levels of credit default. There is no current observable data to indicate a material future default risk and, as a result, the credit quality at year-end is considered high.

Trade and other receivables

The Group's credit risk is deemed to be minimal as it only sells refined gold to rated South African financial institutions. 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 represent 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 of US$49.8 thousand (2019: US$107.5 thousand), estimated by the Group's management based on the current economic environment and individual debtor circumstances.

Guarantees to the DMRE and Eskom

The guarantees in favour of the DMRE are represented by funds held by Cenviro Solutions in an insurance investment product and are invested in interest-bearing and equity instruments within the insurance product. Cenviro Solutions is a reputable and vetted counterparty which is also underwritten by Centriq Insurance Company Limited. Based on the nature of the counterparty, credit default is considered minimal at year-end.

The guarantees in favour of Eskom are represented by funds held by rated South African institutions. The credit risk on liquid funds is limited due to these funds being invested only with reputable financial institutions.

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, exposing the Group to foreign exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. The Group specifically ensures that US$ gold sale receipts are converted into rand as efficiently as possible.

Commodity price risk

The Group is affected by the price volatility of gold. The Group may enter into forward contracts to hedge their exposure to fluctuations in gold prices and exchange rates on specific transactions. The contracts are matched with anticipated future cash flows from gold sales receipts.

	30 June 2020		30 June 2019	
	Closing rate	Average rate	Closing rate	Average rate
Currency				
US$/ZAR exchange rate	**17.33**	**15.67**	14.08	14.19

	Year ended 30 June 2020	Year ended 30 June 2019
Gold spot price		
Average gold spot price received (US$/oz)	**1,574**	1,266
Average gold spot price received (ZAR/kg)	**793,121**	577,573

34. FINANCIAL INSTRUMENTS continued

Categories of financial instruments continued

Credit risk continued

Commodity price risk continued

	Impact of 10% increase or decrease in gold price US$ thousand
2020	
Movement on profit	**23,182.7**
2019	
Movement on profit	17,852.3

	Impact of 10% increase in exchange rate	Impact of 10% decrease in exchange rate
2020		
Movement on profit	**17,048.4**	**(20,836.9)**
2019		
Movement on profit	12,783.6	(15,624.4)

	US$ thousand	Impact of 10% increase in exchange rate translation	Impact of 10% decrease in exchange rate translation
2020			
Current assets	**53,648.4**	**(4,877.1)**	**5,960.9**
Current liabilities	**78,721.5**	**(7,156.5)**	**8,746.8**
2019			
Current assets	29,964.4	(2,724.0)	3,329.4
Current liabilities	63,854.5	(5,805.0)	7,094.9

Derivative financial instruments – zero cost collar hedges

	Consolidated	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Financial instruments (derivatives)		
Opening balance	**(809.7)**	289.5
Financial instruments settlements/(receipts) during the year	**12,026.2**	(1,572.4)
Losses arising from unrealised financial instruments	**(9,932.6)**	(1,083.3)
(Losses)/gains arising from realised financial instruments	**(12,026.2)**	1,572.4
Foreign currency translation reserve	**1,103.3**	(15.9)
Closing balance	**(9,639.0)**	(809.7)

Interest rate risk

The Group is exposed to interest rate risk as Funding Company, on behalf of the Group, borrows and invests funds at both fixed and floating interest rates. Fluctuations in interest rates impact 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 while 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.

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

34. FINANCIAL INSTRUMENTS continued

Interest rate sensitivity

The Group's revolving credit and term loan facility incurs interest based on the JIBAR rates (refer to note 26). 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% decrease in interest rates	Interest incurred on facilities on a 10% decrease in interest rates
US$ thousand – 2020	**9,443.1**	**9,967.7**	**10,492.3**	**11,016.9**	**11,541.6**
US$ thousand – 2019	12,341.3	13,026.9	13,712.5	14,398.1	15,083.8

Derivative financial instruments – interest rate hedge

	Consolidated	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Interest rate hedge		
Opening balance	**(108.0)**	–
Financial instruments settlements during the year	**82.1**	–
Gains/(losses) arising from unrealised financial instruments	**97.1**	(107.2)
Losses arising from realised financial instruments	**(82.1)**	–
Foreign currency translation reserve	**10.9**	(0.8)
Closing balance	**–**	(108.0)

Fixed interest rate hedge terms

Notional amount	ZAR750 million
Trade date	5 April 2019
Termination date	6 April 2020
Group entity	Pan African Resources Funding Company Proprietary Limited
Financial institution	Rand Merchant Bank
Fixed rate (yield)	7.11%
Floating rate option	ZAR-JIBAR-SAFEX
Floating rate designated maturity	Three months

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board, but is delegated to executive management, which has an established liquidity risk management framework for 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 general banking facilities, of which US$43.3 million (2019: US$63.2 million) of the revolving credit facility was utilised, and US$46.2 million (2019: US$71.0 million) was utilised on the term loan facility. The general banking facility was utilised to the extent of US$nil (2019: US$51.0 thousand) at year-end. The Group expects to meet its obligations from its operating cash flows and the borrowing capacity on its existing banking facilities.

34. FINANCIAL INSTRUMENTS continued

Fixed interest rate hedge terms continued

Liquidity risk continued

	Weighted average interest rate %	Less than 12 months US$ thousand	1 – 5 years US$ thousand	Total US$ thousand
Consolidated				
2020				
Trade and other payables	**–**	**32,968.5**	**–**	**32,968.5**
Long-term liabilities (interest-bearing)	**9.63**	**23,123.5**	**84,995.0**	**108,118.5**
Derivative financial liabilities	**–**	**9,639.0**	**–**	**9,639.0**
2019				
Trade and other payables	–	35,274.3	–	35,274.3
Long-term liabilities (interest-bearing)	10.7	38,091.6	134,186.8	172,278.4
Derivative financial liabilities	–	917.7	–	917.7
Parent Company				
2020				
Trade and other payables	**–**	**859.6**	**–**	**859.6**
2019				
Trade and other payables	–	778.9	–	778.9

Fair value of financial instruments

The directors consider the carrying amounts of financial assets and liabilities to 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.

	Level 1 US$ thousand	Level 2 US$ thousand	Level 3 US$ thousand	Total US$ thousand
30 June 2020				
Investment – other[1]	**1,216.2**	**–**	**–**	**1,216.2**
Rehabilitation fund[2]	**–**	**20,006.4**	**–**	**20,006.4**
Derivative financial liabilities	**–**	**9,639.0**	**–**	**9,639.0**
30 June 2019				
Investment – other[1]	6,802.0	–	–	6,802.0
Rehabilitation fund[2]	–	25,021.1	–	25,021.1
Derivative financial liabilities	–	917.7	–	917.7

[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 2 per the fair value hierarchy as the premiums are invested in interest-bearing short-term deposits and equity share portfolios held in an insurance investment product which is managed by independent fund managers.*

In the current and prior financial year, cash-settled share option and ESOP transaction liabilities have not been disclosed as financial instruments as they are IFRS 2: *Share-based Payments* (refer to note 27).

35. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED BY/(UTILISED IN) OPERATIONS

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Profit/(loss) before taxation for the year	**52,197.8**	46,216.2	**17,050.3**	(1,230.3)
Adjusted for:	**38,545.7**	11,862.1	**3,679.8**	910.9
Impairment reversal	**(88.6)**	(17,853.5)	**–**	–
Cash-settled share option expenses	**5,595.3**	2,350.6	**4,015.6**	848.3
Finance income	**(464.8)**	(849.7)	**(72.8)**	(192.6)
Finance costs	**13,346.2**	13,041.8	**0.1**	0.1
Profit on sale of asset	**(92.9)**	(181.4)	**–**	–
Royalty costs	**473.8**	354.1	**–**	–
Deferred executive incentive expenses	**(263.1)**	182.5	**(263.1)**	182.5
Deferred consideration provision	**–**	72.6	**–**	72.6
Profit/(loss) arising from realised and unrealised financial instruments	**21,943.8**	(381.9)	**–**	–
Change in estimate of the environmental rehabilitation provision	**(3,045.7)**	–	**–**	–
Debt refinance modification adjustment	**(53.8)**	418.2	**–**	–
Fair value adjustments on rehabilitation funds	**(1,728.2)**	(1,604.8)	**–**	–
Non-mining depreciation and amortisation	**277.5**	97.1	**–**	–
Mining depreciation and amortisation	**21,503.2**	16,227.8	**–**	–
Realisation of gold loan	**(18,857.0)**	–	**–**	–
Fair value adjustment on post-retirement benefits	**–**	(11.3)	**–**	–
	90,743.5	58,078.3	**20,730.1**	(319.4)
Working capital	**(1,412.2)**	1,253.8	**505.6**	535.0
Increase in inventories	**(1,714.4)**	(2,013.5)	**–**	–
Decrease/(increase) in trade and other receivables	**4,237.3**	4,477.1	**(10.5)**	(16.0)
(Decrease)/increase in trade and other payables	**(739.5)**	(894.0)	**808.5**	558.5
Other non-cash items	**(3,195.6)**	(315.8)	**(292.4)**	(7.5)
Settlement of cash-settled share option costs	**(1,236.2)**	(10.1)	**(189.8)**	–
Rehabilitation costs incurred	**(2,587.4)**	(4,005.4)	**–**	–
Proceeds from derivative financial instruments	**(12,108.3)**	1,572.4	**–**	–
Net cash generated by operating activities before dividend, taxation, royalties and net finance costs and income	**73,399.4**	56,889.0	**21,045.9**	215.6

35. RECONCILIATION OF PROFIT/(LOSS) BEFORE TAXATION TO CASH GENERATED BY/(UTILISED IN) OPERATIONS continued

	Consolidated		Parent Company	
	30 June 2020 US$ thousand	30 June 2019 US$ thousand	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Taxation paid during the year				
Taxation charge per the statement of comprehensive income	**7,904.5**	8,174.0	**464.8**	(247.5)
Less: deferred taxation	**(182.8)**	(5,312.6)	**564.3**	247.5
	7,721.7	2,861.4	**1,029.1**	–
Taxation receivable at the beginning of the year	**(1,327.8)**	(374.5)	**(103.4)**	(99.1)
Taxation (payable)/receivable at the end of the year	**(1,065.0)**	1,327.8	**(930.5)**	103.4
Foreign currency translation	**(452.2)**	32.3	**(84.1)**	(4.3)
Taxation paid/(received) during the year	**4,876.7**	3,847.0	**(88.9)**	–
Royalty paid during the year				
Royalty cost (receivable)/payable at the beginning of the year	**(83.9)**	225.9	**–**	–
Royalty cost receivable at the end of the year	**491.9**	83.9	**–**	–
Royalty cost charges for the year	**473.8**	354.1	**–**	–
Foreign currency translation	**45.1**	(14.0)	**–**	–
Royalty paid during the year	**926.9**	649.9	**–**	–
Reconciliation of loans to subsidiaries				
Opening balance	**–**	–	**93,672.9**	95,653.6
Advances	**–**	–	**32,608.3**	461.4
Repayments	**–**	–	**(13,204.7)**	–
Foreign currency translation	**–**	–	**(19,425.7)**	(2,442.1)
Closing balance	**–**	–	**93,650.8**	93,672.9

36. RELATED PARTY TRANSACTIONS

Parent Company

	Pan African US$ thousand	Funding Company US$ thousand	PAR Management Services US$ thousand	Barberton Mines US$ thousand
30 June 2020				
Statement of comprehensive income transactions				
Management fee	**7,317.1**	**(127.6)**	**3,678.5**	**(7,376.9)**
Dividends received from subsidiaries[2]	**–**	**–**	**–**	**–**
Inter-company finance charges	**–**	**9,677.6**	**(873.0)**	**1,464.7**
Gold purchases from Evander Gold Mines Proprietary Limited	**–**	**–**	**–**	**–**
Cost of gold production income invoiced to Evander Mines	**–**	**–**	**–**	**–**
Statement of financial position				
Pan African receivables/payables	**93,650.8**	**(69,967.5)**	**(8,482.9)**	**–**
Funding Company receivables/payables	**69,967.5**	**28,944.5**	**(4,270.8)**	**45,968.3**
PAR Management Services receivables/payables	**8,482.9**	**4,270.8**	**5,352.0**	**(8,181.3)**
Payables to PAR Gold	**–**	**(9,984.8)**	**–**	**–**
Barberton Mines receivables/payables	**–**	**(45,968.3)**	**8,181.3**	**22,242.9**
Evander Mines payables	**–**	**–**	**–**	**–**
30 June 2019				
Statement of comprehensive income transactions				
Management fee	1,973.2	(140.9)	3,162.2	(2,889.8)
Inter-company finance charges	–	13,047.8	(501.5)	696.8
Gold purchases from Evander Gold Mines Proprietary Limited	–	–	–	–
Cost of gold production income invoiced to Evander Mines	–	–	–	–
Statement of financial position				
Pan African receivables/payables	93,672.9	(90,876.2)	(2,796.7)	–
Funding Company receivables/payables	90,876.2	95,495.2	(6,632.2)	25,809.8
PAR Management Services receivables/payables	2,796.7	6,632.2	633.0	(5,549.4)
Payables to PAR Gold	–	(11,792.9)	–	–
Barberton Mines receivables/payables	–	(25,809.8)	5,549.4	1,128.3
Evander Mines payables	–	–	–	–

[1] *Evander Gold Mines Proprietary Limited and Evander Gold Mining Proprietary Limited are collectively referred to as Evander Mines due to an interim mining arrangement being in place since 1 March 2013, and until such time that the inter-company mining right transfer occurs.*

[2] *Dividend received from subsidiaries related to the PAR Gold reciprocal dividend. Refer to the statement of changes in equity and additional disclosure relating to PAR Gold in note 24.*

Refer to investment in subsidiaries (note 18) for the nature of relationships of the related parties to the Company.

Refer to directors' emoluments (note 33) for key management remuneration under related parties.

Inter-company loans provided by Funding Company have no specific repayment terms but do bear interest in relation to treasury services rendered.

Evander Mines[1] US$ thousand	Evander Gold Mines Proprietary Limited[1] US$ thousand	PAR SA Holdings US$ thousand	PAR Gold US$ thousand	K Company US$ thousand	Evander Solar Solutions Proprietary Limited US$ thousand	Elikhulu US$ thousand	Concrete Rose US$ thousand
(3,491.1)	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
(10,234.6)	–	–	–	(23.9)	–	(10.8)	–
(67,386.0)	67,386.0	–	–	–	–	–	–
66,718.8	(66,718.8)	–	–	–	–	–	–
–	–	(15,200.4)	–	–	–	–	–
(149,734.2)	–	(336.7)	9,984.8	(242.0)	0.1	(285.8)	4.3
(9,738.2)	–	–	–	–	–	(186.2)	–
–	–	–	9,984.8	–	–	–	–
–	–	15,544.1	–	–	–	–	–
(57,653.4)	57,653.4	–	–	–	–	–	–
(2,104.7)	–	–	–	–	–	–	–
(13,217.3)	–	–	–	(25.8)	–	–	–
(60,646.2)	60,646.2	–	–	–	–	–	–
60,045.7	(60,045.7)	–	–	–	–	–	–
–	–	–	–	–	–	–	–
(217,085.6)	–	8.9	11,792.9	(271.2)	–	–	6.0
(4,512.5)	–	–	–	–	–	–	–
–	–	–	11,792.9	–	–	–	–
–	–	19,132.1	–	–	–	–	–
(70,059.4)	70,059.4	–	–	–	–	–	–

37. COMMITMENTS, CONTINGENT LIABILITIES AND GUARANTEES

Accounting policy

Significant accounting judgements and estimates

By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. Such contingencies include, but are not limited to, litigation or regulatory procedures.

When a loss is considered probable and can be reliably estimated, a liability is recorded based on the best estimate of the expected loss. The likelihood of a loss with respect to a contingency can be difficult to predict and determining a meaningful estimate of loss or range of losses may not always be predicable based on the information available at the time and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. When a loss is probable, but a reasonable estimate cannot be made, disclosure of such a loss is provided for in the annual financial statements.

Consolidated

Commitments

The Group had contracted outstanding open orders at year-end of US$12.3 million (2019: US$7.2 million). Authorised commitments for the new financial year, not yet contracted for, totalled US$37.1 million (2019: US$26.5 million).

Contingent liabilities

The Group identified no material contingent liabilities in the current or prior financial year.

Guarantees

As at 30 June 2020, the Group had guarantees in place of US$1.0 million (2019: US$1.3 million) in favour of Eskom Holdings SOC Limited and US$21.6 million (2019: US$26.5 million) in favour of the DMRE.

Parent Company

There were no commitments, contingent liabilities and guarantees for the Company for the current or prior year.

38. IMPACT OF APPLYING SIGNIFICANT ACCOUNTING POLICIES EFFECTIVE IN THE CURRENT FINANCIAL YEAR

The Group applied IFRS 16: *Leases* from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Group's consolidated annual financial statements.

IFRS 16: *Leases*

The Group adopted IFRS 16: *Leases* as of 1 July 2019, replacing IAS 17: *Leases*. On transition to IFRS 16, lease liabilities and corresponding right-of-use assets were recognised in the consolidated statement of financial position for leases previously classified as operating leases under IAS 17.

The Group elected to apply the modified retrospective approach. The cumulative effect of initially applying the standard is recognised as an adjustment to retained earnings as at 1 July 2019. The comparative period has not been restated and continues to be presented in accordance with the accounting policy applied in preparing the Group's consolidated annual financial statements for the year ended 30 June 2019.

On transition, lease liabilities were recognised as the present value of future lease payments discounted at the appropriate incremental borrowing rate applicable as at 1 July 2019 or where available, the rate of interest implicit in the lease. For the Group's leased assets, the right-of-use asset was recognised equal to the value of the lease liability as at 1 July 2019.

For the year ended 30 June 2019, operating lease costs of US$314.8 thousand were recognised in the consolidated statement of profit or loss and other comprehensive income. On the adoption of IFRS 16: *Leases* for the year ended 30 June 2020, depreciation of US$706.7 thousand on the right-of-use asset and finance costs of US$518.3 thousand associated to the lease liability were recognised in the consolidated statement of profit or loss and other comprehensive income.

The present value of operating lease commitments disclosed in note 30 to the Group's consolidated annual financial statements for the year ended 30 June 2019, discounted at the rates used to calculate lease liabilities as at 1 July 2019, is reconciled to the lease liabilities in the table below:

	US$ thousand
IAS 17 operating lease commitments as at 30 June 2019	3,952.0
Impact of discounting operating lease commitments to present value	(1,088.3)
Renewal options reasonably certain to be exercised	2,881.0
IFRS 16 lease liability as at 1 July 2019	5,744.7
Current portion	624.4
Long-term portion	5,120.3

38. IMPACT OF APPLYING SIGNIFICANT ACCOUNTING POLICIES EFFECTIVE IN THE CURRENT FINANCIAL YEAR continued

IFRS 16: *Leases* continued

On adoption of IFRS 16: *Leases* on 1 July 2019, additional lease liabilities of US$5.7 million previously classified as operating leases were included in net debt with the corresponding right-of-use assets of US$5.7 million included in capital employed.

In the consolidated and Parent Company statement of cash flows for the year ended 30 June 2020, the total amount of cash paid in respect of leases is separated between repayment of principal presented in cash flows from financing activities and repayment of interest presented in cash flow from operating activities. For the year ended 30 June 2019, lease repayments were recognised in cash flows from operating activities.

The incremental borrowing rate used to measure the lease liabilities on transition to IFRS 16: *Leases* as at 1 July 2019 was 10.2%.

Leases are presented in note 30.

39. EVENTS AFTER THE REPORTING PERIOD

It is with regret that we announce that an employee at Fairview Mine in Barberton lost his life in a fall-of-ground accident on 21 July 2020. We are deeply saddened by this incident and our sincere condolences have been extended to the family, friends and colleagues of the deceased. The health and safety of our employees continues to be our number one priority and we continue to reassess and reinforce all safety protocols, procedures and standards in our ongoing quest to achieve zero harm for all our employees, every day.

40. CORRECTION OF PRIOR PERIOD ERROR

Investments in subsidiaries

During the current financial year, the Group identified that investments in subsidiaries, disclosed as part of the investment balance, was translated to presentation currency at historical exchange rates in the prior financial years. The ZAR amount remained unchanged, however, this amount was incorrectly translated at a historical exchange rate for presentation purposes as opposed to the closing rate. The investments in subsidiaries held in the Parent Company (refer to note 18) was originally recorded at US$156,023.6 thousand for the 2019 financial year (2018: US$156,023.5 thousand).

The investments in subsidiaries disclosed at the 30 June 2019 and 30 June 2018 financial years were not translated from ZAR into the Group's presentation currency US$ at the closing exchange rate. As a consequence, this error resulted in the investments in subsidiaries and translation reserve being overstated.

The impact of the error in the 30 June 2019 and 30 June 2018 financial years is summarised below:

	Parent Company	
	30 June 2019 US$ thousand	30 June 2018 US$ thousand
Statement of financial position		
Investments – previously disclosed in US$	156,023.6	156,023.5
Investments – in US$ (corrected, translated at closing rates)	111,639.7	114,569.0
Impact through the foreign currency translation reserve	44,383.9	41,454.5
Translation reserve – previously disclosed in US$	73,272.7	70,542.5
Translation reserve – in US$ (corrected)	117,656.6	111,997.0
Impact of correction of investments	(44,383.9)	(41,454.5)
Other comprehensive income		
Items that may be reclassified subsequently to the statement of profit or loss (net of taxes)		
Foreign currency translation differences impact	2,929.4	41,454.5

The correction of this prior period error impacts total assets and total equity in the statement of financial position, and other comprehensive income in the statement of profit or loss and other comprehensive income. The correction has no impact on:

- Parent Company's profit after taxation
- Basic and diluted earnings per share
- Parent Company's statement of cash flows.

OTHER INFORMATION

SHAREHOLDERS' ANALYSIS
for the year ended 30 June 2020

Register date: 26 June 2020
Issued share capital: 2,234,687,537 shares

SHAREHOLDER SPREAD

	2020				2019			
	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
1 – 1,000 shares	1,549	28.38	436,642	0.02	984	19.23	338,892	0.02
1,001 – 10,000 shares	1,757	32.19	7,965,029	0.36	1,773	34.66	8,306,064	0.37
10,001 – 100,000 shares	1,471	26.95	51,833,071	2.32	1,687	32.97	58,147,753	2.60
100,001 – 1,000,000 shares	467	8.56	157,491,921	7.05	452	8.84	148,428,888	6.64
1,000,001 shares and over	214	3.92	2,016,960,874	90.25	220	4.30	2,019,465,940	90.37
Total	5,458	100.00	2,234,687,537	100.00	5,116	100.00	2,234,687,537	100.00

DISTRIBUTION OF SHAREHOLDERS

	2020				2019			
	Number of share-holders	%	Number of shares	%	Number of share-holders	%	Number of shares	%
Banks	258	4.73	619,138,286	27.71	263	5.14	584,482,735	26.16
Brokers	21	0.38	24,841,112	1.11	21	0.41	23,107,639	1.03
Close corporations	29	0.53	2,351,404	0.11	41	0.80	2,823,176	0.13
Endowment funds	26	0.48	14,525,949	0.65	22	0.43	18,929,572	0.85
Hedge funds	12	0.22	20,377,571	0.91	–	–	–	–
Individuals	4,418	80.95	91,975,615	4.12	4,093	80.00	102,459,815	4.58
Insurance companies	21	0.38	73,025,109	3.27	39	0.76	64,145,215	2.87
Investment companies	4	0.07	168,669	0.01	2	0.04	389,777	0.02
Medical aid schemes	9	0.16	8,301,150	0.37	5	0.10	7,316,371	0.33
Mutual funds	145	2.66	644,349,818	28.83	109	2.13	691,275,851	30.93
Nominees and trusts	183	3.35	18,769,252	0.84	230	4.50	22,047,021	0.99
Other corporations	26	0.48	1,553,127	0.07	38	0.74	1,604,181	0.07
Pension funds	212	3.88	384,436,743	17.20	160	3.13	391,205,339	17.51
Private companies	71	1.30	318,522,186	14.25	85	1.66	321,232,941	14.37
Public companies	23	0.43	12,351,546	0.55	8	0.16	3,667,904	0.16
Total	5,458	100.00	2,234,687,537	100.00	5,116	100.00	2,234,687,537	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS

	2020				2019			
	Number of share-holdings	%	Number of shares	%	Number of share-holdings	%	Number of shares	%
Non-public shareholders	10	0.18	933,124,596	41.76	7	0.14	938,269,699	41.99
Director	8	0.15	5,308,209	0.24	5	0.10	3,976,125	0.18
Strategic holder (more than 10%)	2	0.03	927,816,387	41.52	2	0.04	934,293,574	41.81
Public shareholders	5,448	99.82	1,301,562,941	58.24	5,109	99.86	1,296,417,838	58.01
Total	5,458	100.00	2,234,687,537	100.00	5,116	100.00	2,234,687,537	100.00

BENEFICIAL SHAREHOLDERS' HOLDING OF 3% OR MORE

	2020		2019	
	Number of shares	%	Number of shares	%
PAR Gold	306,358,058	13.71	306,358,058	13.71
South African State Controlled Entities	193,067,603	8.64	144,072,367	6.45
Allan Gray Balanced Fund	135,435,661	6.06	121,435,661	5.43
LF Ruffer Gold Fund	116,652,056	5.22	–	–
Allan Gray Equity Fund	86,090,248	3.85	87,917,224	3.93
Investec Emerging Companies Fund	–	–	84,185,871	3.77
Investec IAL Special Focus Fund	–	–	68,209,619	3.05

SHAREHOLDERS' HOLDING OF 5% OR MORE

	2020		2019	
	Number of shares	%	Number of shares	%
Allan Gray Investment Management	621,458,329	27.81	627,935,516	28.10
PAR Gold	306,358,058	13.71	306,358,058	13.71
Ruffer	116,652,056	5.22	–	–
Ninety One (previously Investec Asset Management)	114,075,070	5.10	171,691,227	7.68
Coronation Fund Managers	–	–	135,120,604	6.05
Public Investment Corporation SOC Limited	113,671,779	5.09	120,380,866	5.39

ALTERNATIVE PERFORMANCE MEASURES

INTRODUCTION

When assessing and discussing Pan African's reported financial performance, financial position and cash flows, management makes reference 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, non-financial APMs and ratios, as described below:

- **Financial APMs:** These financial measures are usually derived from the annual financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the annual 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 annual financial statements for the year ended 30 June 2020.
- **Non-financial APMs:** These measures incorporate certain non-financial information that management believes is useful when assessing the performance of the Group.
- **Ratios:** Is a ratio calculated using any of the APMs referred to above, IFRS measures, or a combination of APMs and IFRS measures. APMs are not uniformly defined by all companies and may not be comparable with APM disclosures made by other companies, and they exclude:
  - measures defined or specified by an 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 annual 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 the 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 IFRS measurements and disclosures to aid the user of the integrated annual report in understanding the activity taking place across the Group's portfolio. The directors are responsible for preparing and ensuring the APMs comply with Practice Note 4/2019 (Performance Measures) of the JSE Listings Requirements.

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 macroeconomic factors, primarily commodity prices and foreign exchange rates. 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, for example 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 99.9% of the Group's revenue at year-end. The cost, value of and return from each saleable unit (such as 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	Equivalent IFRS measure	Adjustments to reconcile to primary statements	Rational for adjustment
Performance			
AISC	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 costs that are imperative for ongoing production
All-in cost	Gold cost of production	• Once-off capital costs	Indicates and measures the 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 • Impairment reversals	Excludes the impact of non-recurring items or certain accounting adjustments that can mask underlying changes in performance
Net adjusted EBITDA	Profit after taxation	• Taxation • Mining depreciation and amortisation • Net finance costs • Impairment reversals • Unrealised fair value gains or losses on financial derivative instruments undertaken in the normal course of business	Excludes the impact of non-recurring items or certain accounting adjustments that can mask underlying changes in performance
Free cash flow	Profit after taxation	• Taxation • Mining depreciation and amortisation • Net finance costs • Impairments or impairment reversals • Profit/loss after tax from discontinued operations • Unrealised fair value gains or losses on financial derivative instruments undertaken in the normal course of business • Adjusted for working capital changes • Adjusted for non-cash flow items as determined in accordance with IAS 7 • Less capital expenditure funded through permitted indebtedness • Less dividend paid to shareholders • Less taxation paid	Reflect available cash flow to service debt obligations
Attributable cash flow per share	Cash generated by operating activities	• Less additions to property, plant and equipment and mineral rights • Less borrowings repaid	
Headline earnings	Profit after taxation	• Profit on disposal of property, plant and equipment and mineral rights • Taxation on profit on disposal of property, plant and equipment and mineral rights • Impairment reversal • Taxation on impairment reversal	Indicates to shareholders the robustness of the Group's financial position
Statement of financial position			
Net debt	Borrowings from financial institutions less cash and related hedges	• IFRS 9 accounting adjustments • IFRS 16 lease liabilities • Restricted cash • Instalment sales	Excludes the impact of accounting adjustments from the net debt obligations of the Group Refer to note 34
Net senior debt	Borrowings from financial institutions less cash	• IFRS 9 accounting adjustments • IFRS 16 lease liabilities • Restricted cash • Instalment sales	Excludes the impact of accounting adjustments from debt obligations of the Group

Cash cost

Direct production costs attributable to gold sold by the Group.

All-in sustaining costs

Incorporates costs related to sustaining current production. AISC are defined by the World Gold Council as operating costs plus costs not already included therein relating to sustaining the current production, including sustaining capital expenditure. The value of by-product revenue is deducted from operating costs as it effectively reduces the cost of gold production.

All-in costs

Includes additional costs which relate to the growth of the Group. All-in costs start with AISC and adds additional costs which relates to the growth of the Group, including non-sustaining capital expenditure not associated to current operations and includes costs such voluntary severance pay.

AISC and all-in costs are reported on the basis of a rand per kilogramme of gold and US$ per ounce of gold. The US$ equivalent is converted at the average exchange rate applicable for the current financial year as disclosed in the Group's operational production table on pages 100 and 101. A kilogramme of gold is converted to an ounce of gold at a ratio of 1:32.1509.

The following tables set out a reconciliation of Pan African's cost of production as calculated in accordance with IFRS to AISC and all-in costs for the financial year ended 30 June 2020 and 30 June 2019. The equivalent of a rand per kilogramme and US$ per ounce-basis is disclosed in the Group's operational production table on pages 100 and 101.

	Mining operations			Tailings operations				Total operations		
Year ended 30 June 2020	**Barberton Mines ZAR million**	**Evander Mines ZAR million**	**Total ZAR million**	**BTRP ZAR million**	**ETRP ZAR million**	**Elikhulu ZAR million**	**Total ZAR million**	**Barberton Mines total ZAR million**	**Evander Mines total ZAR million**	**Group total ZAR million**
Gold cost of production	1,184.6	313.7	1,498.3	248.2	218.9	517.6	984.7	1,432.8	1,050.2	2,483.0
Cash cost[1]	1,184.6	313.7	1,498.3	248.2	218.9	517.6	984.7	1,432.8	1,050.2	2,483.0
Royalties	8.1	2.4	10.5	0.9	–	1.0	1.9	9.0	3.4	12.4
Community cost related to gold operations	17.1	0.1	17.2	–	–	–	–	17.1	0.1	17.2
By-products credits	(0.4)	(5.9)	(6.3)	–	–	–	–	(0.4)	(5.9)	(6.3)
Corporate general and administrative costs	77.2	253.1	330.3	–	–	46.3	46.3	77.2	299.4	376.6
Reclamation and remediation – accretion and amortisation (operating sites)	(4.1)	(0.4)	(4.5)	–	–	–	–	(4.1)	(0.4)	(4.5)
Sustaining capital – development	74.2	–	74.2	–	–	–	–	74.2	–	74.2
Sustaining capital – maintenance	110.7	29.0	139.7	1.7	22.4	8.6	32.7	112.4	60.0	172.4
AISC[1]	1,467.5	591.9	2,059.4	250.8	241.3	573.6	1,065.7	1,718.3	1,406.8	3,125.1
Expansion capital – capital expenditure	106.4	268.5	374.9	3.9	8.4	–	12.3	110.3	276.9	387.2
All-in costs[1]	1,573.9	860.4	2,434.3	254.7	249.7	573.6	1,078.0	1,828.6	1,683.7	3,512.3

[1] *This total may not reflect the sum of the line items due to rounding.*

Year ended 30 June 2019	Mining operations			Tailings operations				Total operations		
	Barberton Mines ZAR million	Evander Mines ZAR million	Total ZAR million	BTRP ZAR million	ETRP ZAR million	Elikhulu ZAR million	Total ZAR million	Barberton Mines total ZAR million	Evander Mines total ZAR million	Group total ZAR million
Gold cost of production	1,118.3	421.7	1,540.0	187.9	82.5	360.5	630.9	1,306.2	864.7	2,170.9
Cash cost[1]	1,118.3	421.7	1,540.0	187.9	82.5	360.5	630.9	1,306.2	864.7	2,170.9
Royalties	6.6	0.9	7.5	0.3	–	1.5	1.8	6.9	2.4	9.3
Community cost related to gold operations	21.2	3.3	24.5	–	–	–	–	21.2	3.3	24.5
By-products credits	(0.6)	(3.7)	(4.3)	–	–	–	–	(0.6)	(3.7)	(4.3)
Corporate, general and administrative costs	49.4	6.1	55.5	–	–	19.0	19.0	49.4	25.1	74.5
Reclaiming and remediation – accretion and amortisation (operating sites)	(3.6)	(4.7)	(8.3)	–	–	–	–	(3.6)	(4.7)	(8.3)
Sustaining capital – development	69.7	–	69.7	–	–	–	–	69.7	–	69.7
Sustainable capital – maintenance	70.2	–	70.2	–	–	–	–	70.2	–	70.2
AISC[1]	1,331.2	423.5	1,754.7	188.1	82.5	381.0	651.6	1,519.3	887.0	2,406.3
Expansion capital – expenditure	81.2	38.1	119.3	8.1	–	534.6	542.7	89.2	572.7	662.0
All-in costs[1]	1,412.4	461.6	1,874.0	196.2	82.5	915.6	1,194.3	1,608.6	1,459.7	3,068.3

[1] *This total may not reflect the sum of the line items due to rounding.*

Sustaining capital

Sustaining capital is capital needed to sustain the current production base.

Expansion capital

Expansion capital relates to capital expenditure for the growth of the production base.

		Mining operations			Tailings operations				Total operations		
	Year ended	Barberton Mines US$ million	Evander Mines US$ million	Total US$ million	BTRP US$ million	ETRP surface sources US$ million	Elikhulu US$ million	Total US$ million	Barberton Mines total US$ million	Evander Mines total US$ million	Group total US$ million
Sustaining capital	**2020**	**11.8**	**1.9**	**13.7**	**0.1**	**1.4**	**0.6**	**2.1**	**11.9**	**3.9**	**15.8**
	2019	9.9	–	9.9	–	–	–	–	9.9	–	9.9
Expansion capital	**2020**	**6.8**	**17.1**	**23.9**	**0.2**	**0.6**	**–**	**0.8**	**7.0**	**17.7**	**24.7**
	2019	5.7	2.7	8.4	0.6	–	37.7	38.3	6.3	40.4	46.7
Total capital	**2020**	**18.6**	**19.0**	**37.6**	**0.3**	**2.0**	**0.6**	**2.9**	**18.9**	**21.6**	**40.5**
	2019	15.6	2.7	18.3	0.6	–	37.7	38.3	16.2	40.4	56.6

Net debt

Net debt is calculated as total borrowings from financial institutions (before IFRS 9 accounting adjustments) less cash and cash equivalents (including derivatives that are entered into in connection with protection against, or benefit from, fluctuation in exchange rate or commodity prices). A reconciliation to the consolidated statement of financial position is provided in note 34 to the consolidated annual financial statements.

Net senior debt

Net senior debt includes senior, interest-bearing debt including the outstanding gold loan balance, net of available cash.

	Year ended 30 June 2020	Year ended 30 June 2019
Cash and cash equivalents	(33,529,839)	(5,341,167)
Restricted cash	389,834	–
Revolving credit facility	43,086,031	62,703,774
Term loan facility	46,162,724	71,061,695
Gold loan	5,683,626	–
Less: refinancing modification adjustment	(293,800)	(418,187)
Less: facilities arranging fees	532,893	944,603
	62,031,469	128,950,718

Adjusted EBITDA

Adjusted EBITDA is a measure of the Group's operating performance and is calculated as net profit or loss for the Group before interest and tax, before any amount attributable to the amortisation of intangible assets and the depreciation of tangible assets and before any extraordinary items or the impairment of assets.

	Mining operations			Tailings operations				Total operations		
Adjusted EBITDA by operation	Barberton Mines ZAR million	Evander Mines ZAR million	Total ZAR million	BTRP ZAR million	ETRP ZAR million	Elikhulu ZAR million	Total ZAR million	Barberton Mines total ZAR million	Evander Mines total ZAR million	Group total ZAR million
Net income before finance income and finance costs	385.0	(362.9)	22.1	151.6	59.0	760.2	970.8	536.6	456.3	992.9
Mining depreciation and amortisation	82.3	83.7	166.0	34.1	–	136.9	171.0	116.4	220.6	337.0
EBITDA	467.3	(279.2)	188.1	185.7	59.0	897.1	1,141.8	653.0	676.9	1,329.9
Impairment reversal	–	(1.5)	(1.5)	–	–	–	–	–	(1.5)	(1.5)
Adjusted EBITDA – 2020	467.3	(280.7)	186.6	185.7	59.0	897.1	1,141.8	653.0	675.4	1,328.4
Net income before finance income and finance costs	206.9	218.3	425.2	145.4	61.3	318.6	525.3	352.3	598.2	950.5
Mining depreciation and amortisation	71.0	0.2	71.2	32.6	3.7	122.8	159.1	103.6	126.7	230.3
EBITDA	277.9	218.5	496.4	178.0	65.0	441.4	684.4	455.9	724.9	1,180.8
Impairment reversal	–	(251.4)	(251.4)	–	–	–	–	–	(251.4)	(251.4)
Adjusted EBITDA – 2019	277.9	(32.9)	245.0	178.0	65.0	441.4	684.4	455.9	473.5	929.4

Adjusted EBITDA group	30 June 2020 US$ thousand	30 June 2019 US$ thousand
Net income before finance income and finance costs	65,079.3	58,408.3
Mining depreciation and amortisation	21,503.2	16,227.8
EBITDA	86,582.5	74,636.1
Impairment reversal	(88.6)	(17,853.5)
Adjusted EBITDA group	86,493.9	56,782.6

Net adjusted EBITDA

Net adjusted EBITDA starts with adjusted EBITDA adjusted for any entries made to unrealised fair value gains or losses on financial derivative instruments that are undertaken in the normal course of business. A reconciliation from adjusted EBITDA to net adjusted EBITDA is provided in note 34 to the consolidated annual financial statements.

Total finance costs on interest-bearing facilities

Is defined as interest payable on the Group's debt facilities and has been calculated in note 34 to the consolidated annual financial statements.

Free cash flow

Free cash flow starts with adjusted EBITDA and is adjusted for changes in net working capital, non-cash flow items as determined by IAS 7, cash flow expenditure not funded from permitted indebtedness, distributions to shareholders and taxation payments. A reconciliation from adjusted EBITDA to free cash flow has been calculated in note 34 to the consolidated annual financial statements.

Headline earnings

Headline earnings, a JSE-defined performance measure, is reconciled from profit/(loss) after taxation in note 10 to the consolidated annual financial statements.

RATIOS

Return on shareholder funds

This ratio measures returns to equity shareholders as a percentage of the capital invested in the Group. It is calculated as profit/(loss) after taxation divided by average total equity for the current and prior financial year.

Net debt to equity ratio

This ratio measures the degree to which the Group finances its operations through debt relative to equity and is calculated as net debt divided by total equity. This ratio has been calculated in note 34 to the consolidated annual financial statements.

Net debt to net adjusted EBITDA ratio

This ratio measures the number of years it would take the Group to repay its net debt from net adjusted EBITDA assuming both variables are held consistent and is calculated as net debt divided by net adjusted EBITDA. This ratio has been calculated in note 34 to the consolidated annual financial statements.

Interest cover ratio

This ratio measures the Group's ability to pay interest on its outstanding senior debt from net adjusted EBITDA and is calculated as total net adjusted EBITDA divided by interest costs incurred on interest-bearing debt. This ratio has been calculated in note 34 to the consolidated annual financial statements.

Debt service cover ratio

This ratio measures the cash flow available for debt service relative to the Group's principal and interest debt obligations and is calculated as free cash flow available for debt service divided by principle and interest-debt obligations. This ratio has been calculated in note 34 to the consolidated annual financial statements.

Net asset value per share

Is calculated as total equity divided by the total number of shares in issue less treasury shares held by the Group.

	Unit	30 June 2020	30 June 2019
Total equity	US$ million	**183.6**	183.6
Shares in issue	million	**2,234.7**	2,234.7
Treasury shares	million	**(306.4)**	(306.4)
Net asset value per share	US cents	**9.52**	9.52

Attributable cash flow per share

Is calculated as net cash generated by operating activities less additions to property, plant and equipment and mineral rights less borrowings repaid divided by the total number of shares in issue less treasury shares held by the Group.

	Unit	30 June 2020	30 June 2019
Net cash generated by operating activities	US$ thousand	**53,828.3**	37,706.7
Less: capital expenditure	US$ thousand	**(34,557.3)**	(55,115.7)
Add: capital expenditure funded through permitted indebtedness	US$ thousand	**36,793.9**	37,161.6
Less: obligatory borrowings redeemed	US$ thousand	**(15,891.1)**	–
Attributable cash flow		**40,173.8**	19,752.6
Shares in issue	Number thousand	**2,234,687.5**	2,234,687.5
Treasury shares	Number thousand	**(306,358.1)**	(306,358.1)
		1,928,329.4	1,928,329.4
Attributable cash flow per share	US cents per share	**2.08**	1.02

Cash flow yield per share

Is calculated as the attributable cash flow per share divided by the price per Pan African share.

	Unit	30 June 2020	30 June 2019
Attributable cash flow per share	US cents per share	**2.08**	1.02
Price per Pan African share[1]	US cents per share	**21.4**	13.0
Cash flow yield per share	(%)	**9.67**	7.88

[1] *Amounts converting at the 30 June 2020 closing exchange rate of US$/ZAR: 17.33 (2019: US$/ZAR: 14.08).*

Return on capital employed

This ratio measures the profitability of the Group's capital investments and shows how effectively assets are generating profits on invested capital for equity shareholders of the Group. It is calculated as earnings before finance costs and taxation divided by the sum of the average total equity for the current and prior financial year and average debt from financial institutions.

	Unit	30 June 2020	30 June 2019
Earnings before finance cost and taxation	US$ million	**65.1**	58.4
Average equity	US$ million	**183.6**	165.3
Average debt from financial institutions	US$ million	**111.5**	126.5
Return on capital employed	(%)	**22.1**	20.0

Adjusted EBITDA margin

Is calculated as adjusted EBITDA divided by revenue and other revenue.

Mining profit margin

This is calculated as mining profit divided by revenue and other revenue.

Current ratio

The liquidity ratio that measures the Group's ability to pay its current liabilities from current assets and is calculated as current assets divided by current liabilities and has been calculated in the Group's five-year overview on pages 76 and 77.

Price earnings ratio

Is calculated as the last sale price (refer to the Group's five-year overview on pages 76 and 77 for the year divided by the earnings per share either in cents or in pence per the table below:

	2020		2019		2018		2017		2016	
	cents	pence	cents	pence	cents	pence	cents	pence	cents	pence
Earnings per share	**36.00**	**1.82**	27.89	1.54	(86.03)	(5.15)	19.81	1.14	30.20	1.41

Dividend yield at the last traded share price

Is calculated as the dividend per share either in cents or pence per the table below divided by the last traded share price per the Group's five-year overview on pages 76 and 77.

	2020		2019		2018		2017		2016	
	cents	pence	cents	pence	cents	pence	cents	pence	cents	pence
Dividends per share	**2.24**	**0.13**	–	–	8.28	0.45	15.44	0.88	11.47	0.53

Dividend yield at the average traded share price

Is calculated as the dividend per share either in cents or pence per the table above divided by the average price per share traded per the Group's five-year overview on pages 76 and 77.

Glossary

DEFINITIONS OF TERMS AND ABBREVIATIONS USED IN THIS REPORT

8 Shaft	Evander Mines' 8 Shaft pillar project
ADR	American Depository Receipt programme through the Bank of New York Mellon
AEL	Air Emissions Licence
AGM	Annual general meeting
Aids	Acquired Immune Deficiency Syndrome
AIM	Alternative Investment Market, the LSE's international market for smaller growing companies
AMCU	Association of Mineworkers and Construction Union
APMs	Alternative performance measures
Au	Gold
B-BBEE	Broad-based black economic empowerment
Barberton Mines	Barberton Mines Proprietary Limited
Barberton Mines BEE Company	Barberton Mines BEE Company Proprietary Limited
BIOX®	The Biological Oxidation (BIOX®) gold extraction process was developed at Barberton Mines. It is an environmentally friendly process of releasing gold from the sulphide that surrounds it by using bacteria
BMTT	Barberton Mines Transformation Trust
the board	The board of directors of Pan African, as set out on pages 106 and 107
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 reached steady-state production in June 2013
CIL	Carbon-in-leach
CIPC	Companies and Intellectual Property Commission
CO_2e/t	Carbon dioxide emissions per tonne
Companies Act 2006	An act of the Parliament of the UK which forms the primary source of UK company law
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CSI	Corporate social investment
DMRE	Department of Mineral Resources and Energy
DRA Global	A global engineering group delivering mining, mineral processing, energy water treatment and infrastructure services
EGS	Essential good or service
Elikhulu	The Elikhulu Tailings Retreatment Plant in Mpumalanga province, with its inaugural gold pour in August 2018
EMTT	Evander Mines Transformation Trust
EOR	Engineer of Record
ESG	Environmental, social and governance
Eskom	Electricity Supply Commission, South Africa electricity supplier
ESOP	Employee share ownership plan
ETF	Exchange traded fund
ETRP	Evander Tailings Retreatment Plant, commissioned in October 2015
EU	European Union
Evander Mines	Evander Gold Mining Proprietary Limited
Evander Mines BEE Company	Evander Mines BEE Company Proprietary Limited
Exco	Executive committee of Pan African Resources
FIFR	Fatal-injury frequency rate
Funding Company	Pan African Resources Funding Company Proprietary Limited
GBP	British pound
GHG	Greenhouse gas
GJ	Gigajoule
g/t	Grams/tonne
GRI	Global Reporting Initiatives
HDSA	Historically disadvantaged South African
ha	Hectare
HIV	Human immunodeficiency virus
HODs	Heads of departments
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISAs (UK)	International Standards on Auditing (UK)
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
kt	Thousand tonnes
LED	Local economic development
LHOS	Long hole open stoping method
LSE	London Stock Exchange
LTI	Long-term incentive
LTIFR	Lost-time injury frequency rate
Manco	Management committee on operations
MC Mining	MC Mining Limited (previously known as Coal of Africa Limited)
MCSA	Minerals Council South Africa
Metorex	Metorex Limited
Mining Charter III	Revised charter to facilitate the sustainable transformation and development of the South Africa mining industry, came into effect in March 2019
Moz	Million ounces
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
MRC	Main Reef Complex
Mt	Million tonnes
NGO	Non-governmental organisation
NUM	National Union of Mineworkers

OTHER INFORMATION

DEFINITIONS OF TERMS AND ABBREVIATIONS USED IN THIS REPORT continued

Opsco	Operations committee of Pan African Resources
oz	ounces
PACOS	Pan African Corporate Option Scheme (new revised scheme for corporate senior managers, effective from 1 July 2018)
Pan African Resources PLC	Holding company – Pan African
PAR Gold	PAR Gold Proprietary Limited
PAR Management Services	Pan African Resources Management Services Company Proprietary Limited
PAR SA Holdings	Pan African Resources SA Holding Company Proprietary Limited
PARSMSS	Pan African Resources Senior Management Share Scheme
PASABP	Pan African Share Appreciation Bonus Plan (previous scheme for corporate senior managers)
PC Shaft	Barberton Mines' Prince Consort Shaft
PGE	Platinum group elements: platinum, palladium, rhodium and gold
Phoenix Platinum	Phoenix Platinum Mining Proprietary Limited, a subsidiary of Pan African Resources
PPE	Personal protective equipment
Prescribed officers	A person is a prescribed officer of the Company for all purposes of the South African 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
PwC	PricewaterhouseCoopers LLP
Rand Refinery	Rand Refinery Limited
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
RMB	Rand Merchant Bank, a division of FirstRand Bank Limited
SA	South African
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
SARS	SA Revenue Services
SHEQC	Safety, health, environment, quality and community
SLP	Social and Labour Plan, required in terms of Regulation 46 of the MPRDA
SACNASP	South African Council for Natural Scientific Professions
SOE	State-owned enterprise
South African Companies Act	South African Companies Act, 71 of 2008
SOPs	Standard operating procedure
t	Tonnes
TB	Tuberculosis
the current year or the year under review	The financial year ended 30 June 2020
the Group or the Company or Pan African	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 2019
the report	Pan African Resources PLC's 2020 integrated annual report
TRIFR	Total recordable injury frequency rate
TSF	Tailings storage facility
UAV	Unmanned aerial vehicles
Uitkomst Colliery	Uitkomst Colliery Proprietary Limited
UK	United Kingdom
UN SDGs	United Nations Sustainable Development Goals
US$	United States dollar
VAT	15% value-added tax in South Africa
ZAR	South African rand
ZK	Zwartkoppie

FREQUENTLY USED FINANCIAL TERMS

AISC	All-in sustaining costs
CFD	Contract for difference
CGU	Cash-generating unit
CTC	Cost to company
ECL	Expected credit losses
EBITDA	Earnings before interest, income taxation expense, depreciation and amortisation, and impairment reversal
GDP	Gross domestic product
JIBAR	Johannesburg Inter-bank Acceptance Rate
STI	Short-term incentive
TGP	Total guaranteed package
TSR	Total shareholder return
VWAP	Volume weighted average price

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FORWARD-LOOKING STATEMENTS

Statements in this report that address exploration activities, mining potential and future plans and objectives of Pan African 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 believe that the expectations expressed in such forward-looking statements or forward-looking information are based on reasonable assumptions, expectations, estimates and projections. These statements, however, 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 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 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 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.

Shareholders' diary

Financial year-end	30 June 2020
Results announcement	16 September 2020
Integrated annual report distributed	28 October 2020
Annual general meeting	26 November 2020
Interim results announcement	16 February 2021

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