

Pan African Resources

FY21 results

Everything falling into place

Pan African's FY21 results were closely in line with our expectations. Mining profit for the full 12-month period was US\$128.0m (cf our estimate of US\$132.7m – see Exhibit 2), profit after tax US\$74.7m (cf our estimate of US\$75.1m) and EPS 3.87c per share (cf our estimate of 3.90c). Most striking, however, was the 28.5% increase in the proposed final dividend to ZAR402.2m, or 1.26671cps at the prevailing forex rate. This was above the company's dividend policy guidelines, but reflected management's increasing confidence in the outlook for its operations. Pan African has also announced a share buyback programme to add to investors' returns.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/20	274.1	80.8	3.78	0.84	6.4	3.5
06/21	368.9	117.7	4.54	1.27	5.3	5.3
06/22e	337.2	131.2	4.99	1.44	4.8	6.0
06/23e	357.1	142.3	5.12	2.42	4.7	10.1

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Evander makes like a phoenix; Elikhulu recovers

In addition to its financial results, management confirmed its production guidance of 195koz for FY22 and c 210koz in FY23 and FY24. In the short term, we expect this to be at higher margins as Elikhulu transitions away from the lower benches of the Kinross tailings storage facility (TSF) to the upper benches of dam no. 3 and eventually to the Leslie and Bracken TSFs, which will allow for improved throughput and higher recoveries than in H221. In the medium term, however, with the development of the 24 Level project then Egoli at Evander, we expect output at Pan African to rise to c 263.8koz in FY27, with the main increase from Egoli financed internally from cash flows and without the need for recourse to third-party debt funding.

High yield sustainable and growing

At 5.3%, we estimate that Pan African has the 12th highest dividend yield among 64 dividend-paying listed precious metals miners, globally.

Valuation: 30p per share in prospect

Pan African is cheap relative to both its historical trading record and its peers. Our core valuation of the company is 41.79c/share (30.42p/share) cum-div. However, this stands to rise by an additional 13.5%, to 47.43c/share (34.53p/share), in the event of the successful development of Mintails/Mogale in particular. To this must then be added the value of c 19.2m underground Witwatersrand ounces, which we estimate could lie anywhere in the range of 0.22–5.24c to take the total to 47.65–52.67c/share (34.69–38.34p/share). Alternatively, if Pan African's historical average price to normalised EPS ratio of 8.9x in the period FY10–21 is applied to our FY22 and FY23 forecasts, it implies a share price of 32.15p in FY22, followed by 32.99p in FY23.

Metals & mining

28 October 2021

Price **17.50p**
Market cap **£391m**

 ZAR20.5700/£, ZAR14.9732/US\$, US\$1.3736/£
 Net debt (US\$m) at end June 2021 39.0

 Shares in issue, effective 2,234.7m
 1,928.3m post-consolidation

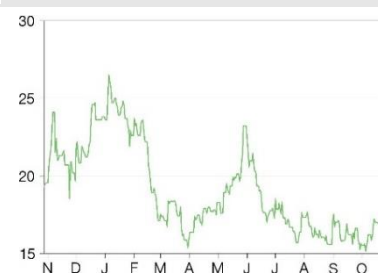
Free float 86%

Code PAF

Primary exchange AIM/JSE

Secondary exchange OTCQX Best Market

Share price performance



%	1m	3m	12m
Abs	(7.3)	(21.9)	(33.8)
Rel (local)	(10.4)	(22.3)	(45.9)

52-week high/low 25.7p 13.7p

Business description

Pan African Resources has four major producing precious metals assets in South Africa: Barberton (target output 95koz Au pa), the Barberton Tailings Retreatment Project, or BTRP (20koz), Elikhulu (55koz) and Evander underground, incorporating Egoli (currently 36koz, rising to >100koz).

Next events

AGM 25 November 2021

LSE ex-dividend date 2 December 2021

FY21 dividend payment date 14 December 2021

Mintails/Mogale due diligence Until January 2022

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Pan African Resources is a research client of Edison Investment Research Limited

Investment summary

Company description: African gold miner

Pan African is a South Africa-based gold mining group, which has dual primary JSE and AIM listings and operates four major assets in South Africa: Barberton (target output 95koz Au pa), the Barberton Tailings Retreatment Project (20koz pa), Elikhulu incorporating the Evander Tailings Retreatment Project (55koz + 10koz pa) and Evander underground incorporating the Egoli project (currently 36koz rising to >100koz pa). Within these, it has a plethora of short- to medium-term organic growth projects and an abundance of ESG initiatives (see [results presentation](#) for details).

Valuation: Everything points to 30p per share

Pan African is cheap relative to both its historical trading record and its peers. Our core valuation of the company is 41.79c/share (30.42p/share) cum-div. Stated alternatively, we calculate that investors buying Pan African's shares, cum-div, at a price of 17.50p per share, will enjoy an internal rate of return on their investment of 21.8% per year over the next 18 years, until FY39, in US dollar terms. In addition, our core valuation rises by an additional 13.5%, to 47.43c/share (34.53p/share) once next level growth projects – and in particular, the Mintails/Mogale assets – are taken into account. To this must then be added the value of c 19.2m underground Witwatersrand ounces, which we estimate could lie anywhere in the range of 0.22–5.24c to take the total to 47.65–52.67c/share (34.69–38.34p/share). Alternatively, if PAF's historical average price to normalised EPS ratio of 8.9x in the period FY10–21 is applied to our FY22 and FY23 forecasts, it implies a share price of 32.15p in FY22 followed by 32.99p in FY23. In the meantime, PAF remains cheaper than its South Africa- and London-listed gold mining peers on 86.1% of comparable common valuation measures (31 out of 36 individual measures) if our forecasts are applied over the next two years or 80.6% if consensus forecasts are applied (see Exhibit 13 on page 12). Thus, applying PAF's peers' average year 1 P/E ratio of 9.2x to our forecast normalised HEPS forecast of 4.99c/share for FY22 implies a share price for the company of 33.3p at prevailing forex rates, while applying its peers' average year 2 P/E ratio of 8.6x to our forecast normalised headline earnings per share (HEPS) forecast of 5.12c/share implies a share price of 32.0p in FY23.

Financials: Net-debt free within a year

Pan African reported total net debt of US\$39.0m at end-FY21, which equates to a gearing ratio (net debt/equity) of 13.8% and a leverage ratio (net debt/[net debt+equity]) of 12.1%. Of this, net debt to financial institutions amounted to only US\$23.6m, which compares to two and a half years ago, when it was completing capex on Elikhulu and net debt amounted to £102.7m (31 December 2018) and gearing and leverage to 82.2% and 45.1%, respectively. Despite capex commitments, we are continuing to forecast the company will be free of net debt to financial institutions by the end of FY22. In the meantime, the group remains comfortably within its debt covenants to the point at which they are now, to all intents and purposes, irrelevant.

Sensitivities and risks: Fewer than usual South African profile

Our valuation of Pan African (above) has been conducted at a real gold price declining from US\$1,819/oz to US\$1,524/oz over the next six years to CY28 and then flattening off. Apart from gold price risk, other risks include the sovereign risk relating to South Africa and normal geological and engineering risks (albeit more than a third of production in the immediate future is expected to be derived from tailings retreatment operations). Otherwise, normal commercial risks include exchange rate movements (in particular the rand/dollar exchange rate), regulatory risks and workforce risks.

FY21 production results

Pan African announced its FY21 financial results within the context of known production results, which were released to the market on 13 July and only very slightly adjusted in the final results announcement on 15 September (see Exhibit 1). Overall, production in FY21 was 6,777oz (3.5%) higher than PAF's own guidance of 195,000oz from as recently as May 2021 and as a result, the group's production profile grew, rather than declined, in H221 cf H121.

Exhibit 1: PAF production, FY18–21 (oz)

Operation	H118	H218	H119	H219	H120	H220	Original PAF estimate			Final		Change* (oz)
							H121	H221	FY21	H221	FY21	
Barberton UG	32,159	40,966	38,550	36,806	36,737	31,392	42,350	42,469	84,819	42,476	84,826	+7
BTRP	8,452	9,052	12,006	12,001	10,619	9,516	10,004	8,231	18,235	8,235	18,239	+4
Barberton	40,611	50,018	50,556	48,807	47,356	40,908	52,354	50,700	103,054	50,711	103,065	+11
Evander UG	32,734	15,831	8,821	8,058	11,553	9,117	12,607	23,352	35,959	23,409	36,016	+57
ETRP	11,937	9,313	6,345	3,654	4,731	6,176	6,560	4,561	11,121	4,677	11,237	+116
Evander	44,671	25,144	15,166	11,712	16,284	15,293	19,169	27,913	47,080	28,086	47,253	+173
Elikhulu	0	0	15,292	30,909	29,301	30,315	26,863	24,610	51,473	24,596	51,459	-14
Total	85,282	75,139	81,014	91,428	92,941	86,516	98,386	103,223	201,608	103,391	201,777	+169

Source: Edison Investment Research, Pan African Resources. Note: *Final cf original. Totals may not add up owing to rounding. UG, underground.

In general, all of the outperformance could be attributed to operations at Evander underground. Output at Evander underground was restrained by a ventilation shaft lining fracture in H121 as well as technical difficulties relating to the pseudo packs used for ground support (now overcome) and lower than usual metallurgical recoveries (although this was, to some extent, counterbalanced by an elevated head grade, which, we estimated at 8.51g/t). In the event, however, Evander's performance in H221 not only returned output levels to those expected for the six-month period, but more than made up for the shortfall in the first half, such that production for the full year was 36,016oz of an original Edison forecast of 35,667oz (see our note, [The sun rises over Egoli's city of gold](#), published on 14 October 2020). Over the same period, production at Barberton underground benefited from increased mining footprints on the 256, 257, 258 and 358 platforms, thereby engendering greater mining flexibility. Throughput at Elikhulu was restricted on account of remedial work on its tailing storage facility's lower compartment. In addition, unexpected concentrations of carbonaceous material in the lower benches of the Kinross dam negatively affected gold recoveries, which we estimate must have been in the order of 42.6% in H221 – in line with our prior expectation and also H121 and H220, but notably lower than H219 and H120 (both >50%).

FY21 financial results

The table overleaf presents Pan African's H221 and FY21 results relative to both historic results and our prior expectations. In general, both earnings and headline earnings were within 1% of our forecasts for the full year (post-tax). Within that, the main variances were a negative US\$3.3m variance in the depreciation charge, which increased more than capex (+31.2% H221 cf H121) and production (+5.1% H221 cf H121) and a negative US\$6.1m variance in 'other' expenses, which included US\$7.3m in costs incurred on the increased value of employee incentive schemes' liabilities, consistent with the increase in the group's share price. These were almost exactly balanced by a US\$10.4m positive variance in the tax charge, of which the majority (US\$7.2m) could be attributed to deferred taxes.

While normalised earnings and profit after tax were within 1% of our prior expectations, however, Pan African outperformed our underlying expectations (as measured by normalised HEPS, which excludes other income and expenses, in particular), by 6.9%, as shown below.

Exhibit 2: PAF P&L statement by half-year (H119–H221e)

US\$000s (unless otherwise indicated)	H119 (restated)	H219	FY19	H120	H220	FY20	H121	H221e	H221a	FY21e	FY21a
Revenue	97,531	121,287	218,818	132,849	141,258	274,107	183,751	185,269	185,164	369,020	368,915
Cost of production	(70,847)	(82,133)	(152,980)	(86,501)	(71,956)	(158,457)	(98,245)	(109,312)	(110,570)	(207,557)	(208,815)
Depreciation	(6,840)	(9,388)	(16,228)	(10,526)	(10,977)	(21,503)	(12,741)	(16,020)	(19,333)	(28,761)	(32,074)
Mining profit	19,844	29,767	49,611	35,821	58,325	94,146	72,766	59,937	55,260	132,703	128,026
Other income/(expenses)	(2,077)	(5,181)	(7,258)	(962)	(27,720)	(28,682)	(6,704)	0	(6,115)	(6,704)	(12,819)
Loss in associate etc	0	0	0	0	0	0	0	0		0	0
Loss on disposals	0	0	0	0	0	0	0	0		0	0
Impairments	0	17,854	17,854	109	(20)	89	0	0		0	0
Royalty costs	(474)	120	(354)	(208)	(266)	(474)	(2,404)	(1,778)	(1,050)	(4,183)	(3,454)
Net income before finance	17,293	42,559	59,852	34,761	30,319	65,079	63,657	58,159	48,096	121,816	111,753
Finances income	443	407	850	207	258	465	300		456		756
Finance costs	(5,699)	(7,343)	(13,042)	(7,760)	(5,587)	(13,346)	(3,946)		(3,729)		(7,675)
Net finance income	(5,256)	(6,936)	(12,192)	(7,553)	(5,329)	(12,881)	(3,646)	(2,507)	(3,273)	(6,153)	(6,919)
Profit before taxation	12,037	35,623	47,660	27,208	24,990	52,198	60,011	55,651	44,823	115,662	104,834
Taxation	(2,325)	(5,850)	(8,174)	(5,303)	(2,602)	(7,905)	(19,239)	(21,275)	(10,903)	(40,513)	(30,141)
Effective tax rate (%)	19.3	16.4	17.2	19.5	10.4	15.1	32.1	38.2	24.3	35.0	28.8
PAT (continuing ops)	9,712	29,774	39,486	21,906	22,388	44,293	40,773	34,376	33,920	75,149	74,692
Loss from discontinued ops	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Profit after tax	9,712	29,774	39,486	21,906	22,388	44,293	40,773	34,376	33,920	75,149	74,692
Headline earnings	9,712	14,586	24,298	21,742	22,416	44,158	40,772	34,376	33,919	75,148	74,691
Est. normalised headline earnings	11,789	19,766	31,556	22,704	50,136	72,840	47,476	34,376	40,034	81,852	87,510
EPS (c)	0.50	1.54	2.05	1.14	1.16	2.30	2.11	1.78	1.76	3.90	3.87
HEPS* (c)	0.50	0.76	1.26	1.13	1.16	2.29	2.11	1.78	1.76	3.90	3.87
Normalised HEPS (c)	0.61	1.03	1.64	1.18	2.60	3.78	2.46	1.78	2.08	4.24	4.54
EPS from continuing ops (c)	0.50	1.54	2.05	1.14	1.16	2.30	2.11	1.78	1.76	3.90	3.87

Source: Pan African Resources, Edison Investment Research. Note: As reported basis. *HEPS = headline earnings per share (company adjusted basis).

In the event, deferred taxes accounted for the majority (52.6%) of the total tax charge, with cash taxes amounting to only the balance of 47.4%.

While modestly outperforming our expectations for the full year, normalised HEPS of 4.54c/share was nevertheless almost exactly in the middle of the range of analysts' expectations of 3.01–3.72p/share, or 4.16–5.14c/share (source: Refinitiv, 21 July 2021).

H221 and FY21 operational analysis

Barberton underground (42% of production; 41% of adjusted EBITDA)

Barberton reaped the rewards to increased mining flexibility in H221, owing to the establishment of four platforms from which to cycle high-grade production on the MRC orebody (cf three in FY20), with tonnes milled remaining at high levels and the underground grade remaining close to its average for the last 10 years. As a result, production recorded its highest level since H116, while unit costs increased by only 3.1% (H221 cf H121) in rand terms, which was a creditable performance given that year-on-year CPI inflation in South Africa was 4.9% in June after recording a 30-month high of 5.2% in May and that the number of tonnes milled from surface sources decreased by 5.9 percentage points, from 24.3% of the total in H121 to 18.4% in H221. As a result, Barberton recorded its second highest level of adjusted EBITDA in recent history in H221 (after H121) and otherwise the highest since at least H115 and easily covered capex of ZAR230.4m (see Exhibit 3).

Full details of Barberton's operating performance in FY21 are provided in Pan African's [results announcement](#). In summary, the worst depredations of the coronavirus were mitigated by:

increased reserve delineation drilling on the 256 platform of the high-grade MRC orebody at Fairview to increase confidence in, and predictability of, management's geological models; Barberton's ability to mill ore from surface sources (requiring a lower complement of workers); and its ability to focus on higher-grade areas of the orebody after the establishment of the 257 and 258 platforms, thereby allowing four platforms to cycle (flexible) production on the MRC. The improved flexibility, resulting from accelerated underground development programmes, has now increased the face length available for mining to over 200m (cf 130m at end-FY20). At the 257 platform alone, geological mapping and reserve delineation drilling have identified mineralised widths in excess of 15m (cf the usual 7m ordinarily encountered on the upper platforms).

Exhibit 3: Barberton underground operational statistics and estimates, H118–H221

	H118	H218	H119	H219	H120	H220	H121	H221e	H221	H221 vs H221e (%)	FY21
Tonnes milled underground (t)	124,969	112,862	127,858	119,777	117,545	116,035	122,199	129,501	133,473	+3.1	255,672
Head grade underground (g/t)	8.70	12.07	9.60	9.88	*9.70	*8.79	11.25	10.38	*10.42	+0.4	10.82
Underground gold contained (oz)	34,956	43,803	39,463	38,052	36,648	32,791	44,195	43,215	44,724	+3.5	88,918
Tonnes milled surface (t)	0	0	12,471	33,158	47,231	56,593	39,267	38,879	30,078	-22.6	69,345
Head grade surface (g/t)	0.00	0.00	2.30	1.62	*2.16	*0.73	1.06	2.16	*0.98	-54.6	1.03
Surface gold contained (oz)	0	0	922	1,729	3,283	1,331	1,343	2,703	949	-64.9	2,292
Tons milled (t)	124,969	112,862	140,329	152,935	164,776	172,628	161,466	168,380	163,551	-2.9	325,017
Head grade (g/t)	8.70	12.07	8.95	8.09	7.54	6.15	8.77	8.48	8.69	+2.5	8.73
Contained gold (oz)	34,956	43,803	40,386	39,780	39,932	34,122	45,538	45,918	45,673	-0.5	91,211
Recovery (%)	93.0	93.5	94.0	92.5	92.0	92.0	93.0	92.5	93.0	+0.5	93.00
Production underground (oz)	32,159	40,966	37,735	35,129	36,737	31,392	42,350	42,469	42,476	0.0	84,826
Production calcine dumps/surface ops (oz)	0	0	815	1,677	0	0	0	0	0	N/A	0
Total production (oz)	32,159	40,966	38,550	36,806	36,737	31,392	42,350	42,469	42,476	0.0	84,826
Recovered grade (g/t)	8.00	11.29	8.54	7.49	6.93	5.66	8.16	7.84	8.08	+3.0	8.12
Gold sold (oz)	32,159	40,966	37,829	37,527	36,737	31,392	42,350	42,469	42,476	0.0	84,826
Average spot price (US\$/oz)	1,288	1,317	1,220	1,306	1,477	1,647	1,877	1,819	1,805	-0.8	1,836
Average spot price (ZAR/kg)	554,361	521,029	556,770	596,180	698,031	882,504	981,381	850,373	843,828	-0.8	909,122
Total cash cost (US\$/oz)	1,145	981	996	1,097	1,159	1,053	997	1,235	1,150	-6.7	1,074
Total cash cost (ZAR/kg)	492,826	390,220	454,164	500,214	547,594	572,432	521,351	577,560	542,629	-6.0	531,999
Total cash cost (US\$/t)	294.62	356.03	268.42	269.10	258.39	191.44	261.64	311.60	298.72	-4.1	280.30
Total cash cost (ZAR/t)	3,945.00	4,405.46	3,860.00	3,817.67	3,797.00	3,237.70	4,253.00	4,530.90	4,383.29	-3.3	4,318.56
Implied revenue (US\$000)	41,421	53,057	46,151	49,325	54,261	53,724	79,491	77,251	76,250	-1.3	155,741
Implied revenue (ZAR000)	554,499	660,698	655,098	699,398	797,598	893,997	1,292,694	1,123,280	1,105,899	-1.5	2,398,592
Implied revenue (£000)	31,422	38,722	35,652	38,120	43,061	42,614	60,824	55,637	54,762	-1.6	115,586
Implied cash costs (US\$000)	36,819	40,182	37,667	41,155	42,576	33,047	42,246	52,468	48,857	-6.9	91,103
Implied cash costs (ZAR000)	493,003	497,209	534,400	583,855	625,654	558,918	686,715	762,914	716,891	-6.0	1,403,606
Implied cash costs (£000)	27,900	29,269	29,102	31,803	33,796	26,203	32,349	37,790	35,265	-6.7	67,614
Reported adjusted EBITDA (ZAR000)	72,300	174,700	137,200	140,700	205,100	262,200	543,900		421,700	N/A	965,600

Source: Pan African Resources, Edison Investment Research. Note: *Estimated.

Since the year end, Pan African announced a three-year wage agreement with the National Union of Mineworkers (NUM) and a five-year wage agreement with the United Association of South Africa union (UASA). While there are a number of conditions to the agreements, the substantive points are that the NUM deal provides for an average annual wage increase of c 5.6% for three years ending 30 June 2024, while the UASA deal provides for 5.0% increases for the five years to end June 2026, but with the potential to be higher or lower depending on the rate of South African consumer price inflation. The blended average annual increase is expected to be 5.4% compound annually for the initial three-year period of the agreements. While price increases in South Africa (as measured by the CPI) were 3.0–3.3% between July 2020 and March 2021, they recently accelerated to 5.2% in May and 4.9% in June. Over the past six years, they have been 3.1–6.3%

(simple average 4.7%). With little apparent political will to rein prices in, however, in the face of the country's unemployment situation, inflation is expected to remain at elevated levels at or around 4.5% into the foreseeable and, as such, Pan African's agreements represent a real-term increase of less than 1%, while at the same time conferring upon Barberton the security of operating in an environment free from the prospect of old fashioned industrial action.

Elikhulu (26% of production; 33% of adjusted EBITDA)

Elikhulu's performance in H221 was broadly similar to both that in H121 and Edison's prior expectations, with the exception of the fact that unit cash costs (as measured in ZAR/t) did not decline relative to H121 as we had expected. Remedial and optimisation work on the Elikhulu tailings storage facility's lower compartment restricted tonnages throughputs, in mitigation of which the group was required to install elevated drains on the south-western edge of the compartment in order to facilitate the removal of excess water from the facility (TSF) and to ensure sustainable operations. At the same time, the lower benches of the Kinross TSF were found to contain higher than expected concentrations of historically processed fine carbon, which adversely affected metallurgical recoveries, compounded by the mining of the coarser but high-grade outer wall of the Kinross TSF, which also acted to reduce recoveries.

As a result, whereas we calculated that Elikhulu accounted for 47% of group-wide H120 adjusted EBITDA, 91% of H220 adjusted EBITDA and 68% of FY20 adjusted EBITDA, in FY21 we estimate it accounted for 39% of H121 adjusted EBITDA, 27% of H221 adjusted EBITDA and 33% of FY21 adjusted EBITDA. Nevertheless, while adjusted EBITDA at Elikhulu was comparable to that of Barberton in FY21 (ZAR786.0m cf ZAR965.6m), its capex was still an order of magnitude lower (ZAR64.2m cf ZAR418.3m).

Exhibit 4: Elikhulu operational statistics and estimates, H119–H221

	H119	H219	H120	H220	H121	H221e	H221	H221 cf H121	FY21
Tonnes processed tailings (t)	3,534,278	7,313,931	6,211,028	6,882,546	6,278,191	6,671,500	6,776,576	7.9	13,054,767
Head grade tailings (g/t)	0.30	0.26	*0.28	0.32	0.31	0.27	0.29	-6.5	0.30
Tailings gold contained (oz)	34,089	60,199	56,348	70,494	62,472	57,740	63,038	0.9	125,510
Recovery (%)	44.0	51.3	52.0	43.0	43.0	42.6	42.6	-0.9	41.0
Production tailings (oz)	15,292	30,909	29,301	30,315	26,863	24,610	24,596	-8.4	51,459
Total production (oz)	15,292	30,909	29,301	30,315	26,863	24,610	24,596	-8.4	51,459
Recovered grade (g/t)	0.13	0.13	0.15	0.14	0.13	0.11	0.11	-15.2	0.12
Gold sold (oz)	15,292	30,173	29,301	30,315	26,863	24,610	24,596	-8.4	51,459
Average spot price (US\$/oz)	1,216	1,306	1,451	1,647	1,852	1,805	1,805	-2.5	1,811
Average spot price (ZAR/kg)	563,250	596,180	685,680	882,504	968,130	843,828	843,828	-12.8	896,689
Total cash cost (US\$/oz)	517	575	621	495	656	711	849	29.3	744
Total cash cost (ZAR/kg)	239,639	262,650	293,608	265,166	342,917	332,333	396,698	15.7	368,613
Total cash cost (US\$/t)	2.24	2.43	2.93	2.15	2.81	2.62	3.05	8.6	2.93
Total cash cost (ZAR/t)	32.00	33.70	43.00	36.33	45.63	38.13	44.78	-1.9	45.19
Implied revenue (US\$000)	18,595	39,009	42,516	50,783	49,750	44,421	43,442	-12.7	93,192
Implied revenue (ZAR000)	267,899	554,999	624,898	837,196	808,898	645,909	626,289	-22.6	1,435,187
Implied revenue (£000)	14,365	30,145	33,740	40,283	38,067	31,992	31,097	-18.3	69,165
Implied cash costs (US\$000)	7,912	17,742	18,209	14,818	17,626	17,495	20,657	17.2	38,283
Implied cash costs (ZAR000)	114,000	246,492	267,600	250,023	286,500	254,384	303,480	5.9	589,980
Implied cash costs (£000)	6,208	13,421	14,455	11,784	13,496	12,601	14,986	11.0	28,482
Adjusted EBITDA (ZAR000)	145,100	296,300	333,100	564,000	484,800		301,200	N/A	786,000

Source: Pan African Resources, Edison Investment Research. Note: *Estimate.

Capex at Elikhulu will continue to increase in FY22 as it transitions from Phase 1 of its operations (the re-mining of Kinross tailings) to Phase 2 (the re-mining of Leslie and Bracken tailings), necessitating the installation of approximately 6km of piping and a pump station between the plant

and the areas to be mined. Thereafter, it is expected to produce approximately 60,000oz gold pa until FY26 as re-mining progresses from the Kinross to the Leslie and Bracken TSFs. For the final seven years of operation, while processing the Winkelhaak TSF, it is expected to produce c 50,000oz gold pa (excluding c 102,000oz inferred mineral resources delineated in the soil material beneath the existing TSFs).

In the meantime, however, Elikhulu is expected to produce 55,000oz gold in FY22, with improved throughput and higher recoveries from the planned re-mining of areas on the upper benches of the number three Kinross TSF dam (in line with its mine plan from the start of production).

Evander underground (18% of production; 16% of adjusted EBITDA)

Relative to prior periods, underground operations at Evander in H221 recorded a vastly improved performance, with both tonnes processed and grades increasing materially at the same time that unit costs (measured in ZAR/t) decreased materially, to result in a near seven-fold increase in adjusted EBITDA (cf H121) to a level that is almost certainly a record for underground operations at Evander since they came under PAF ownership and management in H213.

Exhibit 5: Evander operational statistics and estimates, H119–H221

	H119	H219	H120	H220	H121	H221e	H221	**Change (%)	***Variance (%)	FY21
Tonnes milled (t)	37,347	26,624	30,044	21,392	50,634	76,093	69,812	37.9	-8.3	120,446
Head grade (g/t)	7.82	10.01	*12.59	5.16	8.51	9.74	10.56	24.1	+8.4	9.70
Contained gold (oz)	9,384	8,572	12,161	3,549	13,854	23,829	23,709	71.1	-0.5	37,563
Recovery (%)	94	94	95	94	91	98	99	8.5	+1.0	96
Underground production (oz)	8,821	8,058	11,553	9,117	12,607	23,352	23,409	85.7	+0.2	36,016
Production from surface sources (oz)	0	0	0	0				N/A	N/A	0
Total production (oz)	8,821	8,058	11,553	9,117	12,607	23,352	23,409	85.7	+0.2	36,016
Recovered grade (g/t)	7.35	9.41	11.96	13.26	7.74	9.55	10.43	34.7	+9.2	9.30
Gold sold (oz)	8,821	8,058	9,214	5,863	12,607	23,352	23,409	85.7	+0.2	36,016
Average spot price (US\$/oz)	1,214	1,306	1,451	1,647	1,852	1,805	1,805	-2.5	0.0	1,811
Average spot price (ZAR/kg)	565,367	596,180	685,658	882,504	968,072	843,828	843,828	-12.8	0.0	896,612
Total cash cost (US\$/oz)	1,711	1,814	1,420	1,241	1,604	1,012	1,030	-35.8	+1.8	1,225
Total cash cost (ZAR/kg)	780,357	828,170	671,299	665,209	838,665	473,272	481,582	-42.6	+1.8	606,656
Total cash cost (US\$/t)	404.07	549.62	546.00	169.14	399.31	310.68	342.36	-14.3	+10.2	366.30
Total cash cost (ZAR/t)	5,733	7,796	6,404	5,671	6,496	4,517	5,023	-22.7	+11.2	5,642
Implied revenue (US\$000)	10,709	10,525	13,370	9,879	23,348	42,150	41,877	79.4	-0.6	65,225
Implied revenue (ZAR000)	155,115	146,084	196,499	167,699	379,599	612,892	624,798	64.6	+1.9	1,004,397
Implied revenue (£000)	8,272	8,134	10,610	7,836	17,865	30,357	30,543	71.0	+0.6	48,408
Implied cash costs (US\$000)	15,091	14,633	16,404	3,618	20,218	23,641	23,901	18.2	+1.1	44,120
Implied cash costs (ZAR000)	214,100	207,564	192,402	121,306	328,918	343,748	350,638	6.6	+2.0	679,556
Implied cash costs (£000)	11,659	11,301	10,393	5,509	15,495	17,027	17,312	11.7	+1.7	32,806
Adjusted EBITDA (ZAR000)	(58,985)	26,085	64,900	(345,600)	49,000		331,000	575.5		380,000

Source: Pan African Resources, Edison Investment Research. Note: *Estimate. **H221 cf H121. ***H221 cf H221e.

After a difficult H121, in which output was below expectations, among other things, as a result of a ventilation shaft lining fracture, successful remedial work on the shaft barrel allowed production in H221 to more than make up for the shortfalls in H121, with average production of c 5,134oz per month for each of the last three months of FY21 (ie an annualised production rate of 61,608oz pa).

The 8 Shaft pillar now has a remaining life in excess of two years and is expected to produce approximately 79,160oz of gold during this period, at approximately 39,000oz pa, after which production at Evander underground will be redirected towards Phase 1 of the 8 Shaft decline, 24 Level project and potentially Phase 2 thereafter (extending mining down to 25 and 26 Levels).

Growth projects

Pan African has recently added two major new projects to its existing portfolio of growth projects (already including Royal Sheba, the Fairview sub-vertical shaft, Rolspruit, Poplar, Evander South etc) in the form of the Mintails/Mogale project and the 8 Shaft decline 24 Level project.

Mintails/Mogale

One of the assets with the most immediate optionality in the company's portfolio is Mintails/Mogale, which could yet prove very similar in nature to Elikhulu, and into which PAF is conducting due diligence with a view to acquiring it.

On 6 November 2020, PAF announced it had entered into a conditional agreement with the liquidator of Mintails' assets for the purchase of the total share capital and associated loans of Mogale Gold and Mintails SA Soweto Cluster. Due diligence has been extended until January 2022. In the meantime, Pan African has successfully concluded both a fatal flaw analysis and a high-level financial evaluation of the project (which would be similar in nature to Pan African's flagship Elikhulu project). In July, it subsequently completed a pre-feasibility study (PFS) on the Mogale Gold assets. Key outcomes of the PFS (cf the financial evaluation) are as follows:

- An optimal throughput feed of c 0.8Mtpm (unchanged; cf Elikhulu's 1.2Mtpm).
- An all-in sustaining cost of US\$1,087/oz (cf US\$800/oz).
- An NPV_{10.71} of ZAR849m, or US\$56.6m, at a gold price of US\$1,690/oz and a forex rate of ZAR15.00/US\$ (cf ZAR1,469m, or US\$101.3m, at a gold price of US\$1,770/oz and a forex rate of ZAR14.50/US\$); this equates to ZAR0.44/share (cf ZAR0.76/share), US\$0.029/share (cf US\$0.053/share) or £0.021 (cf £0.038/share).
- Initial project capital of ZAR1,991m, or US\$132.7m at ZAR15.00/US\$, and life of mine capital of ZAR3,022m, or US\$201.5m (cf ZAR1,000m, or US\$68.9m at ZAR14.50/US\$, and life of mine capital of ZAR1,700m, or US\$117.2m).
- Average annual production of 40-50koz pa (cf 44.4koz pa).
- An 11-year life of mine (cf 12 years).
- A real pre-tax internal rate of return of 22% (cf a post-tax internal rate of return of 42.8%).

While not explicitly reported in the results of the PFS, metallurgical recoveries were estimated to be c 53% in the initial financial evaluation (cf Elikhulu's 48%). In the meantime, by way of comparison, investors should note that Mintails' and Mogale's aggregate resource of 2.36Moz compares favourably to Elikhulu's original resource of 1.7Moz and its initial reserve of 1.5Moz, but at a fractionally higher grade of 0.30g/t (cf Elikhulu's 0.29g/t). PAF announced the results of an independent definitive feasibility study (DFS) on Elikhulu on 5 December 2016, which demonstrated an NPV₉ of US\$75.9m (or, then, 5.0c/share, or US\$40.95 per resource ounce) at a gold price of US\$1,180/oz and a forex rate of ZAR14.50/US\$. At the time, we estimated Elikhulu to be worth US\$69.9m (or 4.6c/share) at a 10% discount rate and to be capable of adding 1.33p to EPS in the first eight years of its operation (albeit there are now 28.0% more shares in issue). Now, however, with capex having been expended (albeit with not all associated debt having quite been repaid), we estimate a valuation for Elikhulu of c US\$140.98 per initial resource ounce or US\$185.19 per remaining resource ounce. As such, and albeit with suitable caveats such as the Mintails/Mogale assets developing in a similar fashion to Elikhulu, PAF could acquire for US\$1.31/oz an asset that should be worth US\$9.88/oz as an in-situ resource (see [Gold stars and black holes](#), published in January 2019), could be worth US\$23.98/oz (pre-development) and may be worth up to US\$208.49 per remaining ounce (or US\$126.23 per initial ounce), post-initial capex and debt repayment.

8 Shaft no. 2 decline 24 Level project

Pan African has continued to maintain the integrity of the underground infrastructure at Evander even after the end of high-volume, deep-level underground mining in May 2018. While limited vamping operations have continued since then, PAF has now concluded an internal technical and economic study into the merits of mining the number 2 decline on 24 Level at 8 Shaft (Phase 1 of the project) with an option to extend mining to levels 25 and 26 at a later date (Phase 2).

An integral component of the Phase 1 study was the identification of pre-May 2018 problems at Evander underground and appropriate mitigation of the major challenges encountered during the mining of the Kinross orebody. These included:

Exhibit 6: Evander underground challenges and mitigations

Risk	Mitigation
Low efficiencies owing to high temperatures as a result of inadequate refrigeration capacity	Installation of a new refrigeration plant for a capital investment of c ZAR170m (US\$22.1m at ZAR14.50/US\$)
Ore and waste separation	Underground waste handling and storage facilities to be installed at a capital cost of c ZAR60m (US\$4.1m)
Limited face time owing to long underground travelling times and distances	Installation of a man carriage on 24 Level
Labour intensive ore handling infrastructure based on a continually rotating three-shift pattern	Reduced tonnage profile requiring only one shift to be manned in order to meet production targets

Source: Pan African Resources, Edison Investment Research

To date, the study has yielded the following results for the project:

- An NPV_{10.71} of ZAR126.1m, or US\$8.7m at a gold price of US\$1,770/oz and a forex rate of ZAR14.50/US\$, or ZAR0.063/share, US\$0.005/share or £0.003/share.
- Project capital of ZAR320m (US\$22.1m at ZAR14.50/US\$) to be funded internally and from existing facilities.
- A real, post-tax internal rate of return of 26.6% (based on Phase 1 cash-flows only).

While not large by the standards of some of Pan African's other recent projects, the 8 Shaft no. 2 decline 24 Level project will extend the 8 Shaft Pillar project's 2.5-year life by a minimum of another 2.5 years at approximately the same level of production of c 35,000oz per year and has now been officially brought into PAF's life of mine plan for 8 Shaft (and therefore our estimates for the purposes of our valuation of Pan African, below).

Asset development and assumptions

As a consequence of the positive concept study on Mintails/Mogale and the group's assessment of the opportunity provided by the 24 Level project at Evander, Pan African has now reprioritised its capital expenditure programmes as follows:

- It has started preparatory work for the mining of the 24 Level project. For the purposes of our estimates and valuation, we have assumed the following performance parameters over the life of the operation:

Exhibit 7: 24 Level project cost and production assumptions

	FY22	FY23	FY24	FY25	FY26
Gold produced (oz)	0	10,450	35,520	39,700	12,550
Opex (ZAR/t)*	N/A	5,000	5,000	5,000	5,000
Capex (ZARm)*	220.8	90.6	6.4	-	-

Source: Pan African Resources, Edison Investment Research. Note: *Real.

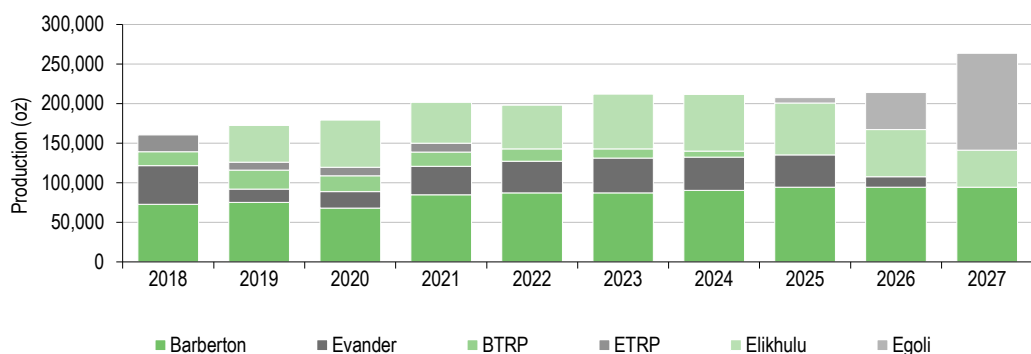
- It will implement a phased approach to the development of the Egoil project. We had previously assumed that capex for Egoil would be expended in FY21–23 with production also beginning in FY23; we are now assuming that PAF will develop and mine the 24 Level project in FY22–26 and will phase in Egoil capex in FY24–26, with first production in FY25. For the moment, we

have left our capex assumptions for Egoli unchanged in real terms (at ZAR1.9bn over the life of the operation), albeit their later timing will allow them to be funded from 24 Level project cash-flows, rather than requiring third party debt finance. In addition, we have increased assumed life of mine production from Egoli from 571koz to 730koz to reflect upside from both ‘white areas’ and inferred resources that will be accessed during the dovetailing of the 24 Level and Egoli projects. In the event that the 25 and 26 Level project is developed however, there will be scope to significantly reduce the upfront capital expenditure uniquely associated with Egoli.

- It will complete a definitive feasibility study (DFS) on the Mintails’ assets in Q1 of CY22. The results of the Mintails’ PFS are shown on page 8, above. One intermediate risk that has evolved with respect to Mintails is that, whereas Pan African has the sole right to acquire Mintails’ assets, subject to due diligence (extended to January 2022), it is understood that an application has been brought by the major creditor of Mintails SA to set aside the liquidation process and revert to a business rescue process. As a consequence, we have not yet incorporated PAF’s PFS results for Mintails/Mogale into our group forecasts, but continue to value this asset at purchase price only plus potential upside in the event that the project is developed according to the parameters set out in the project’s PFS.

As a result of the above changes to our assumptions (particularly the deferral of the development of Egoli), whereas we had forecast that group production at PAF would reach 274.5koz in FY25 previously, we now forecast that it will reach 263.8koz in FY27 – approximately two years later than originally forecast, but with intermediate production augmented by the 24 Level project (and potentially the Phase 2 25 and 26 Level projects) and without the need for third-party debt funding for Egoli.

Exhibit 8: Estimated Pan African group gold production, FY18–FY27e

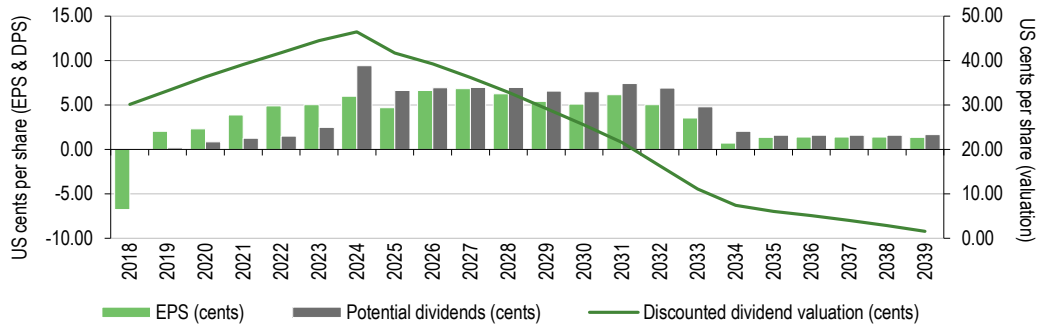


Source: Edison Investment Research.

Updated (absolute) valuation

In the light of Pan African’s operational update for FY21 and fractionally revised external factors such as the gold price and forex rates, our absolute value of the company (based on its existing four producing assets plus Egoli) has increased by 14.4% to 41.79c/share (cf 36.52c previously), on the basis of the present value of our estimated maximum potential stream of dividends payable to shareholders over the life of its mining operations (applying a 10% discount rate):

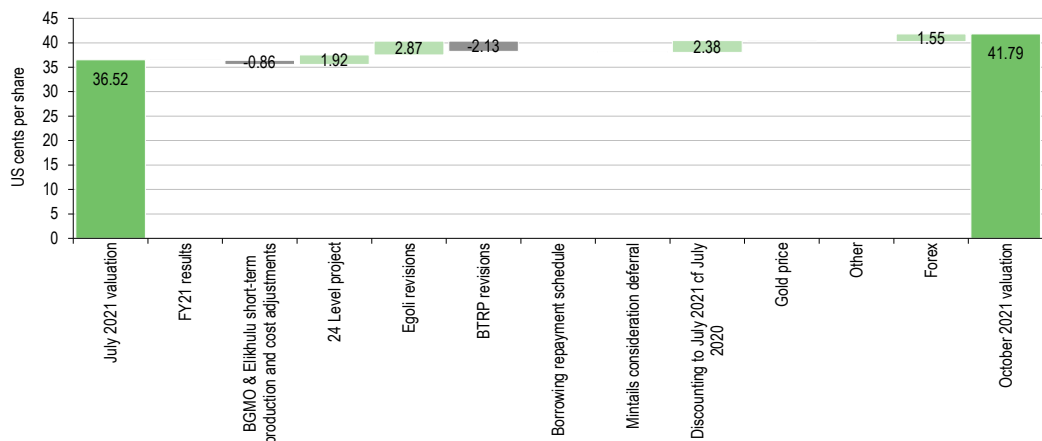
Exhibit 9: PAF estimated life of operations' diluted EPS and (maximum potential) DPS*



Source: Pan African Resources, Edison Investment Research. Note: *From FY24. Excludes discretionary exploration investment.

A summary of the major components of the change in our valuation is provided in the 'bridge' chart below:

Exhibit 10: October 2021 valuation of July 2021 valuation bridge chart (US cents per share)



Source: Edison Investment Research

Including its other potential growth projects and assets (namely the residual Evander underground resource and its shareholding in MC Mining), our updated total valuation of PAF is as follows:

Exhibit 11: PAF absolute valuation summary (US cents per share)

Project	Current valuation (cents/share)	Previous valuation (cents/share)
Existing producing assets (plus Egoli)	41.79	36.52
FY21 dividend	1.20	N/A
Fairview Sub-Vertical Shaft project	0.76	1.13
Royal Sheba (resource-based valuation)	0.69	0.43
Mintails/Mogale purchase consideration*	0.17	0.17
8 Shaft no. 2 decline 24 Level project	**N/A	0.45
MC Mining shares	0.06	0.06
Sub-total	44.66	38.76
EGM underground resource	0.22-5.24	0.22-5.24
Sub-total	44.88-49.90	38.98-44.00
Mintails/Mogale project execution upside	2.77	5.08
Total	47.65-52.67	44.06-49.08

Source: Edison Investment Research. Note: Numbers may not add up owing to rounding. * Acquisition of Mintails/Mogale is agreed, subject to due diligence; **now included in 'Existing producing assets (plus Egoli)'.

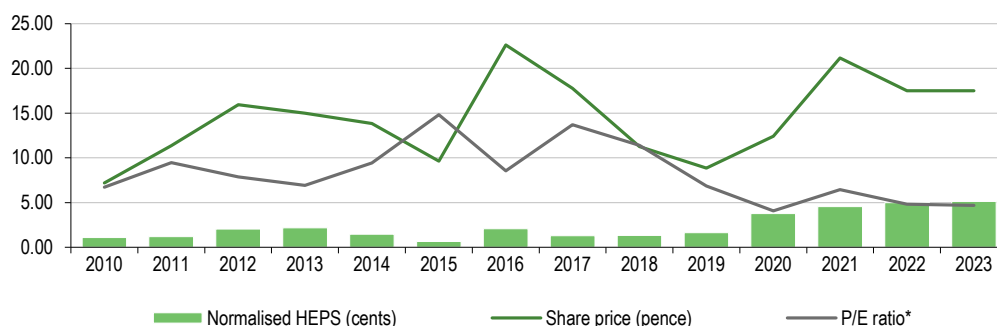
Stated alternatively, excluding its other assets (ie the Fairview Sub-Vertical Shaft, Royal Sheba, Mintails/Mogale, MC Mining shares and EGM underground resource), we estimate that investors buying Pan African's shares, cum-div, at a price of 17.50p per share, will earn an internal rate of return on their investment of 21.8% per year (over the next 18 years, until FY39, in US dollar terms).

Historical relative and current peer group valuation

Historical relative valuation

Exhibit 12, below, depicts PAF's average share price in each of its financial years from FY10 to FY21 and compares this with normalised HEPS in the same year. For FY22 and FY23, the current share price (17.50p) is compared with our forecast normalised HEPS for FY22 to FY23. As is apparent from the graph, Pan African's price to normalised HEPS ratio of 4.8x and 4.7x for FY22 and FY23, respectively (based on our forecasts, see Exhibit 18) is close to the bottom of its recent historical range of 4.1–14.8x for the period FY10–21:

Exhibit 12: PAF historical price to normalised HEPS ratio, FY10–FY23e**



Source: Edison Investment Research. Note: *Completed historical years calculated with respect to average share price within the year shown and normalised HEPS; zero normalisation assumed before 2016. **HEPS shown in pence prior to 2018 and US cents thereafter.

Stated alternatively, if PAF's average Year 1 price to normalised EPS ratio of 8.9x for FY10–21 is applied to our normalised earnings forecasts, then it implies a share price for PAF of c 32.15p in FY22 followed by 32.99p in FY23.

Relative peer group valuation

Over the next two years, Pan African remains cheaper than its South Africa- and London-listed gold mining peers on 86.1% of comparable common valuation measures (31 out of 36 individual measures in the table below) if our forecasts are applied or 80.6% if consensus forecasts are applied.

Exhibit 13: Comparative valuation of PAF with South African and London peers

	EV/EBITDA (x)		P/E (x)		Yield (%)	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
AngloGold Ashanti	5.3	4.3	10.1	7.8	1.4	1.6
Gold Fields	4.5	4.5	9.7	9.3	3.0	3.1
Sibanye	2.1	2.4	3.9	4.7	9.0	7.8
Harmony	3.8	3.6	8.5	8.1	1.9	3.5
Centamin	3.5	3.3	11.7	11.5	6.5	4.8
Endeavour Mining (consensus)	4.9	4.7	11.2	10.3	2.1	2.4
Average (excluding PAF)	4.0	3.8	9.2	8.6	4.0	3.9
PAF (Edison)	2.9	2.7	4.8	4.7	6.0	10.1
PAF (consensus)	3.0	3.1	4.8	4.9	4.6	6.1

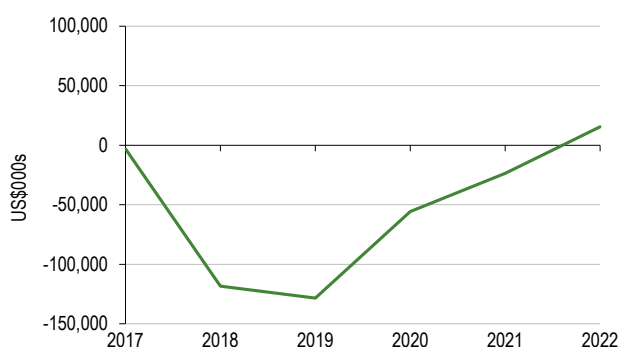
Source: Edison Investment Research, Refinitiv. Note: Consensus and peers priced at 28 October 2021.

Alternatively, applying PAF's peers' average year 1 P/E ratio of 9.2x to our forecast normalised HEPS forecast of 4.99c/share for FY22 implies a share price for the company of 33.3p at prevailing forex rates. Applying its peers' average year 2 P/E ratio of 8.6x to our forecast normalised HEPS forecast of 5.12c/share implies a share price of 32.0p.

Financials

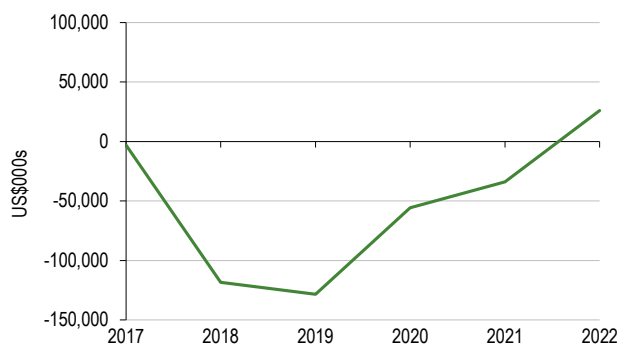
Pan African reported net debt to financial institutions of only US\$23.6m at end-June 2021 (see Exhibit 16), which equates to a gearing ratio (net debt/equity) of only 8.3% (cf 24.5% at the interim stage) and a leverage ratio (net debt/[net debt+equity]) of 7.7% (cf 19.7% at the interim stage). Despite capex commitments, we are continuing to forecast the company will be free of net debt to financial institutions by the end of FY22.

Exhibit 14: PAF current estimated net debt* profile forecast, FY17 to FY22e (US\$000)



Source: Edison Investment Research, Pan African Resources.
Note: *To financial institutions.

Exhibit 15: PAF previous net debt* profile forecast, FY17 to FY22e (US\$000)



Source: Edison Investment Research, Pan African Resources.
Note: *To financial institutions.

Including all other components, total net debt amounted to US\$39.0m, made up of the following components:

Exhibit 16: Pan African components of total net debt

Item	Amount (US\$m)
Long-term debt to financial institutions	28.0
Short-term debt to financial institutions	30.7
Total debt to financial institutions	58.7
Cash	35.1
Net debt to financial institutions	23.6
Redink Rentals (RF) Limited loan facility	9.9
Other	0.2
Net senior debt	33.7
Lease liabilities	5.3
Total net debt	39.0

Source: Pan African Resources.

This US\$39.0m level of net debt equates to a gearing ratio (net debt/equity) of 13.8% and a leverage ratio (net debt/[net debt+equity]) of 12.1%.

Relative to H121, lease liabilities remain almost unchanged, at US\$5.3m (cf US\$5.0m). In addition, during FY21, PAF entered into a loan with Redink Rentals (RF) to fund the solar photovoltaic renewable energy plant located at Evander Mines. For the purposes of our financial modelling, debts to non-financial institutions, such as lease liabilities, are included in 'Other long-term liabilities' in Exhibit 18, below.

In the meantime, the group remains very comfortably within its revolving credit facility debt covenants to the point at which they are now, to all intents and purposes, irrelevant:

Exhibit 17: PAF group debt covenants

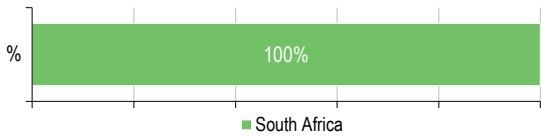
Measurement	Constraint	FY21	H121	FY20	H120	FY19	H119	FY18*	H118	FY17 (restated)
Net debt:equity	Must be less than 1:1	0.1	0.3	0.4	0.6	0.71	0.85	0.78	0.19	0.02
Net debt:EBITDA	Must be less than 2.0:1 falling to 1.5:1 by June 2022	0.3	0.5	0.7	1.6	2.2	3.24	3.73	2.25	0.08
Interest cover ratio	Must be greater than 4.5 times rising to 5.1 times by June 2022	23.0	17.7	10.1	5.8	4.1	3.64	4.61	4.62	19.32
Debt service cover ratio	Must be greater than 1.3:1	3.0	3.3	3.4	3.0	1.4	2.85	3.84	1.85	9.11

Source: Pan African Resources. Note: *Subsequently restated.

Exhibit 18: Financial summary

	US\$'000s	2018	2019	2020	2021	2022e	2023e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		145,829	218,818	274,107	368,915	337,194	357,087
Cost of sales		(107,140)	(152,980)	(158,457)	(208,815)	(163,316)	(175,213)
Gross profit		38,689	65,838	115,650	160,100	173,877	181,874
EBITDA		38,131	65,484	115,176	156,646	169,787	178,329
Operating profit (before GW and except.)		31,506	49,256	93,673	124,572	133,287	142,104
Intangible amortisation		0	0	0	0	0	0
Exceptionals		(16,521)	10,596	(28,593)	(12,819)	(1,720)	(1,719)
Other		0	0	0	0	0	0
Operating profit		14,985	59,852	65,079	111,753	131,566	140,384
Net interest		(2,222)	(12,192)	(12,881)	(6,919)	(2,120)	233
Profit before tax (norm)		29,284	37,064	80,791	117,653	131,167	142,336
Profit before tax (FRS 3)		12,763	47,660	52,198	104,834	129,447	140,617
Tax		2,826	(8,174)	(7,905)	(30,141)	(34,942)	(43,604)
Profit after tax (norm)		32,110	28,890	72,887	87,511	96,225	98,732
Profit after tax (FRS 3)		15,589	39,486	44,293	74,692	94,505	97,013
Average number of shares outstanding (m)		1,809.7	1,928.3	1,928.3	1,928.3	1,928.3	1,928.3
EPS - normalised (c)		1.31	1.64	3.78	4.54	4.99	5.12
EPS - FRS 3 (c)		0.87	2.05	2.30	3.87	4.90	5.03
Dividend per share (c)		0.00	0.15	0.84	1.27	1.44	2.42
Gross margin (%)		26.5	30.1	42.2	43.4	51.6	50.9
EBITDA margin (%)		26.1	29.9	42.0	42.5	50.4	49.9
Operating margin (before GW and except.) (%)		21.6	22.5	34.2	33.8	39.5	39.8
BALANCE SHEET							
Fixed assets		315,279	361,529	314,968	398,533	444,085	454,913
Intangible assets		56,899	49,372	43,466	50,548	52,934	55,319
Tangible assets		254,247	305,355	270,286	346,922	390,087	398,530
Investments		4,134	6,802	1,216	1,064	1,064	1,064
Current assets		29,009	31,601	53,648	84,558	110,347	190,325
Stocks		4,310	6,323	7,626	11,356	11,249	11,912
Debtors		22,577	18,048	11,245	37,211	24,040	25,456
Cash		922	5,341	33,530	35,133	74,201	152,099
Current liabilities		(44,395)	(63,855)	(78,722)	(105,978)	(109,676)	(149,452)
Creditors		(37,968)	(39,707)	(62,806)	(75,303)	(79,001)	(129,877)
Short-term borrowings		(6,426)	(24,148)	(15,916)	(30,675)	(30,675)	(19,575)
Long-term liabilities		(152,906)	(145,693)	(106,276)	(93,482)	(94,386)	(95,109)
Long-term borrowings		(112,827)	(109,618)	(73,333)	(28,011)	(28,011)	(28,011)
Other long-term liabilities		(40,078)	(36,076)	(32,943)	(65,471)	(66,375)	(67,097)
Net assets		146,988	183,582	183,620	283,632	350,370	400,677
CASH FLOW							
Operating cash flow		5,345	59,822	73,399	124,549	164,445	172,243
Net Interest		(6,076)	(14,685)	(10,834)	(5,623)	(2,120)	233
Tax		(1,634)	(4,497)	(5,804)	(18,902)	(12,906)	(8,658)
Capex		(127,279)	(52,261)	(30,849)	(44,151)	(82,052)	(47,053)
Acquisitions/disposals		6,319	466	207	3	0	0
Financing		11,944	(0)	0	0	(0)	(0)
Dividends		(11,030)	(2,933)	(2,933)	(17,782)	(28,300)	(27,766)
Net cash flow		(122,411)	(14,088)	23,186	38,095	39,067	88,998
Opening net debt/(cash)		3,138	118,332	128,424	55,719	23,553	(15,515)
Exchange rate movements		(619)	537	1,663	7,979	0	0
Other		7,836	3,459	47,856	(13,907)	0	0
Closing net debt/(cash)		118,332	128,424	55,719	23,553	(15,515)	(104,513)

Source: Company sources, Edison Investment Research

<p>Contact details</p> <p>The Firs Office Building, 1st Floor, Office 101, Cnr Cradock & Biermann Avenues, Rosebank, Johannesburg. South Africa. +27(0)11 243 2900 www.panafricanresources.com</p>	<p>Revenue by geography</p>  <p>A horizontal bar chart with a single green bar representing 100% of the revenue, labeled 'South Africa' below it.</p>																
<p>Management team</p> <p>Chairman: Keith Spencer</p> <p>Keith is a qualified mining engineer with 50 years' experience. He has managed some of the largest gold mines in the world including Kloof and Greenside colliery as general manager. In 1989 he was appointed consulting engineer for Gold Fields of South Africa (GFSA) encompassing Driefontein, Doornfontein, the Greenside colliery and Tsumeb base metals mine. He served as a board member of all GFSA gold mines. In 1999 he joined Metorex, becoming operations director in 2001.</p>	<p>CEO: Cobus Loots</p> <p>Cobus's experience includes mining-specific acquisitions and finance as well as the management of both exploration and production mineral assets – most recently before 2009 as managing director of Shanduka Resources. Cobus has been a director of Pan African Resources since 2009 (financial director in 2009–2011 and a non- executive director in 2011–2013). He served as joint CEO alongside Ron Holding until assuming the office of financial director on 1 October 2013. He was appointed CEO on 1 March 2015</p>																
<p>Financial director: Deon Louw</p> <p>Deon has extensive finance and business experience, including investment banking, advisory and business administration in the finance and mining sectors. He has fulfilled the roles of financial director of Sentula Mining, chief financial officer of Shanduka Coal, director of resource finance advisers and head of resource structured finance at Investec Bank. Deon was appointed financial director on 1 March 2015.</p>	<p>Independent non-executive director: Thabo Mosololi</p> <p>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 sectors in South Africa. He is COO of Sun International, responsible for its South African operations, and continues to operate MFT Investment Holdings, a family-owned investment company strategically placed to capitalise on B-BBEE investment opportunities.</p>																
<table border="1"> <thead> <tr> <th data-bbox="146 907 1129 940">Principal shareholders</th> <th data-bbox="1129 907 1442 940">(%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="146 940 1129 974">PAR Gold</td> <td data-bbox="1129 940 1442 974">13.71</td> </tr> <tr> <td data-bbox="146 974 1129 1008">Allan Gray Ltd</td> <td data-bbox="1129 974 1442 1008">13.70</td> </tr> <tr> <td data-bbox="146 1008 1129 1041">Allan Gray Pty Ltd</td> <td data-bbox="1129 1008 1442 1041">10.57</td> </tr> <tr> <td data-bbox="146 1041 1129 1075">Public Investment Corp</td> <td data-bbox="1129 1041 1442 1075">5.08</td> </tr> <tr> <td data-bbox="146 1075 1129 1108">Ninety One UK</td> <td data-bbox="1129 1075 1442 1108">4.98</td> </tr> <tr> <td data-bbox="146 1108 1129 1142">Ruffer</td> <td data-bbox="1129 1108 1442 1142">3.34</td> </tr> <tr> <td data-bbox="146 1142 1129 1176">Premier Miton Group</td> <td data-bbox="1129 1142 1442 1176">2.80</td> </tr> </tbody> </table>		Principal shareholders	(%)	PAR Gold	13.71	Allan Gray Ltd	13.70	Allan Gray Pty Ltd	10.57	Public Investment Corp	5.08	Ninety One UK	4.98	Ruffer	3.34	Premier Miton Group	2.80
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