EDISON

Pan African Resources

Evolving out of Africa

FY25 financial results

Metals and mining

17 September 2025

Financially, Pan African Resources' (PAF's) FY25 results were characterised by record second half output, record EPS and a record (proposed) dividend. Operationally, they were characterised by a full half-year contribution from MTR/Mogale and maiden production from Tennant's Nobles in Australia, both ahead of time and below budget. If the contract liability relating to PAF's MTR/Mogale construction financing facility (effectively a synthetic forward sale) is adjusted out of revenue and into 'other expenses' and excluded owing to its exceptional nature, then normalised headline earnings per share (HEPS) were 7.0% ahead of our forecast, at 8.73c/share (see Exhibit 2), while the company's dividend was increased by more than 50% to 2.10c/share. With the price of gold remaining high, we have upgraded our FY26 normalised HEPS forecast by 11.3%, to 13.21c/share. Note that, if it remains high for the full year, then our forecast (below) increases by a further 51.2%, to 19.98c/share. Simultaneously, PAF is seeking promotion for its listing from AIM to London's Main Market.

Year end	Revenue ($m)	PBT ($m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
6/24	373.8	119.8	4.68	1.24	23.2	1.1
6/25	540.0	201.5	7.40	2.10	14.7	1.9
6/26e	787.3	345.5	13.21	2.51	8.2	2.3
6/27e	666.7	178.8	6.29	3.09	17.2	2.8

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. FY24 and FY25 are 'as reported' and not adjusted. Small discrepancies with Exhibit 10 may arise as a result of short-term fluctuations in forex rates.

MTR/Mogale financing facility concluded

Pan African's contract liability relating to the fixed-price forward sales associated with its ZAR400m Mintails financing facility has now concluded, as have its zero-cost collars. Hereafter, PAF will be fully exposed to the prevailing price of gold at exactly the moment its output increases into the 250–300koz per year range.

Valuation: Next target 109p

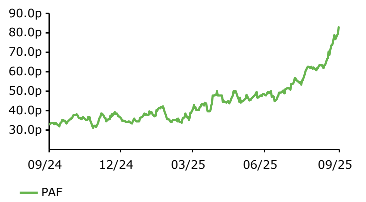
In light of its FY25 financial results, our core valuation of Pan African has changed by less than 5%, to 37.31c per share cum-div (cf 38.99c previously), based on its seven producing assets. Including other assets (eg Egoli and the Soweto Cluster), it rises by a further 29.64–34.66c to 66.95–71.97c (cf 62.67–67.69c previously). However, all these use a relatively conservative gold price of US$2,148/oz nominal on average for the period CY26–30. The valuation quadruples, to 147.24c (108.87p), at the current price of gold (US$3,645/oz). Alternatively, if PAF's historical average price-to-normalised HEPS ratio of 8.2x for the period FY10–25 is applied to our FY26 normalised HEPS forecast, it implies an average share price of 80.05p this year. In the meantime, PAF remains cheaper than its principal London- and South African-listed gold mining peers on 38% of commonly used valuation measures if Edison forecasts are used and 77% if consensus forecasts are used. However, if the current price of gold is used for forecasting, it is cheaper on 100% of valuation measures (Exhibit 10). Even at Edison's relatively conservative gold price forecasts, its peers imply a share price for PAF of 110.16p/share in FY26. On a CAPM-type valuation basis, it is valued at 81.54p currently, assuming zero growth in cash flows per share beyond FY31 (unlikely), or 149.12p, assuming 3.6% per year long-term cash flow growth in real terms (ie gold's performance from 1967 to 2024).

Price	**79.50p**
Market cap	**£1,797m**

ZAR23.7531/£, ZAR17.5585/US$, US$1.3525/£

Net cash/(debt) at 30 June 2025	$(150.5)m
Shares in issue (effective 2,029.3m excluding treasury)	2,333.7m
Code	PAF
Primary exchange	AIM
Secondary exchange	JSE

Share price performance



%	1m	3m	12m
Abs	23.6	61.1	156.4
52-week high/low		78.7p	28.4p

Business description

Pan African Resources has five major producing precious metals assets in South Africa: Barberton (target output 80koz Au per year), the Barberton Tailings Retreatment Project, or BTRP (20koz), Elikhulu (55koz), MTR/Mogale (50–60koz) and Evander (50koz, rising to >100koz with Egoli) and one in Australia, Tennants Creek (48–100koz).

Next events

AGM	20 November 2025
LSE ex-dividend date	27 November 2025
Dividend payment date	9 December 2025
H126 results	February 2026

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Edison profile page

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

FY25/H225 results

Pan African's full-year results to 30 June 2025 were characterised by record output, record EPS and a record dividend. Compared with H125, production was almost one-third higher, albeit very closely in line with our expectations and also its operational update of 11 June, as shown in Exhibit 1, below:

Exhibit 1: Pan African production, by asset, H125–FY26e (oz)

Operation	H125a	H225e (prior)	H225a	Variance (%)	Variance (oz)	FY25e (prior)	FY25a	FY26e (prior)	FY26e (current)	FY26 (updated guidance)
Barberton UG	31,142	38,100	37,407	(1.8)	(693)	69,242	68,549	71,500	71,500	69,000–72,000
BTRP	7,544	8,000	7,680	(4.0)	(320)	15,544	15,224	13,000	13,000	13,000–15,000
Barberton	**38,686**	**46,100**	**45,087**	**(2.2)**	**(1,013)**	**84,786**	**83,773**	**84,500**	**84,500**	**82,000–87,000**
Evander UG	11,551	15,449	15,197	(1.6)	(252)	27,000	26,748	48,000	48,455	46,000–50,000
Evander surface	0	0	1,081	N/A	1,081	0	1,081	0	0	0
Evander	**11,551**	**15,449**	**16,278**	**5.4**	**829**	**27,000**	**27,829**	**48,000**	**48,455**	**46,000–50,000**
Elikhulu	25,725	26,000	26,881	3.4	881	51,725	52,606	49,500	49,500	49,000–51,000
MTR	8,743	23,000	22,063	(4.1)	(937)	31,743	30,806	53,000	53,000	52,000–54,000
Total (excl TCMG)	**84,705**	**110,549**	**110,309**	**(0.2)**	**(240)**	**195,254**	**195,014**	**235,000**	**235,455**	**229,000–242,000**
Nobles	0	1,846	1,513	(18.0)	(333)	1,846	1,513	48,000	48,000	46,000–50,000
Total	**84,705**	**112,395**	**111,822**	**(0.5)**	**(573)**	**197,100**	**196,527**	**283,000**	**283,455**	**275,000–292,000**

Source: Edison Investment Research, Pan African Resources. Note: Totals may not add up owing to rounding. UG, underground; BTRP, Barberton Tailings Retreatment Project.

On a like-for-like basis, once the effect of PAF's synthetic forward sales relating to its financing of MTR is reallocated from revenue into 'other expenses' (the 'adjusted' columns in the table below), revenue was US$15.7m (or 2.7%) ahead of our expectations. On the face of it, this increase was more than offset by cost increases and, in particular, a US$18.4m negative variance in 'other expenses' (now containing both synthetic forward sales and zero-cost collar hedges). Once this is adjusted out however, estimated normalised headline earnings were 4.4% (or US$7.2m) above our forecasts. Relative to H125, normalised headline earnings more than doubled. Normalised HEPS were 7.0% above our forecasts, as we had assumed the Tennant Mines acquisition pro forma from 30 June 2024 and therefore an elevated number of shares in issue for the full year relative to the actual outcome.

A full analysis of PAF's financial results, relative to both the prior period and our prior forecasts, is provided below:

Exhibit 2: PAF P&L statement by half year, H124–H225

US$000s*	H124	H224 (as reported)	H224 (adjusted)	FY24 (as reported)	FY24 (adjusted)	H125 (as reported)	H125 (adjusted)	H225e	H225a (as reported)	H225a (adjusted)	FY25a (as reported)	FY25a (adjusted)	FY25e (prior)	H225 variance (%)	FY25 variance (%)	FY25 variance (units)	H225 variance (units)	H225/H125 change (%)
Revenue	193,947	179,849	190,998	373,796	384,945	189,334	206,734	344,427	333,299	359,499	540,033	566,233	551,161	4.4	2.7	15,072	15,072	73.9
Cost of production	(110,292)	(110,891)	(110,891)	(221,183)	(221,183)	(120,634)	(120,634)	(151,544)	(160,193)	(160,193)	(280,827)	(280,827)	(272,178)	5.7	3.2	(8,649)	(8,649)	32.8
Depreciation	(10,768)	(10,476)	(10,476)	(21,244)	(21,244)	(14,744)	(14,744)	(15,501)	(18,616)	(18,616)	(33,360)	(33,360)	(30,245)	20.1	10.3	(3,115)	(3,115)	26.3
Mining profit	72,887	58,482	69,631	131,369	142,518	53,956	71,356	177,382	154,490	180,690	225,846	252,046	248,738	1.9	1.3	3,308	3,308	153.2
Other income/(expenses)	(7,231)	(3,144)	(14,293)	(10,375)	(21,524)	(9,655)	(27,055)	(10,817)	(2,900)	(29,100)	(29,955)	(56,155)	(37,872)	169.0	48.3	(18,283)	(18,283)	7.6
Loss in associate etc	0	0	0	0	0													
Loss on disposals	0	0	0	0	0													
Exceptional items	0	0	0	0	0	22,244	22,244	0	2,821	2,821	25,065	25,065	22,244	N/A	12.7	2,821	2,821	(87.3)
Royalty costs	(1,242)	(445)	(445)	(1,687)	(1,687)	(1,402)	(1,402)	(4,128)	(3,704)	(3,704)	(5,106)	(5,106)	(5,530)	(10.3)	(7.7)	424	424	164.2
Net income before finance	64,414	54,893	54,893	119,307	119,307	65,143	65,143	162,437	150,707	150,707	215,850	215,850	227,580	(7.2)	(5.2)	(11,730)	(11,730)	131.3
Finance income	760	1,124	1,124	1,884	1,884	968	968											
Finance costs	(5,594)	(6,190)	(6,190)	(11,784)	(11,784)	(10,053)	(10,053)											
Net finance income	(4,834)	(5,066)	(5,066)	(9,900)	(9,900)	(9,085)	(9,085)	(14,025)	(10,132)	(10,132)	(19,217)	(19,217)	(23,110)	(27.8)	(16.8)	3,893	3,893	11.5
Profit before taxation	59,580	49,827	49,827	109,407	109,407	56,058	56,058	148,413	140,575	140,575	196,633	196,633	204,471	(5.3)	(3.8)	(7,838)	(7,838)	150.8
Taxation	(17,223)	(13,358)	(13,358)	(30,581)	(30,581)	(11,443)	(11,443)	(44,029)	(44,585)	(44,585)	(56,028)	(56,028)	(55,472)	1.3	1.0	(556)	(556)	289.6
Effective tax rate (%)	28.9	26.8	26.8	28.0	28.0	20.4	20.4	29.7	31.7	31.7	28.5	28.5	27.1	6.9	5.0	1.4	2.0	55.5
PAT (continuing ops)	42,357	36,469	36,469	78,826	78,826	44,615	44,615	104,383	95,990	95,990	140,605	140,605	148,998	(8.0)	(5.6)	(8,393)	(8,393)	115.2
Minority interest	(224)	(328)	(328)	(552)	(552)	(820)	(820)	0	(172)	(172)	(992)	(992)	(820)	N/A	21.0	(172)	(172)	(79.0)
Ditto (%)	(0.5)	(0.9)	(0.9)	(0.7)	(0.7)	(1.8)	(1.8)	0.0	(0.2)	(0.2)	(0.7)	(0.7)	(0.6)	N/A	28.2	(0.2)	(0.2)	(90.0)
Attributable profit	42,581	36,797	36,797	79,378	79,378	45,435	45,435	104,383	96,162	96,162	141,597	141,597	149,818	(7.9)	(5.5)	(8,221)	(8,221)	111.6
Headline earnings	42,581	36,903	36,903	79,484	79,484	23,191	23,191	104,383	93,341	93,341	116,532	116,532	127,574	(10.6)	(8.7)	(11,042)	(11,042)	302.5
Est normalised headline earnings	49,812	40,047	51,196	89,859	101,008	32,846	50,246	115,200	96,241	122,441	146,487	172,687	165,446	6.3	4.4	7,241	7,241	143.7
EPS (c)	2.22	1.92	1.92	4.14	4.14	2.35	2.35	5.15	4.74	4.74	7.16	7.16	7.38	(7.9)	(3.1)	(0.23)	(0.41)	101.6
HEPS** (c)	2.22	1.93	1.93	4.15	4.15	1.20	1.20	5.15	4.60	4.60	5.89	5.89	6.29	(10.6)	(6.3)	(0.40)	(0.55)	283.3
Normalised HEPS (c)	2.60	2.09	2.67	4.68	5.27	1.70	2.60	5.68	4.74	6.19	7.40	8.73	8.15	8.9	7.0	0.57	0.51	137.97

Source: Edison Investment Research, Pan African Resources. Note: *Unless otherwise indicated. **HEPS, headline earnings per share (South African Reporting Standard).
Note: In columns marked ‘adjusted’ the opportunity cost resulting from the synthetic gold forward sale relating to MTR/Mogale’s funding has been adjusted out of the revenue line and into ‘Other income/(expenses)’ to highlight PAF’s performance in the absence of derivative contracts, shown in the ‘Est normalised headline earnings’ and ‘Normalised HEPS (c)’ lines. Although this is not in accordance with accounting standards, it allows the underlying performance of the operating company to be distinguished from the volatility created by derivative-type profits and losses, which are otherwise more strictly included in the revenue line for effective synthetic forward sales.

H225 will be the last period in which the contract liability related to the fixed-price forward sales associated with Pan African’s ZAR400m Mintails financing facility will have featured in PAF’s results as the last delivery of gold under this structure was made in February, while all zero-cost collar contracts expired in June.

H2 also marked the inaugural contribution from Tennant Mines (Nobles) to PAF, as well as MTR/Mogale achieving steady-state production.

Elsewhere, significant capex was invested at Evander to develop the 24 and 25 Level project. The sub-vertical hoisting shaft commissioning process was completed in January, with ramp-up to its expected hoisting capacity of 700t/day in April, thereby enabling full production of c 3,850oz/month in May and June to be realised (46,200oz annualised). To this end, development of the 24 and 25 Level mining areas has been accelerated, with:

- Ramped-up mining operations in the high-grade D line and F line on 24 Level.
- Holing of the 24 Level B raise line enabling ledging to commence, followed by stoping in the high-grade portion of the Kimberley Reef payshoot. This high-grade portion extends further to the east and development in the A line has already commenced with ledging planned towards the end of FY26.
- Access to the 25 Level was achieved through an on-reef decline layout from 24 Level footwall infrastructure and development of the underground workshop on 24 Level has started, with mechanised development towards 25 Level commencing soon. Note that mining below 24 Level is planned as a hybrid mining method with conventional stoping and mechanised on-reef development.
- First reef intersections from the 24 Level long-inclined borehole drilling on the 25 Level reef horizon were achieved during January 2025 and exceeded the expected grades, including 49g/t over 76.3cm (or 3,725cm.g/t) and 63.7g/t over 17.2cm (or 1,096cm.g/t).

Mining at Barberton was disrupted by the failure of multiple Eskom transformers, particularly in H1. Electricity backup systems have now been put in place to mitigate this risk. At the same time, mining flexibility has been improved with multiple platforms active on the Main Reef Complex (MRC), which supply the majority of the high-grade ore (>20g/t) to the plant. At Fairview (Barberton), mining operations continued to be conducted on the 260, 261 and 262 platforms within the MRC orebody, albeit within the context of a c 20% reduction in the overall workforce as a result of the restructuring of underground operations, which was completed in May. At the same time, development towards the 263 platform is reported to be on track, while optimisation of mining methodology at the Rossiter Reef has led to improved production, reduced dilution and improved ore grades. Currently, the focus of operations is on the down-dip extensions of both the MRC and Rossiter orebodies. At Consort, the Prince Consort (PC) shaft has been rehabilitated, enabling a return to higher-grade areas and a revised mine plan has been implemented to access higher-grade mining areas below 37 Level, which led to a significantly enhanced performance. Within this context, crews commenced mining within the Main Muiden Reef (MMR) Shaft 17 Level and PC Shaft 33 Level, and deeper raise development and equipping within the MMR section remain on track to increase run-of-mine tonnage.

An analysis of PAF's operations' performances, relative to our prior expectations, is provided below:

Exhibit 3: PAF mines' operating statistics and forecasts, H225a cf H225e

	Barberton		Elikhulu		Evander		BTRP		Mogale		Nobles		Totals	
	H225e	H225	H225e	H225	H225e	H225	H225e	H225	H225e	H225	H225e	H225	H225e	H225
Total tons milled (t)	190,029	168,018	7,200,000	7,164,251	70,000	59,612	445,039	365,043	4,267,249	5,481,712	66,352	85,316	12,238,669	13,323,952
Head grade (g/t)	6.95	7.56	0.32	0.31	7.00	8.32	1.19	1.83	0.31	0.24	1.41	1.30	0.50	0.46
Contained gold (oz)	42,459	40,823	74,286	72,348	15,764	15,952	17,021	21,525	42,817	42,189	3,003	3,559	195,350	196,397
Recovery (%)	89.7	89.7	35.0	35.0	98.0	95.3	47.0	35.7	53.7	52.3	61.5	42.5	57.5	56.4
Production (oz)	38,100	37,407	26,000	26,881	15,449	15,197	8,000	7,680	23,000	22,063	1,846	1,513	112,395	110,741
Production – other (oz)														
Total production (oz)	38,100	37,407	26,000	26,881	15,449	15,197	8,000	7,680	23,000	22,063	1,846	1,513	112,395	110,741
Recovered grade (g/t)	6.24	6.92	0.11	0.12	6.86	7.93	0.56	0.65	0	0	0.87	0.55	0.29	0.26
Gold sold (oz)	38,100	40,487	26,000	28,983	15,449	15,188	8,000	8,405	23,000	21,831	1,846	1,179	112,395	116,073
Average spot price (US$/oz)	3,077	2,824	3,077	2,924	3,077	2,824	3,077	2,912	3,077	3,095	3,077	3,279	3,077	2,989
Average spot price (ZAR/kg)	1,819,350	1,670,310	1,819,350	1,728,985	1,819,350	1,670,310	1,819,350	1,722,031	1,819,350	1,830,281	1,819,350	1,939,206	1,819,350	1,758,015
Total cash cost (US$/oz)	1,838	1,543	1,012	962	1,679	1,948	972	994	627	1,183	3,827	872	1,348	1,323
Total cash cost (ZAR/kg)	1,086,836	949,148	598,597	568,881	992,861	1,151,991	574,522	587,934	370,830	699,388	2,263,158	509,355	797,311	803,140
Total cash cost (US$/t)	368	372	3.66	3.59	371	503	17.46	21.91	3.38	4.81	106.48	12.05	12.38	11.53
Total cash cost (ZAR/t)	6,778	7,263	67.23	71.58	6,815	9,129	321.22	421.04	62.17	86.63	1,958	222	227.74	217.62
Implied revenue (US$000)	117,221	123,448	79,993	84,733	47,531	42,896	24,613	24,474	70,763	67,563	5,680	3,866	345,801	346,979
Implied revenue (ZAR000)	2,155,991	2,259,786	1,471,280	1,551,385	874,223	784,591	452,701	448,891	1,301,517	1,231,977	104,461	70,237	6,360,172	6,346,866
Implied revenue (£000)	90,308	95,202	61,627	65,344	36,619	33,087	18,962	18,864	54,517	52,151	4,376	2,986	266,408	267,635
Implied cash costs (US$000)	70,025	62,463	26,319	25,716	25,939	30,007	7,772	7,998	14,423	26,359	7,065	1,028	151,544	153,571
Implied cash costs (ZAR000)	1,287,936	1,195,239	484,076	512,826	477,083	544,196	142,956	153,699	265,282	474,894	129,943	18,678	2,787,276	2,899,533
Implied cash costs (£000)	53,976	48,117	20,287	21,518	19,994	22,872	5,991	6,463	11,118	20,103	5,446	795	116,812	119,868

Source: Edison Investment Research, Pan African Resources. Note: Total excludes contribution from Evander surface sources.

One general feature of our updated cost forecasts for PAF's operations in H225 has been the effect of persistent inflationary pressures in South Africa, which, in the period under review, was not offset by a depreciating rand. Although reagent prices now appear to have stabilised, for example, electricity costs in H2 (c 15% of total costs) were 12–13% higher than in H1 as a result of regulator-endorsed tariff increases. While the cost environment is common to all of South Africa's mining industry, for Pan African, it has been mitigated by the low absolute cost of production at its surface retreatment operations, which now account for c 60% of group production, increased cost savings from the extensive use of solar energy at Evander and Barberton and multi-year wage agreements with the National Union of Mineworkers for 5.3% wage increases per year out to June 2029, representing the majority of employees at Barberton.

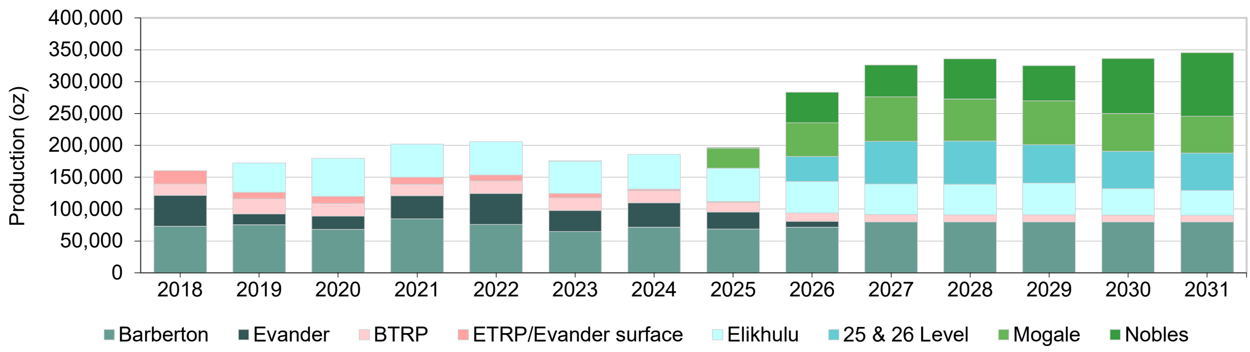
As in every year at the time of full-year results, we have adjusted our unit costs higher to recognise the evolution of our financial model from 2024 US dollar terms to 2025 US dollar terms. We have also adjusted our capital expenditure forecasts to match guidance from the company for FY26. Similarly, we have brought our forex assumptions in line with prevailing conditions in the marketplace, reflecting, among other things, the continuing strength of the rand versus both the US dollar and sterling, as follows:

- from ZAR24.1513/£ to ZAR23.7531/£ (-1.6%),
- from ZAR17.7650/US$ to ZAR17.5585/US$ (-1.2%), and
- from US$1.3596/£ to US$1.3525/£ (-0.5%).

Group production and growth

Finally, we have adjusted our production expectations for Tennant (Nobles) and the 24 and 25 Level project to dovetail with revised guidance from management, as set out in the presentation accompanying the company's FY25 results, demonstrating PAF's path to output of 345.5koz in FY31, as shown below:

Exhibit 4: Estimated Pan African group gold production profile, FY18–31e



Source: Edison Investment Research, Pan African Resources

PAF is in the process of expanding the MTR/Mogale plant from 800ktpm to 1Mtpm via the addition of two carbon-in-leach (CIL) tanks, together with the installation of reactors to further improve recoveries for a capital cost of US$6.5m. This will result in an increase in production from 50,000oz to c 60,000oz per year from FY26. Thereafter, PAF has a number of other potential organic growth projects in prospect, including:

- The potential to accelerate production from the Soweto Cluster by focusing on the possibility of constructing a new processing facility close to the MTR/Mogale plant, which would be a stand-alone operation also producing c 50,000oz per year (for approximately 10 years) plus the option to include additional proximal tailings storage facility (TSF) resources that will add to the project's life. This is in contrast to the base-case plan currently modelled by Edison to feed Soweto Cluster material through the MTR/Mogale plant once the latter's feedstock is near exhaustion at the end of its life, and arises from the observation that the capital cost of constructing a stand-alone processing plant near the Soweto Cluster would be little more than that required for the infrastructure to pump Soweto Cluster material to the MTR/Mogale plant alone. Constructing a stand-alone plant close to MTR/Mogale will have the advantage of locating it close to the redeposition site on land already owned by Pan African, as well as allowing the two to share central facilities such as offices, the smelt house etc. A feasibility study to this effect is underway and is expected to be completed this month.
- Fast-tracking the wholly owned Warrego gold and copper project at Tennant Mines with the objective of budgeting first production in 2029/30. The subject of a recent feasibility study, the Warrego project is targeting output of c 100,000oz gold per year and 10,000–15,000t copper per year over more than 10 years at a capital cost of US$40–45m. Regional gold and copper deposits owned by third parties could also supply additional supplementary feed and a feasibility study to this end is currently in progress.
- A further potential project arising from the Tennant Mines acquisition is the White Devil project, where a recent scoping study commissioned by joint venture partner Emmerson Resources was reported to have delivered 'encouraging results', confirming an updated mineral resource of 4.6Mt at 4.2g/t gold, for 611,000oz contained gold, of which 87% is in the indicated category and therefore eligible for upgrade into reserves.
- Once the BTRP's tailings resources are depleted, it is planned to convert the plant to process hard rock feedstock from the Sheba Fault project (comprising the Western Cross and Royal Sheba orebodies), which has an estimated mine life of nine years, with both orebodies open at depth.

Updated (absolute) valuation

Relative to our last note, the principal changes to our financial model – and therefore, valuation – include:

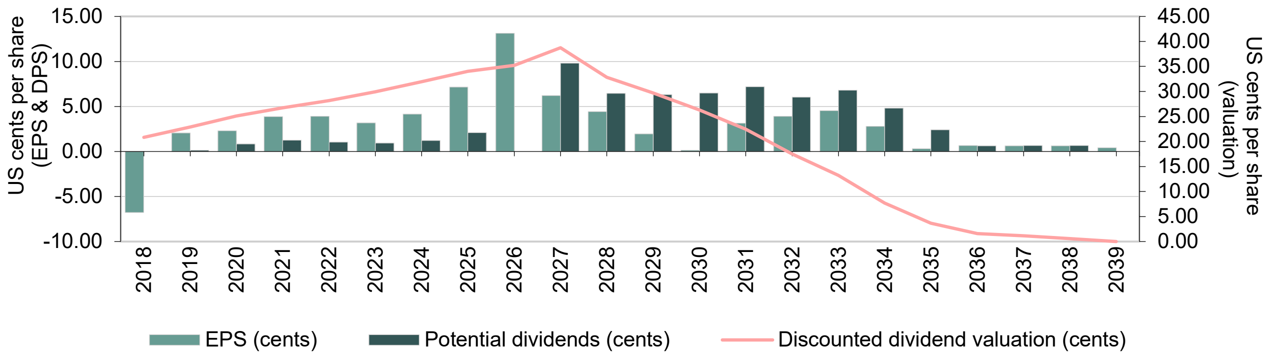
- Increasing our long-term gold price from US$1,794/oz to US$1,866/oz to reflect the presentation of our model in real FY25 US dollars (rather than FY24 dollars previously).
- Adjusting long-term costs into FY25 US dollar terms (note that this and item 1 should approximately negate each other).

- The adjustment of the Nobles and Evander 24 and 25 Level project life of mine production profiles in order to reconcile with Pan African's guidance.
- FY26 capital expenditure of US$146m in order to reconcile with guidance (albeit a significant portion of this figure reflects accelerated, rather than increased, capital expenditure).
- Updated foreign exchange rates (as above).

Valuation

In light of these changes, and based on the present value of the estimated potential dividend stream payable to shareholders over the life of its mining operations (applying a 10% discount rate to US dollar dividends), our absolute valuation of PAF (based on its existing seven producing assets) is 35.21c. To this total must then be added PAF's FY25 final dividend of 2.10c/share to give a total valuation of 37.31c/share (cf 38.99c/share previously).

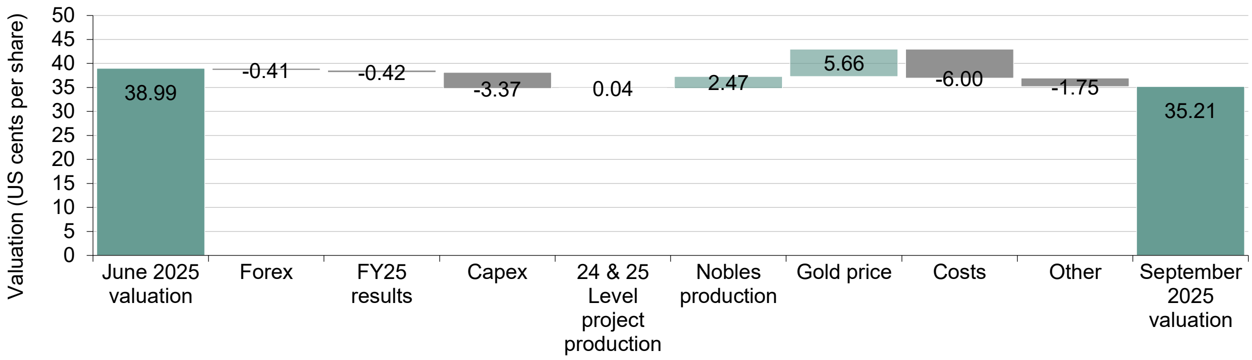
Exhibit 5: PAF estimated life of operations' diluted EPS and (maximum potential) DPS



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

A bridge chart of the major components in the change to our valuation is as follows:

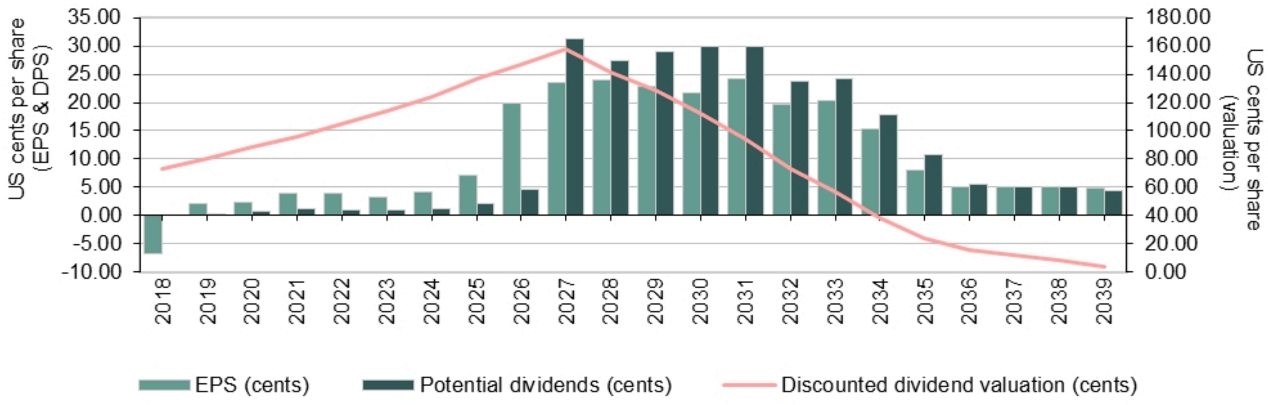
Exhibit 6: Pan African valuation change, by component (US cents per share)



Source: Edison Investment Research

However, readers should note that this valuation is conducted at our relatively conservative gold price assumption of a US$2,124/oz (nominal) average for the period FY26–30. At the current gold price of US$3,645/oz, all other things being equal, our valuation quadruples to 147.24c (108.87p):

Exhibit 7: PAF estimated life of operations' diluted EPS and (maximum potential) DPS at US$3,645/oz Au



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

Even at our lower long-term gold price, however, including its other growth projects and assets, our updated total valuation of PAF as a whole rises to 66.95–71.97c (49.50–53.21p):

Exhibit 8: PAF group absolute valuation summary

Project	Current valuation (USc/share)	Previous valuation (USc/share)
Existing producing assets	35.21	38.99
FY25 dividend	2.10	
Royal Sheba*	2.88	1.83
Other*	4.97	2.98
Sub-total	**45.16**	**43.80**
EGM underground resource	0.22–5.24	0.22–5.24
Sub-total	**45.38-50.40**	**44.02-49.04**
Egoli	19.41	16.75
Soweto cluster	2.16	1.90
Total	**66.95-71.97**	**62.67-67.69**

Source: Edison Investment Research. Note: *Resource-based valuations. Numbers may not add up owing to rounding.

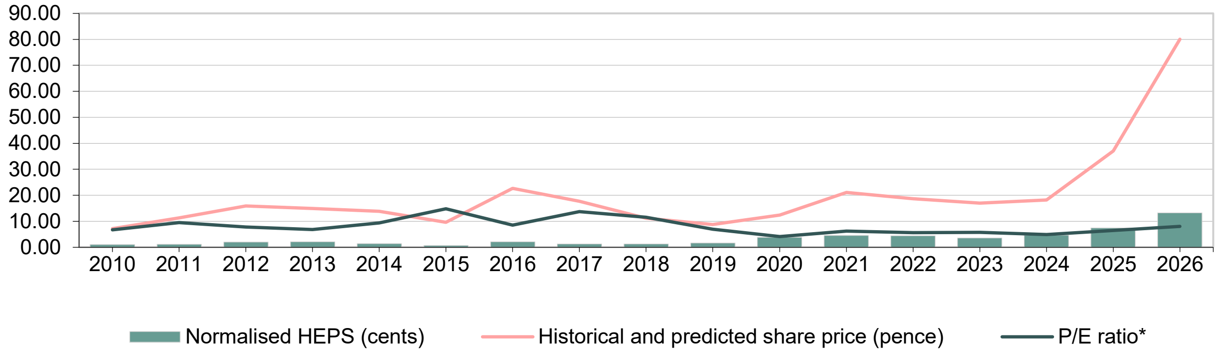
For the purposes of our forecasts and valuation, we have not yet included any additional hedging in our estimates.

Historical relative and current peer group valuation

Historical relative valuation

Exhibit 9 below depicts PAF's average share price in each of the financial years from FY10 to FY25 and compares this with HEPS in the same year. In this case, if PAF's average year-one price to normalised HEPS ratio of 8.2x for FY10–25 is applied to our updated normalised earnings forecasts for FY26, it implies a share price for PAF of 80.05p (as shown in the exhibit).

Exhibit 9: PAF historical price to normalised HEPS ratio, FY10–26e**



Source: PAF, 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 before 2018 and US cents thereafter.

In the meantime, PAF's price to normalised HEPS ratio of 8.1x for FY26 remains within the lower half of its recent historical range of 4.1–14.8x for FY10–25.

Relative peer group valuation

Using Edison's estimates, PAF appears to remain cheap relative to its London- and South African-listed gold mining peers on 38% of comparable common valuation measures (14 out of 36 individual measures in the table below) and 77% (28 out of 36 measures) if consensus forecasts are used.

If Edison's forecasts are used at the same time as the gold price is held constant at a real level of US$3,645/oz however, then Pan African is cheap relative its peers on 100% of the valuation measures below:

Exhibit 10: Comparative valuation of PAF with South African- and London-based peers

	EV/EBITDA (x)		P/E (x)		Yield (%)	
	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2
AngloGold Ashanti	6.6	6.4	12.5	12.9	3.2	3.5
Gold Fields	6.8	5.6	12.6	10.4	3.1	4.0
Sibanye	4.8	4.2	11.8	8.3	0.9	3.8
Harmony	3.8	3.7	6.4	5.9	2.8	2.8
Perseus Mining	5.2	5.2	11.8	12.7	2.1	1.8
Endeavour Mining	4.5	4.1	12.7	10.5	2.9	3.5
Average (excl PAF)	**5.3**	**4.9**	**11.3**	**10.1**	**2.5**	**3.2**
Pan African Resources (Edison)	5.4	4.5	8.1	17.1	2.3	2.9
Pan African Resources (Edison at spot)	3.6	1.5	5.4	4.5	5.7	10.4
PAF consensus	5.1	4.7	7.1	7.2	4.0	4.4

Source: Edison Investment Research, LSEG Data & Analytics. Note: Consensus and peers priced as at 17 September 2025.

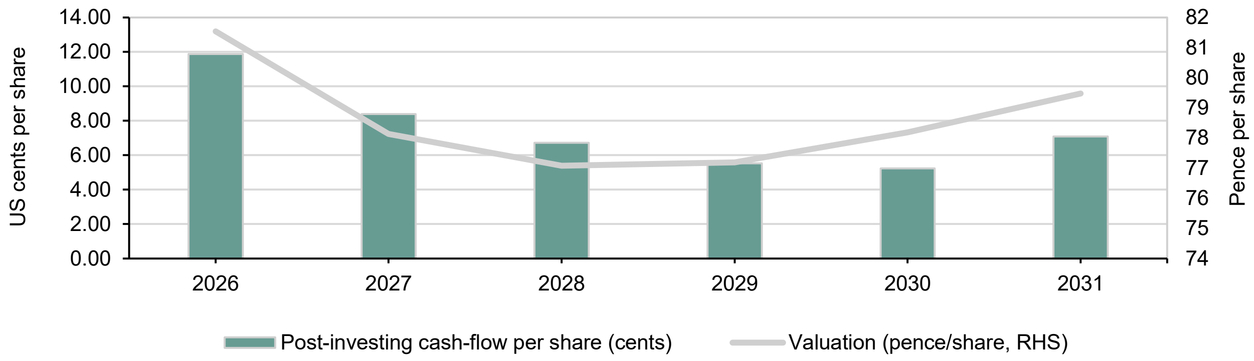
Alternatively, applying PAF's peers' average year-one P/E ratio of 11.3x to our normalised HEPS forecast of 13.21c per share for FY26 implies a share price for the company of 110.16p at prevailing foreign exchange rates.

Valuing blue-sky upside

Pan African is a multi-asset company that has shown a willingness and ability to grow production both organically and by acquiring assets to maximise shareholder returns. As a result, rather than our customary method of discounting maximum potential dividends over the life of operations back to 1 July 2026, in the case of Pan African we can alternatively discount forecast cash flows back over five years to the start of FY26 and then apply an ex-growth terminal multiple to forecast cash flows in that year (FY31) based on the appropriate discount rate.

In this case, our estimate of PAF's pre-financing terminal cash flow in FY31 is 7.09c (at a real gold price of US$1,866/oz in current money terms). Applying a (real) discount rate of 6.6% (calculated from a nominal expected equity return of 9% and long-term inflation expectations of 2.2540%, as defined by the US 30-year break-even inflation rate (source: Bloomberg, 15 September)) to this estimate of cash flows, our valuation of the company is 81.54p/share in FY26 assuming zero long-term cash flow per share growth beyond FY31.

Exhibit 11: PAF cash flow and terminal multiple valuation, FY26–31



Source: Edison Investment Research

At this point (FY31), production is anticipated to be c 335koz. If PAF is able to maintain this level of cash flows per share via organic investment, its valuation will flatten out at 79.48p/share in real terms on an ex-growth basis. However, the gold price alone should afford an additional 3.6% per year to cash flows in real terms (the compound average annual real appreciation rate in its price from 1967 to 2024), in which case PAF's terminal valuation more than doubles to 178.63p/share and its current valuation to 149.12p/share.

Financials

Pan African reported net debt of US$150.5m on its balance sheet as at end-June, which equated to a gearing ratio (net debt/equity) of 27.4% and a leverage ratio (net debt/[net debt+equity]) of 21.5%, after cash flow from operating activities of US$178.5m before dividends (cf US$12.0m in H125, US$109.1m in FY24, US$63.6m in H224, US$45.5m in H124, US$88.5m in H223 and US$31.6m in H123). This level of net debt was almost exactly in line with our prior forecast of US$154.6m (and that estimated by PAF in its operational update of 11 June). Nevertheless, owing to the passage of time and the accumulation of equity in the form of retained income, this is a much lower debt burden on the company than the last time net debt peaked, at US$128.4m in FY19, when gearing amounted to 70.0% and leverage amounted to 41.2%.

Note that the reported level of net debt of US$150.5m differs to the US$144.1m shown by Edison in its financial summary below (Exhibit 15), by US$6.4m, which is made up of an aggregate US$6.1m of 'other' liabilities, US$0.2m in lease liabilities and US$0.1m in rounding:

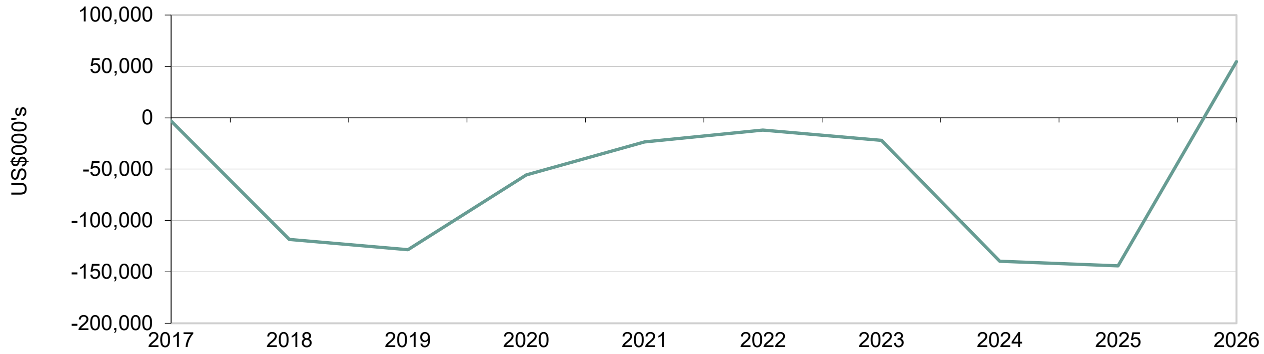
Exhibit 12: Pan African composition of net debt, FY20-25 (US$m)

US$m	FY20	H121	FY21	H122	FY22	H123	FY23	H124	FY24	H125	FY25
Long-term debt to financial institutions			28.0	48.2							
Short-term debt to financial institutions			30.7	0.3							
Total debt to financial institutions	**89.2**	**87.8**	**58.7**	**48.5**	**26.2**	**75.0**	**53.4**	**89.8**	**127.8**	**230.0**	**190.0**
Cash	33.5	28.0	35.1	35.2	27.0	33.9	34.8	31.3	26.3	17.2	49.5
Net debt to financial institutions	**55.7**	**59.8**	**23.6**	**13.3**	**(0.8)**	**41.1**	**18.6**	**58.5**	**101.5**	**212.8**	**140.5**
RedInk Rentals loan facility			9.9	8.9	8.4	7.5	-	-	-	-	-
Other	6.6	0.3	0.2	1.7	1.7	1.3	0.3	1.6	1.3	1.1	1.0
Net senior debt	**62.3**	**60.1**	**33.7**	**23.9**	**9.3**	**49.9**	**18.9**	**60.1**	**102.8**	**213.9**	**141.5**
Lease liabilities	14.1	5.0	5.3	4.5	4.4	4.3	3.5	3.3	3.0	3.3	3.9
Other	0.0	0.0	0.0	(0.2)	(0.7)	(0.5)	(0.4)	0.9	0.7	11.3	5.1
Total net debt	**76.4**	**65.2**	**39.0**	**28.2**	**13.0**	**53.7**	**22.0**	**64.3**	**106.4**	**228.5**	**150.5**
Change	N/A	(11.2)	(26.2)	(10.8)	(15.2)	(40.7)	(31.7)	42.3	42.1	122.1	(78.0)

Source: Pan African Resources.

Henceforward, even at Edison's distinctly conservative gold price forecasts, we estimate that PAF will continue to generate cash from operations comfortably above US$100m per year (and potentially above US$300m per year), such that net debt is eliminated towards the middle of FY26, by which time capex will be on a downward trajectory towards sustaining levels (assuming no new project developments, which, actually, we think is unlikely).

Exhibit 13: Pan African estimated net debt profile forecast, FY17–26e (annually)



Source: Edison Investment Research, Pan African Resources

In the meantime, the company remains comfortably within its debt covenants:

Exhibit 14: Pan African debt covenant ratios, H119–FY25

Measurement	Constraint	H119	FY19	H120	FY20	H121	FY21	H122	FY22	H123	FY23	H124	FY24	H125	FY25
Net debt:equity	Must be less than 1:1	0.9	0.7	0.6	0.4	0.3	0.1	0.1	0.0	0.2	0.1	0.2	0.3	0.5	0.2
Net debt:adjusted EBITDA	Must be less than 2:1	3.2	2.2	1.6	0.7	0.5	0.3	0.2	0.1	0.5	0.2	0.5	0.8	1.6	0.5
Interest cover ratio	Must be greater than 4x	3.6	4.1	5.8	10.1	17.7	23.0	29.0	34.1	26.9	18.4	16.7	12.2	7.2	10.7
Debt service cover ratio	Must be greater than 1.3:1	2.9	1.4	3.0	3.4	3.3	3.0	3.0	7.3	8.5	7.5	4.6	3.8	2.3	8.3

Source: Pan African Resources

Exhibit 15: Financial summary

US$'000s	2022	2023	2024	2025	2026e	2027e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	376,371	321,606	373,796	540,033	787,334	666,698
Cost of sales	(226,445)	(198,790)	(221,183)	(280,827)	(350,868)	(400,486)
Gross profit	149,926	122,816	152,613	259,206	436,466	266,212
EBITDA	147,830	121,853	150,926	254,100	431,243	262,869
Operating profit (before amort. and excepts.)	121,402	101,454	129,682	220,740	358,421	178,029
Intangible amortisation	0	0	0	0	0	0
Exceptionals	(10,295)	(7,347)	(10,375)	(4,890)	(1,692)	(1,693)
Other	0	0	0	0	0	0
Operating profit	111,107	94,107	119,307	215,850	356,729	176,336
Net interest	(4,231)	(8,553)	(9,900)	(19,217)	(12,969)	820
Profit Before Tax (norm)	117,171	92,901	119,782	201,523	345,452	178,849
Profit before tax (FRS 3)	106,876	85,554	109,407	196,633	343,760	177,156
Tax	(31,924)	(24,817)	(30,581)	(56,028)	(77,291)	(51,130)
Profit after tax (norm)	85,247	68,084	89,201	145,495	268,161	127,719
Profit after tax (FRS 3)	74,952	60,737	78,826	140,605	266,469	126,026
Average Number of Shares Outstanding (m)	1,926	1,917	1,917	1,979	2,029	2,029
EPS - normalised (c)	4.44	3.54	4.68	7.40	13.21	6.29
EPS - FRS 3 (c)	3.90	3.19	4.14	7.16	13.13	6.21
Dividend per share (c)	1.04	0.95	1.24	2.10	2.51	3.09
Gross margin (%)	39.8	38.2	40.8	48.0	55.4	39.9
EBITDA margin (%)	39.3	37.9	40.4	47.1	54.8	39.4
Operating margin (before GW and except.) (%)	32.3	31.5	34.7	40.9	45.5	26.7
BALANCE SHEET						
Fixed assets	401,139	439,676	712,919	899,052	974,571	978,032
Intangible assets	44,210	44,429	56,908	48,904	51,251	53,599
Tangible assets	355,802	395,247	656,011	850,148	923,321	924,433
Investments	1,127	0	0	0	0	0
Current assets	55,953	61,263	70,540	103,915	179,986	259,217
Stocks	9,977	9,567	16,431	38,887	26,257	22,233
Debtors	17,546	15,182	17,990	15,496	33,450	28,325
Cash	26,993	34,771	35,997	49,532	120,280	208,659
Current liabilities	(58,989)	(77,386)	(89,203)	(175,871)	(152,545)	(202,956)
Creditors	(57,117)	(65,884)	(83,683)	(88,486)	(152,545)	(202,956)
Short-term borrowings	(1,872)	(11,502)	(5,520)	(87,385)	0	0
Long-term liabilities	(103,494)	(128,957)	(294,100)	(281,970)	(241,331)	(210,266)
Long-term borrowings	(37,088)	(45,334)	(170,222)	(106,249)	(65,610)	(34,545)
Other long-term liabilities	(66,406)	(83,623)	(123,878)	(175,721)	(175,721)	(175,721)
Net assets	294,609	294,596	400,156	545,126	760,682	824,027
CASH FLOW						
Operating Cash Flow	142,879	132,941	134,310	223,184	422,719	280,384
Net Interest	(2,794)	(5,121)	(9,731)	(19,615)	(12,969)	820
Tax	(8,520)	(7,722)	(15,476)	(25,034)	(20,244)	(22,547)
Capex	(81,951)	(109,952)	(169,521)	(159,540)	(148,342)	(88,300)
Acquisitions/disposals	563	(2,779)	9,806	24	0	0
Financing	(3,222)	0	0	0	0	0
Dividends	(21,559)	(19,975)	(18,302)	(23,675)	(42,392)	(50,913)
Net cash flow	25,396	(12,608)	(68,914)	(4,656)	198,772	119,444
Opening net debt/(cash)	23,553	11,967	22,065	139,745	144,102	(54,670)
Exchange rate movements	(4,401)	(4,481)	1,160	734	0	0
Other	(9,409)	6,991	(49,926)	(435)	0	0
Closing net debt/(cash)	11,967	22,065	139,745	144,102	(54,670)	(174,114)

Source: Company sources, Edison Investment Research.
Note: FY24 balance sheet 'pro forma' to reflect acquisition of Tennant Mines, but income statement and cash flow statement 'as reported'. FY23, FY24 and FY25 'as reported' and neither adjusted nor restated (restatement deemed immaterial by Edison).

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