

# Pan African Resources

## Tails wagging

Pan African's (PAF's) interim figures were consistent with both its trading statement of 27 January and our prior full-year expectations, despite a sharp increase in Department of Mineral Resources' (DMR) Section 54 stoppage notices and an unusually strong South African rand. While overall gold production fell 10.0% cf H116, there were sharp increases at both the BTRP (+14.0%) and the ETRP (+77.3%) such that, for the first time, the company recorded greater profits, in the form of adjusted EBITDA, from its tailings retreatment projects than from underground.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/15	140.4	16.0	0.64	0.54	25.4	3.3
06/16	168.4	45.9	2.08	0.88	7.8	5.4
06/17e	203.4	28.7	1.35	0.73	12.0	4.5
06/18e	204.8	55.1	2.41	0.85	6.7	5.2

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Costs well contained in H117 relative to H216

Compared to H116, PAF's gold cost of production (excluding realisation costs) increased 14.4%, to ZAR1,165.6m in local currency terms; including realisation costs, it increased by 16.4%, to ZAR1,193.3m. Compared to H216 however, PAF's gold cost of production (including realisation costs) increased by only 5.5%; relative to the aggregate number of tonnes processed, it increased by only 1.4%, to ZAR643/t (vs ZAR634/t).

## Evander operational gearing key

Overall, the head grade at Evander fell back from 5.6g/t in H216 to 5.4g/t in H117. However, operations are now well developed on the 25 level, with the result that the head grade is expected to remain in the range 6-7g/t for the next three to five years. In fact, immediately prior to the February announcement of a fatality at seven shaft, Evander was reported to be mining material at a diluted grade of 8g/t from underground and at a mine call factor in excess of 80%. Note that, had an underground head grade of 7.2g/t prevailed in H117 (and applying the group's H117 marginal tax rate to the incremental profits), we estimate that it would have added c 0.41p to both Pan African's EPS and headline EPS in H117.

## Valuation: 21.38p including Elikhulu project

In the longer term (and in FY17 had it not been for the current production challenges), we estimate that Pan African is capable of generating average earnings of 2.65p/share and paying average (maximum potential) dividends of 2.31p. Including Elikhulu, the net present value of such a dividend stream is 21.38p (discounted at 10% pa). This valuation assumes that the grade profile at Evander averages 6.43g/t from FY17-30 and that the gold price will average US\$1,283/oz (real). In the meantime, it is cheaper than its immediate peers on at least 70% of a range of valuation measures. It also has the third highest (consensus) forecast dividend yield of any dividend-paying gold company, globally.

## H117 results in perspective & H217 preview and outlook

### Metals & mining

4 April 2017

**Price** 16.25p

**Market cap** £315m

ZAR16.0630/£, ZAR12.8487/US\$, US\$1.2509/£

Net debt (£m) at end December 2016 33.2

Shares in issue 1,943.2m  
(effective 1,506.8m post Shanduka)

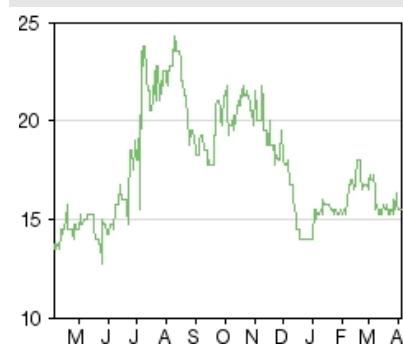
Free float 77%

Code PAF

Primary exchange AIM/JSE

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs (8.8) 3.3 14.8

Rel (local) (8.0) 1.3 (2.3)

52-week high/low 24.2p 12.8p

### Business description

Pan African has seven major assets in South Africa: Barberton (target output 95koz Au pa), the Barberton Tailings Retreatment Project (20koz), Evander (95koz), the Evander Tailings Retreatment Project (10koz), Elikhulu (53koz), Phoenix Platinum (12koz) and Uitkomst (400kt saleable coal pa).

### Next events

FY17 results September 2017

### Analysts

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## Investment summary

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### Company description: South African gold, PGE and coal

Pan African is a South Africa based gold mining group which has dual primary JSE and AIM listings and operates seven major assets in South Africa: Barberton (target output 95koz Au pa), the Barberton Tailings Retreatment Project (20koz), Evander (95koz), the Evander Tailings Retreatment Project (10koz), Elikhulu (53koz), Phoenix Platinum (12koz) and Uitkomst (400kt saleable coal pa).

### Valuation: 21.38p at prevailing forex rates

We have updated our forecasts for FY17, which now include Uitkomst and reflect the effect of H117 section 54 regulatory stoppage notices (21 days lost production) as well as the current Evander production halt. Our group wide forecasts are for production of 183.8koz of gold in FY17 compared to management guidance of 181koz of gold. This, along with our current price assumptions, results in EPS of 1.36p (1.35p normalised), rising to 2.41p in FY18. In the longer term (and in FY17 had it not been for the current production challenges), we estimate that Pan African is capable of generating average earnings of 2.65p/share and paying average (maximum potential) dividends of 2.31p (including Elikhulu). At currently prevailing forex rates, the net present value of such a dividend stream is 21.38p (discounted as 10% pa). This valuation assumes that the grade profile at Evander averages 6.43g/t from FY17-30 and that the gold price will average US\$1,283/oz (real). In the meantime, it is cheaper than its immediate peers on at least 70% of a range of valuation measures. It also has the third highest (consensus) forecast dividend yield of any dividend-paying gold company, globally

### Financials: Net debt free in five years after Elikhulu capex

Pan African had £33.2m in net debt on its balance sheet as at 31 December 2016 after the payment of a £17.1m final dividend in late December (cf net debt of £22.8m as at 30 June 2016, £16.2m as at 31 December 2015 and £18.0m as at 30 June 2015). Net debt currently equates to a gearing (net debt/equity) ratio of 16.7% and a leverage (net debt/[net debt + equity]) ratio of 14.3%. We have now incorporated our estimated capex requirement for Elikhulu of £154m over six years from FY17 to FY22. Consequently, whereas we had previously been expecting Pan African to be net debt free within the current year, we now expect this to occur in FY21.

### Sensitivities: As expected

The valuations above were conducted at a long-term gold price of US\$1,283/oz, changes in which will (inevitably) affect our valuation. Other risks include the timing of the refurbishment programme and the consequent production hiatus at Evander and timely progress of the Elikhulu project. Exogenous factors include exchange rate movements (in particular the rand/dollar and rand/sterling rates and, by extension, the sterling/dollar rate), the regulatory framework for energy costs and labour agreements.

## Interim results and forecasts

Pan African's interim figures were consistent with both its trading statement of 27 January as well as our prior full-year expectations. Compared to the prior year period (ie H116) gold produced and sold decreased 10.0% to 91,613oz owing to a combination of operational constraints coupled with a sharp increase in Department of Mineral Resources' (DMR) Section 54 stoppage notices, while cash costs of production increased by 25.8%, to US\$932/oz (ostensibly the same level as in H215). On a headline basis, earnings per share, in particular, were higher than at any time since H114 (ie the second half of calendar 2013), when the gold price averaged US\$1,311/oz. Moreover, this coincided with a period in which the South African rand has been unusually strong for the first time in a reporting period since H111, averaging ZAR17.8771/£ (vs ZAR22.0942/£ in H216) and ZAR13.9875/US\$ (vs ZAR15.4132/US\$ in H216).

**Exhibit 1: Pan African underlying P&L statement by half-year (H114-H117) actual vs expected**

£000s (unless otherwise indicated)	H114	H214	H115	H215	H116	H216	H117	H117 vs H216
Mineral sales	84,637	69,914	68,126	72,951	75,632	93,728	105,046	12.1
Realisation costs	(191)	(159)	(295)	(396)	(269)	(687)	(1,548)	125.3
Realisation costs (%)	0.23	0.23	0.43	0.54	0.36	0.73	1.47	101.0
On-mine revenue	84,447	69,755	67,831	72,555	75,363	93,041	103,498	11.2
Gold cost of production	(52,519)		(52,727)		(48,935)	(51,102)	(65,188)	27.6
Platinum cost of production	(1,590)		(1,797)		(1,651)	(1,448)	(2,300)	28.1
Coal cost of production							(10,568)	N/A
Cost of production	(54,109)	(52,285)	(54,524)	(55,889)	(50,586)	(57,637)	(78,056)	35.4
Depreciation	(5,088)	(4,935)	(4,676)	(5,661)	(5,277)	(5,180)	(6,450)	24.5
Mining profit	25,249	12,535	8,631	11,005	19,500	30,225	18,992	(37.2)
Other income/(expenses)	(223)	(1,227)	523	(273)	(3,486)	(8,697)	2,175	(125.0)
Loss in associate	(89)	(84)	(128)	0	0	0	256	N/A
Loss on associate disposal			(140)	0	0	0	0	N/A
Impairment costs	0	(12)	(56)	(2)	0	0	0	N/A
Royalty costs	(1,747)	(272)	(795)	(852)	(1,194)	(1,606)	(968)	(39.7)
Net income before finance items	23,191	10,940	8,034	9,878	14,819	19,923	20,455	2.7
Finances income	381	306	321	28	144	299	70	(76.6)
Finance costs	(725)	(153)	(498)	(1,960)	(558)	(891)	(1,079)	21.2
Net finance income	(344)	153	(177)	(1,932)	(414)	(592)	(1,009)	70.6
Profit before taxation	22,847	11,093	7,857	7,946	14,405	19,331	19,446	0.6
Taxation	(5,537)	(1,618)	(2,310)	(1,823)	(3,480)	(4,754)	(5,475)	15.2
Marginal tax rate (%)	24.2	14.6	29.4	22.9	24.2	26.1	28.2	14.5
Deferred tax								
Profit after taxation	17,310	9,475	5,548	6,122	10,925	14,577	13,970	(4.2)
EPS (p)	0.95	0.52	0.30	0.33	0.60	0.82	0.93	13.0
HEPS* (p)	0.95	0.52	0.31	0.33	0.60	0.82	0.91	11.3
Diluted EPS (p)	0.95	0.52	0.30	0.33	0.60	0.82	0.93	15.8
Diluted HEPS* (p)	0.95	0.52	0.31	0.33	0.60	0.80	0.91	14.0

Source: Pan African Resources, Edison Investment Research. Note: \*HEPS = headline earnings per share.

In rand terms, PAF's gold cost of production (excluding realisation costs) increased 14.4%, to ZAR1,165.6m compared with H116; including realisation costs, it increased by 16.4%, to ZAR1,193.3m. This could be predominantly attributed to:

- Salaries and wages (44% of production costs) increasing by 8.3% - in line with the labour agreements signed in FY16.
- Electricity costs (16% of the total) increasing by 8.9%. Note that this was less than the 9.5% approved by the National Energy Regulator of South African (Nersa) from 1 April 2016 (ie covering the period under review) owing to reduced aggregate power consumed.

Compared with H216 however, PAF's gold cost of production (including realisation costs) increased by only 5.5% in local currency terms; relative to the aggregate number of tonnes processed, it increased by only 1.4%, to ZAR643/t (vs ZAR634/t).

## Operations

While overall gold production fell 10.0% of H116, there were sharp increases at both the BTRP (+14.0%) and the ETRP (+77.3%), while production at both of Pan African's traditional, underground operations fell, with output at Barberton down 21.0% and at Evander down 27.2%. As a result, the BTRP and ETRP were Pan African's second and third most profitable business units overall, behind Barberton (underground), but ahead of Evander (underground). As a result, for the first time the company recorded greater profits, in the form of adjusted EBITDA, from its tailings retreatment projects than from its underground operations.

## Evander Gold Mines (EGM)

We had anyway expected a decline in tonnes milled from underground at Evander to 349kt for FY17 (174.5kt pro rata for H117) versus c 400ktpa in prior years. In the event, this decline was slightly greater than expected, being augmented by Section 54 DMR stoppage notices, in particular.

**Exhibit 2: EGM operational results, H114-H217e, actual and forecasts**

	H114	H214	H115	H215	H116	H216	H117	H117 vs H216 (%)	H217e
Tonnes milled underground (t)	200,272	194,855	197,879	184,107	200,942	207,339	161,872	(21.9)	116,333
Head grade underground (g/t)	6.20	4.17	4.30	4.92	5.80	5.60	5.40	(3.6)	6.01
Underground gold contained (oz)	39,921	26,138	27,357	29,137	37,471	37,351	28,103	(24.8)	22,467
Tonnes milled surface (t)	111,225	149,676	198,578	67,645	0	0	0	N/A	0
Head grade surface (g/t)	1.30	1.47	1.40	0.22	0.00	0.00	0.00	N/A	0.00
Surface gold contained (oz)	4,649	7,095	8,938	477	0	0	0	N/A	0
Tonnes milled (t)	311,497	344,531	396,457	251,752	200,942	207,339	161,872	(21.9)	116,333
Head grade (g/t)	4.45	3.00	2.85	3.66	5.80	5.60	5.40	(3.6)	6.01
Contained gold (oz)	44,570	33,233	36,295	29,614	37,471	37,351	28,103	(24.8)	22,467
Recovery (%)	97	102	93	100	97	99	94	(5.4)	100
Production underground (oz)	38,710	27,246	26,024	27,722	36,370	37,126	26,477	(28.7)	22,467
Production surface (oz)	3,955	6,645	7,831	1,982	0	0	0	N/A	0
Total production (oz)	42,665	33,891	33,855	29,704	36,370	37,126	26,477	(28.7)	22,467
Recovered grade (g/t)	4.26	3.06	2.66	3.67	5.63	5.57	5.09	(8.7)	6.01
Gold sold (oz)	43,164	33,392	33,733	29,825	36,370	37,126	26,477	(28.7)	22,467
Average spot price (US\$/oz)	1,302	1,290	1,233	1,206	1,105	1,221	1,256	2.8	1235
Average spot price (ZAR/kg)	421,273	443,171	435,376	461,891	483,309	605,265	565,009	(6.7)	517,627
Total cash cost (US\$/oz)	985	1,358	1,317	1,277	995	918	1,457	58.8	1,739
Total cash cost (ZAR/kg)	318,616	466,650	464,955	489,118	435,190	454,756	655,304	44.1	728,835
Total cash cost (US\$/t)	134.93	134.43	112.03	149.51	180.15	163.58	238.34	45.7	335.83
Total cash cost (ZAR/t)	1,373.00	1,427.75	1,230.00	1,794.96	2,450.00	2,532.68	3,334.00	31.6	4,378.00
Implied revenue (US\$000s)	56,200	42,940	41,593	35,694	40,189	44,773	33,255	(25.7)	27,747
Revenue (ZAR000s)	565,576	460,221	456,799	427,794	546,731	685,865	465,296	(32.2)	361,716
Implied revenue (£000s)	35,471	25,504	25,566	23,502	26,219	31,052	26,025	(16.2)	22,237
Implied cash costs (US\$000s)	42,029	46,317	44,415	37,639	36,199	33,916	38,581	13.8	39,068
Cash costs (ZAR000s)	422,810	491,905	487,800	451,884	492,308	525,124	539,681	2.8	509,307
Implied cash costs (£000s)	26,527	27,662	27,297	24,917	23,635	23,754	30,188	27.1	31,325
Forex (ZAR/£)	15.9388	17.8279	17.8700	18.1318	20.8300	22.0942	17.8771	(19.1)	16.2588
Forex (ZAR/US\$)	10.0600	10.6853	10.9827	11.9173	13.6000	15.4132	13.9875	(9.2)	13.0363
Forex (US\$/£)	1.5844	1.6685	1.6269	1.5186	1.5328	1.4335	1.2778	(10.9)	1.2478

Source: Edison Investment Research, Pan African Resources

During the six month period under review, Evander was issued with four Section 54 regulatory notices by the DMR, which resulted in 13 lost production days, compared with three notices and two days in the prior year period.

While cash costs of production increased by 58.8% in US dollar terms, to US\$1,457/oz, most of the increase could be attributed to the lower number of ounces produced and the adverse moves in the rand:dollar exchange rate. In rand terms, aggregate costs increased by a much more respectable 2.8%, indicating a continued focus on cost control, notwithstanding the production challenges experienced during the half year.

Operations at Evander have now advanced from 25 to 26 level, which has simultaneously improved access to more high-grade panels as well as allowing management to manage and blend the ore mined towards achieving its target of 110,000oz of gold per annum. All other things being equal therefore, the head grade is expected to remain in the range 6-7g/t for the next three to five years. Note that, had an underground head grade of 7.2g/t prevailed in H117 (and applying the group's H117 marginal tax rate to the incremental profits), we estimate that it would have added c 0.41p to both Pan African's EPS and headline EPS in H117. Operations will remain focused at 25 level for eight years, before progressing to 26 level. Excluding Elikhulu, management's target is to achieve a consistent all-in sustaining cost of production of US\$1,100/oz at Evander (vs US\$1,310/oz in the period under review).

In fact, immediately prior to the February announcement of a fatality at seven shaft, Evander was reported to be mining material at a diluted grade of 8g/t from underground and at a mine call factor in excess of 80% (vs 65% in H116, 59% in H115 and a target of 73%) as a result of a focus on blasting and cleaning practices, in particular, including the use of blasting barricades. In the wake of the fatality, there will now be a 55-day underground mining hiatus at Evander, while steelwork at the 7A, 7 and 8 shafts is refurbished. During this period, the pump column at 8 shaft will be the only one at the mine that is operational, which represents a technical engineering risk in the event of a similar failure as at 7 shaft. During this period, management is also planning to drill a second exploration drill hole into the Kinross 2010 pay channel as a precursor to potential future exploitation.

On 10 March, PAF announced that repairs at 7 shaft were "progressing on schedule" and that they were "still expected to be completed within the 55 day period previously communicated" (ie around the middle of April). At the same time, in order to ameliorate Evander's underground fixed cost base once mining recommences, management also announced a retrenchment programme (with the agreement of the National Union of Mineworkers and the appropriate South African government agency) whereby approximately 30% of Evander Mines' employees will be retrenched at an estimated cost of ZAR54m (US\$4.2m or £3.4m). In order to minimise the number of job losses overall, Evander has agreed to re-engage a number of retrenched employees once site activities commence at Elikhulu. In the meantime, Edison estimates that this initiative will save Evander approximately 15% of its cost base in the longer term. Pro-rata, this implies a net additional cost in the order of ZAR25m in H217. However, this should be substantially offset by management's initiative to utilise available plant capacity to continue processing tailings and additional surface sources.

## **Barberton Gold Mining Operations (BGMO)**

As at Evander, Barberton was served with six Section 54 regulatory notices in H117, which resulted in eight days of lost production (cf one notice costing three days of production in H116). In aggregate therefore, Barberton and Evander were served with a combined ten Section 54 regulatory stoppage notices during the 184 day period, which resulted in 21 days of lost production (cf four notices and five days lost in the prior year period). In addition however, Barberton also experienced a degree of community unrest, which was designed to target government service

delivery, but which also had the collateral effect of costing Barberton six days of lost production, as a result of protests preventing employees from reporting to work. Finally, Barberton experienced flexibility constraints at its Fairview mine and specifically at its high grade 11-block, which resulted in lower grades being mined. As with Evander however, while cash costs of production were reported to have increased by 42.0% compared with the prior year period, to US\$967/oz (vs US\$681/oz), in fact aggregate cash costs increased by only a much more modest 3.9% in local currency terms compared to H216:

**Exhibit 3: Barberton operational results, H114-H217e**

	H114	H214	H115	H215	H116	H216	H117	H117 vs H216 (%)	H217e
Tonnes milled (t)	149,589	142,532	126,713	134,036	139,430	128,953	123,168	(4.5)	139,137
Head grade (g/t)	10.45	10.56	11.40	10.00	10.60	10.77	9.40	(12.7)	10.26
Contained gold (oz)	50,272	48,374	46,443	43,080	47,117	44,656	37,224	(16.6)	45,895
Recovery (%)	91	96	89	90	92	92	93	1.1	92.5
Production underground (oz)	41,849	46,130	42,666	38,649	43,487	40,941	34,471	(15.8)	42,449
Production calcine dumps/surface ops (oz)	390	369	76	102	130	132	0	(100.0)	
Total production (oz)	42,239	46,499	42,742	38,751	43,617	41,073	34,471	(16.1)	42,449
Gold sold (oz)	45,405	43,333	41,232	40,261	43,617	41,073	34,471	(16.1)	42,449
Average spot price (US\$/oz)	1,317	1,290	1,229	1,206	1,113	1,221	1,268	3.8	1,235
Average spot price (ZAR/kg)	426,101	443,171	433,966	461,891	486,567	605,265	570,251	(5.8)	517,627
Total cash cost (US\$/oz)	787	770	885	825	681	708	967	36.7	795
Total cash cost (ZAR/kg)	254,506	263,029	312,502	318,061	297,877	351,358	434,999	23.8	333,296
Total cash cost (US\$/t)	222.22	251.14	287.82	238.62	213.09	225.38	270.74	20.1	242.61
Total cash cost (ZAR/t)	2,403.00	2,668.95	3,161.00	2,860.08	2,898.00	3,525.32	3,787.00	7.4	3,162.69
Implied revenue (US\$000s)	59,798	56,360	50,674	48,095	48,546	50,288	43,709	(13.1)	52,424
Revenue (ZAR000s)	601,758	600,142	556,300	574,798	660,091	774,505	611,400	(21.1)	683,417
Implied revenue (£000s)	37,743	33,700	31,148	31,559	31,671	34,950	34,207	(2.1)	42,013
Implied cash costs (US\$000s)	33,242	35,796	36,471	31,983	29,711	29,064	33,347	14.7	33,755
Cash costs (ZAR000s)	334,362	380,411	400,600	383,353	404,068	448,861	466,437	3.9	440,047
Implied cash costs (£000s)	20,978	21,484	22,417	21,043	19,398	20,221	26,091	29.0	27,065
Forex (ZAR/£)	15.9388	17.8279	17.8700	18.1318	20.8300	22.0942	17.8771	(19.1)	16.2588
Forex (ZAR/US\$)	10.0600	10.6853	10.9827	11.9173	13.6000	15.4132	13.9875	(9.2)	13.0363
Forex (US\$/£)	1.5844	1.6687	1.6269	1.5186	1.5328	1.4335	1.2778	(10.9)	1.2478

Source: Edison Investment Research, Pan African Resources

Barberton is commencing multi-year wage negotiations with its labour-force later this year (note that Barberton traditionally negotiates its agreements outside the auspices of the South African Chamber of Mines' collective wage bargaining process). In the meantime however, exploration drilling has confirmed at least a 200m down-dip extension of the high-grade 11-block of the MRC orebody. Consequently, work is underway to develop additional production platforms to expose additional high grades panels in order to increase mining grades and flexibility, with the result that a much improved performance is expected from BGMO operations' in the second half of PAF's financial year.

## Barberton Tailings Retreatment Project (BTRP)

In contrast to BGMO and Evander, PAF's retreatment operations typically outperformed our expectations. In the case of the BTRP, although throughput declined, the head grade was maintained at a very high level, which resulted in materially higher metallurgical recoveries, while aggregate costs actually fell in local currency terms. Consequently, the BTRP produced 14,741oz of gold during the period, compared to a long-term, sustainable expectation of 10,000oz per semi-annual period (ie representing production outperformance of 47.4%):



**Exhibit 4: BTRP operational results, H114-H217e**

	H114	H214	H115	H215	H116	H216	H117	H117 vs H216 (%)	H217e
Tonnes processed tailings (t)	343,137	472,599	484,315	487,312	464,179	495,036	388,905	(21.4)	600,000
Head grade tailings (g/t)	1.70	1.58	1.50	1.30	1.30	2.08	2.20	6.0	1.66
Tailings gold contained (oz)	18,755	23,208	23,357	20,377	19,401	33,027	27,508	(16.7)	32,022
Recovery (%)	60	49	51	65	64	47	55	17.3	56
Production tailings (oz)	11,603	11,282	11,710	13,219	12,830	15,481	14,741	(4.8)	17,868
Production other (oz)	0	0	0	0	0	0	0	N/A	0
Total production (oz)	11,603	11,282	11,710	12,573	12,830	15,761	14,741	(6.5)	17,868
Recovered grade (g/t)	1.05	0.74	0.75	0.80	0.86	0.99	1.18	19.1	0.93
Gold sold (oz)	11,603	11,282	11,710	12,573	12,830	15,761	14,741	(6.5)	17,868
Average spot price (US\$/oz)	1,317	1,290	1,229	1,206	1,113	1,221	1,268	3.8	1,235
Average spot price (ZAR/kg)	426,101	443,171	433,799	461,891	486,566	605,265	570,349	(5.8)	517,627
Total cash cost (US\$/oz)	454	528	459	497	367	275	319	16.0	288
Total cash cost (ZAR/kg)	146,928	181,511	162,203	190,268	160,665	136,287	143,451	5.3	120,914
Total cash cost (US\$/t)	15.36	12.72	11.11	12.88	10.15	8.68	12.09	39.3	8.59
Total cash cost (ZAR/t)	154.53	131.28	121.98	152.69	138.00	134.96	169.00	25.2	112.00
Implied revenue (US\$000s)	15,281	14,584	14,392	15,112	14,280	19,286	18,692	(3.1)	22,068
Revenue (ZAR000s)	153,776	155,425	157,998	179,905	194,166	293,032	261,501	(10.8)	287,680
Implied revenue (£000s)	9,645	8,723	8,846	9,885	9,316	13,310	14,628	9.9	17,685
Implied cash costs (US\$000s)	5,271	6,011	5,379	6,277	4,710	4,296	4,702	9.5	5,155
Cash costs (ZAR000s)	53,025	63,693	59,077	74,406	64,057	66,810	65,771	(1.6)	67,200
Implied cash costs (£000s)	3,327	3,590	3,306	4,111	3,075	3,020	3,679	21.8	4,133
Forex (ZAR/£)	15.9388	17.8279	17.8700	18.1318	20.8300	22.0942	17.8771	(19.1)	16.2588
Forex (ZAR/US\$)	10.0600	10.6853	10.9827	11.9173	13.6000	15.4132	13.9875	(9.2)	13.0363
Forex (US\$/£)	1.5844	1.6685	1.6269	1.5186	1.5328	1.4335	1.2778	(10.9)	1.2478
Capex (US\$000s)	3,569	364	100	188	566	(8)	1,494	(18,916.7)	0
Capex (ZAR000s)	35,900	4,800	1,100	2,200	7,700	400	20,900	5,125.0	0
Capex (£000s)	2,252	159	62	122	370	8	1,169	15,263.2	0

Source: Edison Investment Research, Pan African Resources

Nameplate capacity at the BTRP is 100ktpm and management is working towards achieving this level in H217. For the moment, we continue to anticipate a moderation in grade and metallurgical recoveries. However, management has also recently been investigating the potential to reduce retention times, while maintaining metallurgical recoveries at relatively high levels. To the extent that it is successful, our forecasts may therefore prove to be relatively conservative.

In the longer term, approximately two-thirds of the tailings being treated at the BTRP originated from the Fairview concentrator at a grade of c 1.6g/t. The remaining third are from the same origin, but are supplemented with material from the Biox plant at a grade of 3-10g/t. As a result, a substantial portion of the resources being treated by BTRP exists at a grade in excess of 1.6g/t and there is therefore ample opportunity for management to pursue higher-grade strategies in order to increase financial returns.

## ETRP

Albeit achieved at the expense of higher costs in local currency terms, throughput, grade and metallurgical recovery at the ETRP all increased materially during the period compared to H216. *Prima facie*, this could be attributed to the processing of higher-grade surface material. In addition however, the plant also operated at 98.4% capacity utilisation.

**Exhibit 5: ETRP operational results, H115-H217e**

	H215	H116	H216	H117	H117 vs H216 (%)	H217e
Tonnes processed from surface feedstocks (t)	139,723	161,090	235,852	240,495	2.0	100,000
Head grade surface feedstocks (g/t)	1.10	1.30	1.25	1.80	44.0	1.36
Surface feedstocks gold contained (oz)	4,941	6,733	9,858	13,918	41.2	4,373
Tonnes processed tailings (t)	507,444	729,085	715,959	940,489	31.4	1,080,000
Head grade tailings (g/t)	0.30	0.30	0.30	0.30	0.0	0.32
Tailings gold contained (oz)	4,894	7,032	6,906	9,071	31.4	11,111
Total tonnes processed (t)	647,167	890,175	951,811	1,180,984	24.1	1,180,000
Head grade (g/t)	0.47	0.48	0.55	0.61	10.5	0.41
Contained gold (oz)	9,836	13,765	16,763	22,989	37.1	15,484
Recovery (%)	54	63	54.7	65.0	18.8	61.0
Production tailings (oz)	4,029	3,708	3,016	4,444	47.3	9,445
Production surface (oz)	2,494	5,272	6,155	11,480	86.5	
Total production (oz)	6,523	8,980	9,171	15,924	73.6	9,445
Recovered grade (g/t)	0.31	0.31	0.30	0.42	39.9	0.25
Gold sold (oz)	6,523	8,980	9,171	15,924	73.6	9,445
Average spot price (US\$/oz)	1,206	1,108	1,221	1,224	0.2	1,235
Average spot price (ZAR/kg)	466,647	484,298	605,265	550,380	(9.1)	517,627
Total cash cost (US\$/oz)	688	528	638	545	(14.5)	846
Total cash cost (ZAR/kg)	266,453	230,857	316,105	245,178	(22.4)	354,752
Total cash cost (US\$/t)	6.93	5.33	6.22	7.35	18.2	6.77
Total cash cost (ZAR/t)	83.53	72.00	94.73	103.00	8.7	88.32
Implied revenue (US\$000s)	7,260	9,950	11,123	19,491	75.2	11,665
Revenue (ZAR000s)	87,403	135,268	170,429	272,597	59.9	152,066
Implied revenue (£000s)	4,609	6,491	7,714	15,254	97.7	9,348
Implied cash costs (US\$000s)	4,488	4,741	5,918	8,682	46.7	7,994
Cash costs (ZAR000s)	54,060	64,500	90,168	121,434	34.7	104,218
Implied cash costs (£000s)	3,004	3,096	4,107	6,793	65.4	6,410
Forex (ZAR/£)	18.1318	20.8300	22.0942	17.8771	(19.1)	16.2588
Forex (ZAR/US\$)	12.0400	13.6000	15.4132	13.9875	(9.2)	13.0363
Forex (US\$/£)	1.5186	1.5328	1.4335	1.2778	(10.9)	1.2478
Capex (US\$000s)	7,899	0	0	0	N/A	0
Capex (ZAR000s)	95,100	0	0	0	N/A	0
Capex (£000s)	5,284	0	0	0	N/A	0

Source: Edison Investment Research, Pan African Resources

The grade of the dam being re-mined at the ETRP is 0.3g/t. However, the operation is commercially viable given its ability to fill unutilised capacity in the Kinross plant such that it therefore attracts only incremental operating costs (eg 14 additional employees). Re-mining is being conducted without breaching the dam wall and the tailings are being redeposited at Winkelhaak, thereby simplifying the environmental requirements (ie the Environmental Impact Assessment) with respect to re-filling the Kinross dam at a later date.

Nameplate capacity at the ETRP is 200ktpm and management's target is to achieve 150-160ktpm (75-80% capacity utilisation on a sustainable, long-term basis). At ambient head grades (0.32g/t) and metallurgical recoveries (45%), this should result in the production of 10,000oz per annum at a total cash cost of US\$1,012/oz (Edison calculation), based on prevailing forex rates and the ETRP's current cost base of c ZAR130m per annum. In the meantime however, management will continue to source toll-treatment material with higher grades than the ETRP's reserve and resource grades. Note that, in this respect, it is at a commercial advantage in that it is the only retreatment operator in the area and is therefore (effectively) the buyer of choice (or even the buyer of last resort) for tailings assets destined for retreatment in the region.



Effectively, the ETRP represents a substantial pilot plant, designed to prove recovery and cost parameters, before the development of the much larger Elikhulu project, which is currently poised to break ground imminently, subject to the conclusion of the final financing package. Compared with the ETRP's 2.4Mtpa processing plant capacity, Elikhulu will process 12Mtpa to produce c 50koz per annum, at a cost of c ZAR1.7bn in initial capex and ongoing costs of c US\$398-504/oz in opex.

## Phoenix Platinum

Phoenix returned to profitability at the EBTIDA level during H117, despite a material decrease in head grade owing to re-mining from the lower grade Elandsdraal/Kroondal tailings facility, as opposed to Samancor's Buffelsfontein facility, and the fact that re-mining was limited by the recent drought in South Africa's North West province. Compared with H216 however, metallurgical recoveries were materially higher following the installation of high energy agitation cells in the plant, as were sales of platinum group metals, while aggregate costs increased by only 3.6% in local currency terms.

**Exhibit 6: Phoenix Platinum operating and financial performance, H114-H117**

	H114	H214	H115	H215	H116	H216	H117	H117 vs H216 (%)
Plant feed - total (t)	118,259	132,923	135,963	126,156	117,461	131,520	122,024	(7.2)
Head grade (g/t)	3.80	3.61	3.16	3.47	3.25	3.02	2.24	(23.5)
Contained PGE (oz)	14,448	15,432	13,813	14,081	12,274	12,382	8,788	(29.0)
Plant recovery (%)	24.0	27.3	34.0	53.8	39.0	36.3	57.0	15.5
Recovered PGE (oz)	3,468	4,217	4,697	7,577	4,493	6,109	5,009	(18.0)
Production and sales of PGE 6E (oz)	2,987	4,217	4,711	5,534	4,493	3,846	4,574	18.9
Basket price received (ZAR/oz)	9,380	10,016	9,815	9,423	8,716	9,228	9,284	0.6
Basket price received (US\$/oz)	932	937	894	791	641	599	664	10.9
Implied revenue (ZAR000s)	28,018	43,934	46,238	52,144	39,161	35,490	42,465	19.7
Implied revenue (£000s)	1,758	2,464	2,587	2,876	1,880	1,606	2,375	47.9
Total cash costs (ZAR/oz)	8,484	9,868	6,817	6,453	7,653	10,318	8,991	(12.9)
Total cash costs (US\$/oz)	843	924	621	542	563	669	643	(3.9)
Total cash costs (ZAR/t)	214	313	236	283	293	302	337	11.7
Implied total cash costs (ZAR000s)	25,307	41,615	32,087	35,713	34,416	39,684	41,122	3.6
Implied total cash costs (£000s)	1,588	2,334	1,796	1,970	1,652	1,796	2,300	28.1
Capex (ZAR000s)	200	200	100	500	800	6,000	2,900	(51.7)

Source: Edison Investment Research, Pan African Resources

Effective from 1 July 2016, the life of operations at Phoenix has decreased to nine years as a result of the cessation of mining operations at Lesedi, following IFM's business rescue plan. Note that the right to the PGEs contained within the Lesedi resource continues to reside with Phoenix. Hence, the life of operations is likely to return to c 28 years in the event that the mine is re-opened once again. Nevertheless, it creates the risk of an impairment to PAF's carrying value for Phoenix at the financial year end (albeit, this is clearly a non-cash cost). It also imposes on Phoenix a requirement for a new, permanent tailings storage facility (at an estimated cost of c ZAR30-40m). Nevertheless, Phoenix remains a 'strategic' investment for Pan African, providing it with an entry into the PGE market. It will also benefit in future periods as a result of a new offtake contract, signed with Northam Platinum, which lowers chrome penalties associated with the refining of Phoenix material.

## Uitkomst

Having been purchased effective from 1 April 2016, there are no meaningful comparative measures for the performance of the Uitkomst colliery under Pan African management. During H117 however, it was reported to have sold 327kt of coal from own and third-party sources at an average price of US\$49/t after incurring production costs of US\$41/t. The colliery's contribution to Pan African's EBITDA was reported to be ZAR38.0m, on which basis we estimate that it made a contribution to PAF's EPS in the order of 0.1p/share during the period.

## Hedge position

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Pan African's strategy is not to hedge its gold production forward, except in specific circumstances and to provide protection against specific risks. In July 2015 however, in order to protect its operational revenue, Barberton Mines entered into a short-medium zero cost collar via the following instruments:

- A put option over 50,000oz of gold at a strike price of ZAR450,000/kg
- A call option over 25,000oz of gold at a strike price of ZAR505,000/kg

As a consequence, the decline in the price of gold, from ZAR625,886/kg on 30 June 2016 to ZAR506,917/kg on 31 December 2016, resulted in a mark-to-market fair value profit of ZAR90.0m (£5.3m) in the period under review, compared with a loss of ZAR40.6m (£1.8m) in the prior year period, which is included in 'other' expenses in PAF's income statement. Based purely on intrinsic value, a profit of this magnitude implies a net open position in the order of 24,000oz (which is as expected, given that some of the contracts will have been delivered into).

At the time of writing the rand price of gold is ZAR521,547/kg and we expect this to increase modestly to US\$1,275/oz, or 535,457/kg, by 30 June 2017, resulting in a small equivalent loss in H217. Note that, for the purposes of our financial forecasting, we calculate mark-to-market fair value adjustments based on our gold price forecasts for the year in question and the intrinsic value of the remaining open option contracts (ie no time value is included). These are included in our forecasts of 'other' expenses in Pan African's income statements.

In addition to its hedge position, PAF has a gold loan, valued at ZAR53.9m (cf ZAR110.4m previously) – equivalent to c 3,419oz of gold (cf 6,706oz of gold previously).

## Short- and long-term forecasts and valuation

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We have updated our forecasts for FY17 based on the estimates made for each of the operations highlighted above (NB FY17 forecasts now include Uitkomst). Note that, as per the forecasts detailed above for the individual operations, our group-wide forecasts for PAF are for production of 183.8koz of gold in FY17 compared to management's guidance of 181koz. Within this context, our detailed financial forecasts for PAF for H217 and FY17 are as follows.

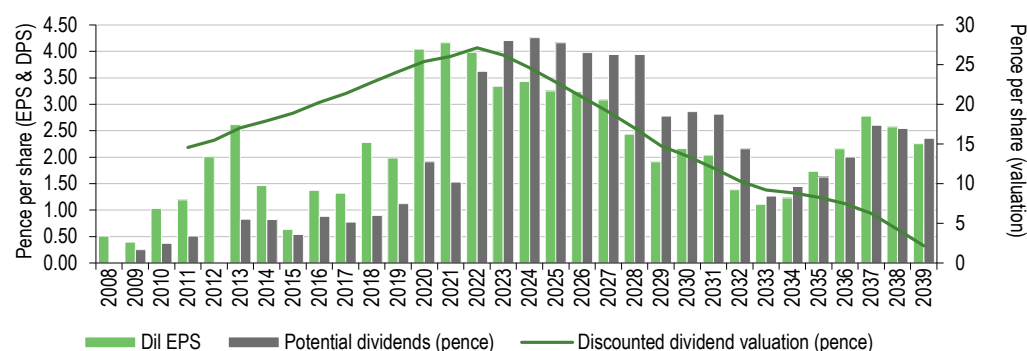
**Exhibit 7: Pan African underlying P&L statement by half-year (H114-H217e) actual and expected**

£000s (unless otherwise indicated)	H114	H214	FY14	H115	H215	H116	H216	H117	H217e	FY17e
Mineral sales	84,637	69,914	154,551	68,126	72,951	75,632	93,728	105,046	101,256	206,303
Realisation costs	(191)	(159)	(349)	(295)	(396)	(269)	(687)	(1,548)	(1,346)	(2,894)
Realisation costs (%)	0.23	0.23	0.23	0.43	0.54	0.36	0.73	1.47	1.47	1.40
On-mine revenue	84,447	69,755	154,202	67,831	72,555	75,363	93,041	103,498	99,911	203,409
Gold cost of production	(52,519)			(52,727)		(48,935)	(51,102)	(65,188)	(68,933)	
Pt cost of production	(1,590)			(1,797)		(1,651)	(1,796)	(2,300)	(2,529)	
Coal cost of production								(10,568)	(5,972)	
Cost of production	(54,109)	(52,285)	(106,394)	(54,524)	(55,889)	(50,586)	(57,637)	(78,056)	(77,435)	(155,491)
Depreciation	(5,088)	(4,935)	(10,023)	(4,676)	(5,661)	(5,277)	(5,180)	(6,450)	(8,032)	(14,482)
Mining profit	25,249	12,535	37,784	8,631	11,005	19,500	30,225	18,992	14,444	33,435
Other income/(expenses)	(223)	(1,227)	(1,450)	523	(273)	(3,486)	(8,697)	2,175	(2,302)	(127)
Loss in associate etc	(89)	(84)	(173)	(128)	0	0	0	256		256
Loss on associate disposal				(140)		0	0	0		0
Impairment costs	0	(12)	(12)	(56)	(2)	0	0	0		
Royalty costs	(1,747)	(272)	(2,019)	(795)	(852)	(1,194)	(1,606)	(968)	(1,764)	(2,732)
Net income before finance items	23,191	10,940	34,130	8,034	9,878	14,819	19,923	20,455	10,377	30,832
Finances income	381	306	687	321	28	144	299	70		
Finance costs	(725)	(153)	(878)	(498)	(1,960)	(558)	(891)	(1,079)		
Net finance income	(344)	153	(191)	(177)	(1,932)	(414)	(592)	(1,009)	(1,025)	(2,034)
Profit before taxation	22,847	11,093	33,939	7,857	7,946	14,405	19,331	19,446	9,352	28,798
Taxation	(5,537)	(1,618)	(7,155)	(2,310)	(1,823)	(3,480)	(4,754)	(5,475)	(2,871)	(8,346)
Marginal tax rate (%)	24	15	21	29	23	24	26	28	31	29
Deferred tax										
Profit after taxation	17,310	9,475	26,785	5,548	6,122	10,925	14,577	13,970	6,482	20,452
EPS (p)	0.95	0.52	1.47	0.30	0.33	0.60	0.82	0.93	0.43	1.36
HEPS* (p)	0.95	0.52	1.47	0.31	0.33	0.60	0.82	0.91	0.43	1.36
Diluted EPS (p)	0.95	0.52	1.46	0.30	0.33	0.60	0.80	0.93	0.43	1.32
Diluted HEPS* (p)	0.95	0.52	1.46	0.31	0.33	0.60	0.80	0.91	0.43	1.32

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

Note that our FY17 EPS forecast of 1.36p per share (above) compares with a mean consensus estimate of 1.94p, within the range 1.40-2.66p (source: Bloomberg, 31 March 2017). Our forecast of 2.34p for FY18 assumes a gold price for the year of US\$1,248/oz and compares with a mean consensus of 2.44p within the range 2.00-3.05p.

Updating our long-term forecasts to reflect these changes, our absolute value of PAF decreases from 23.25p/share in December to 21.38p/share currently (not least as a result of the recent, preternatural strength in the value of the rand against both sterling and the US dollar). This is based on 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).

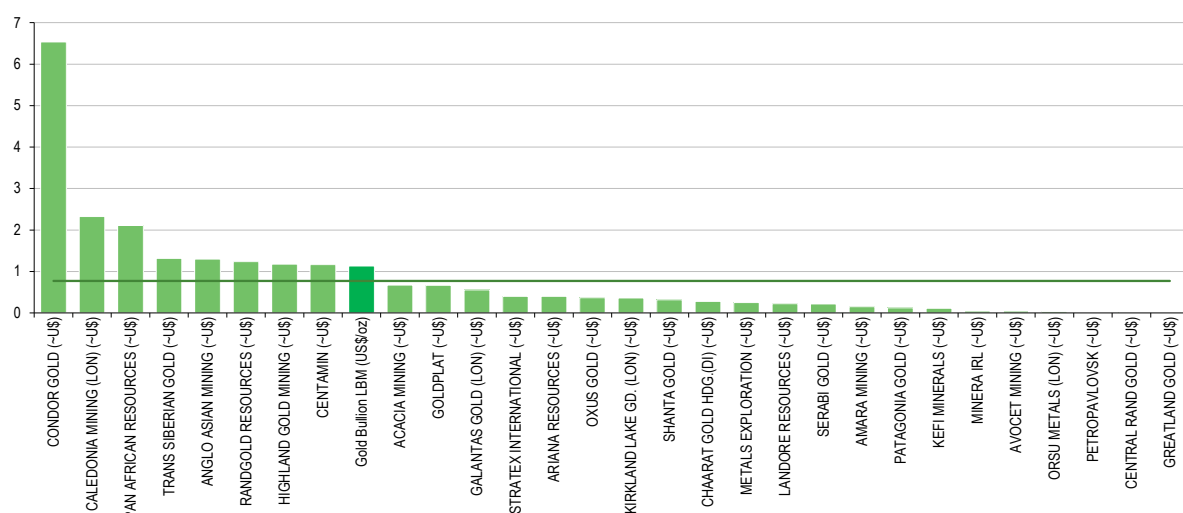
**Exhibit 8: PAF estimated life of operations diluted EPS and (maximum potential) DPS**


Source: Edison Investment Research, Pan African Resources

## Relative valuation

Pan African is the third-best performer of the London-listed gold miners, with its share price having risen by 111.1% in US dollar terms, since March 2010 (NB: more than one standard deviation above the mean, which has been a decline of 22.8% over the same period) and outperforming the gold price by 86.5%:

**Exhibit 9: PAF share price performance vs peers, March 2010-present, factor (underlying data US\$)**



Source: Thomson Datastream, Edison Investment Research

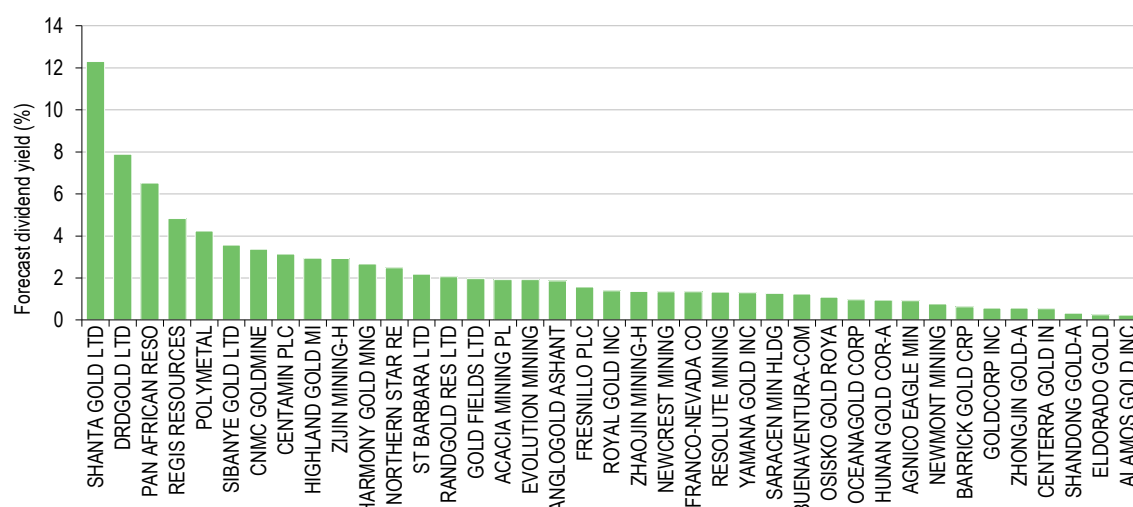
Of as much significance, PAF remains cheaper than its South African peers on at least 70% of valuation measures (ie 21 out of 30 measures in the table below on an individual company basis) regardless of whether consensus or Edison forecasts are used:

**Exhibit 10: Comparative valuation of PAF with respect to South African peers**

	EV/EBITDA (x)		P/E (x)		Yield (%)	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
AngloGold Ashanti	4.5	3.8	13.6	7.8	1.8	2.2
Gold Fields	3.6	3.3	16.3	12.8	1.9	2.3
Sibanye	4.1	2.9	21.0	9.8	3.1	4.6
Harmony	3.4	3.1	9.5	9.0	2.1	2.6
Randgold Resources	12.4	11.2	26.5	21.7	2.0	2.3
<b>Average (excluding PAF)</b>	<b>5.6</b>	<b>4.9</b>	<b>17.4</b>	<b>12.2</b>	<b>2.2</b>	<b>2.8</b>
Pan African (Edison)	5.9	3.9	12.0	6.7	4.5	5.2
Pan African (consensus)	5.8	4.2	8.3	6.6	5.7	7.0

Source: Edison Investment Research, Bloomberg. Note: Priced at 31 March 2017.

Within the global context, meanwhile, it has the third-highest dividend yield of the 39 ostensibly gold counters paying dividends to shareholders (including royalty companies):

**Exhibit 11: Global gold mining companies ranked by forecast dividend yield (%)**


Source: Bloomberg (consensus data, priced 31 March 2017), Edison Investment Research

## Financials

Pan African had £33.2m in net debt on its balance sheet as at 31 December 2016 after the payment of a £17.1m final dividend in late December (cf £22.8m as at 30 June 2016, £16.2m as at 31 December 2015 and £18.0m as at 30 June 2015). Net debt currently equates to a gearing (net debt/equity) ratio of 16.7% and a leverage (net debt/[net debt + equity]) ratio of 14.3%.

Our forecasts for Pan African's immediate capital expenditure commitments related to Elikhulu by financial year are as follows:

**Exhibit 12: Estimated Elikhulu capex requirements by financial year**

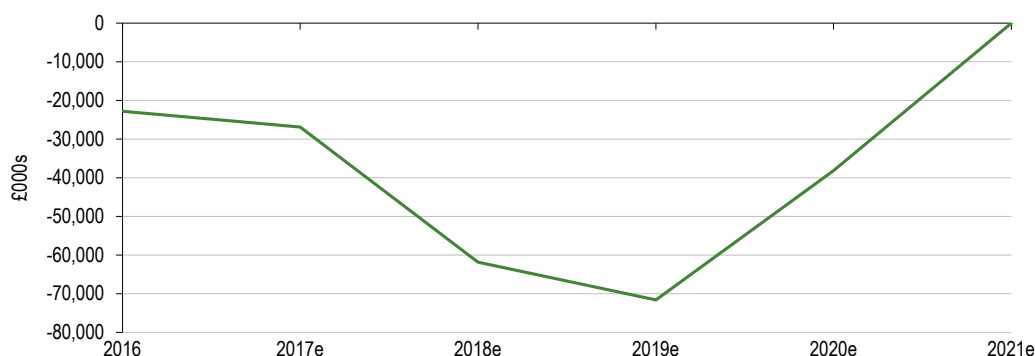
£000s	FY17	FY18	FY19	FY20	FY21	FY22
Total capex*	20,492	54,236	33,935	8,626	18,391	18,391

Source: Pan African Resources, Edison Investment Research. Note: \*Includes sustaining capex, but excludes phase 3 capex, which commences in FY26.

In the wake of shareholder approval to waive statutory pre-emption rights (confirmed on 9 February), PAF duly built a book of demand in excess of the 291.5m that it had been given the authority to issue. However, the company has elected not to use this funding option at this time, but instead to fund the Elikhulu development from cash and banking facilities until the final funding package is secured.

Whereas we had previously been expecting PAF to be net debt free 'by the end of FY17', all other things being equal, the imposition of capital requirements related to Elikhulu will now delay this until FY21.

Maintaining a dividend policy of 40% of free cash flows less sustaining capital, debt repayments and exceptional items, Pan African's funding requirement, on our estimates, will evolve as follows in the period from FY16 to FY21:

**Exhibit 13: Pan African estimated funding requirement, FY16 to FY21e**


Source: Edison Investment Research, Pan African Resources

Note that PAF's maximum funding requirement of £71.6m in FY19, as estimated by Edison, equates to ZAR1,150m at prevailing forex rates, or gearing (debt/equity) of 36.3% and leverage (debt/[debt+equity]) of 26.6%.

Debt is financed via a ZAR800m revolving credit facility (£49.8m at current exchange rates), of which ZAR511.5m (£31.8m) is currently drawn down, but which can be expanded to ZAR1,100m (£68.4m), plus a gold loan of ZAR53.9m (£3.4m) and a banking facility. In addition, Rand Merchant Bank (a division of First Rand) has provided Pan African with all the necessary approvals for a ZAR1bn underwritten five-year debt facility to fund the Elikhulu project.

The group's revolving credit facility (RCF) debt covenants and their actual recorded levels within recent history are as follows:

**Exhibit 14: Pan African group debt covenants**

Measurement	Constraint	31 December 2016 (actual)	30 June 2016 (actual)	31 December 2015 (actual)
Net debt:equity	Must be less than 1:1	0.17:1	0.35:1	0.50:1
Net debt:EBITDA	Must be less than 2.5:1	0.48:1	0.12:1	0.13:1
Interest cover ratio	Must be greater than four times	21.99	23.98	18.08

Source: Pan African Resources



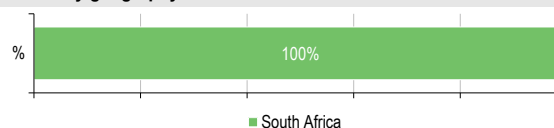
**Exhibit 15: Financial summary**

	£'000s	2011	2012	2013	2014	2015	2016	2017e	2018e
Year end 30 June		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>									
Revenue		79,051	100,905	133,308	154,202	140,386	168,404	203,409	204,785
Cost of sales		(45,345)	(46,123)	(71,181)	(106,394)	(110,413)	(108,223)	(155,491)	(133,356)
Gross profit		33,705	54,783	62,127	47,808	29,973	60,181	47,917	71,430
EBITDA		28,540	45,018	53,276	44,165	28,448	57,381	45,185	68,292
Operating profit (before GW and except.)		25,655	41,759	47,278	34,142	18,110	46,925	30,703	57,522
Intangible amortisation		0	0	0	0	0	0	0	0
Exceptionals		0	(48)	7,232	(12)	(198)	(12,183)	(127)	(1,082)
Other		0	0	0	0	0	0	256	0
Operating profit		25,655	41,711	54,510	34,130	17,912	34,742	30,832	56,440
Net interest		762	516	197	(191)	(2,109)	(1,006)	(2,034)	(2,415)
Profit before tax (norm)		26,417	42,274	47,475	33,951	16,001	45,919	28,669	55,107
Profit before tax (FRS 3)		26,417	42,226	54,707	33,939	15,803	33,736	28,798	54,025
Tax		(9,248)	(12,985)	(12,133)	(7,155)	(4,133)	(8,234)	(8,346)	(18,758)
Profit after tax (norm)		17,169	29,290	35,342	26,796	11,868	37,685	20,323	36,349
Profit after tax (FRS 3)		17,169	29,242	42,574	26,785	11,670	25,502	20,452	35,267
Average number of shares outstanding (m)		1,432.7	1,445.2	1,619.8	1,827.2	1,830.4	1,811.4	1,506.8	1,506.8
EPS - normalised (p)		1.20	2.03	2.18	1.46	0.64	2.08	1.35	2.41
EPS - FRS 3 (p)		1.20	2.02	2.63	1.47	0.64	1.41	1.36	2.34
Dividend per share (p)		0.51	0.00	0.83	0.82	0.54	0.88	0.73	0.85
Gross margin (%)		42.6	54.3	46.6	31.0	21.4	35.7	23.6	34.9
EBITDA margin (%)		36.1	44.6	40.0	28.6	20.3	34.1	22.2	33.3
Operating margin (before GW and except.) (%)		32.5	41.4	35.5	22.1	12.9	27.9	15.1	28.1
<b>BALANCE SHEET</b>									
Fixed assets		97,281	86,075	249,316	223,425	220,150	230,676	249,580	304,708
Intangible assets		38,229	23,664	38,628	37,040	37,713	38,682	40,418	42,154
Tangible assets		59,052	62,412	209,490	185,376	181,533	190,725	207,893	261,284
Investments		0	0	1,199	1,010	905	1,269	1,269	1,269
Current assets		15,835	41,614	26,962	23,510	17,218	22,016	21,074	20,943
Stocks		1,457	1,869	6,596	5,341	3,503	4,399	6,877	6,834
Debtors		4,254	6,828	15,384	12,551	10,386	14,891	14,130	14,043
Cash		10,124	19,782	4,769	5,618	3,329	2,659	0	0
Current liabilities		(8,960)	(11,062)	(24,066)	(24,012)	(22,350)	(32,211)	(39,305)	(70,501)
Creditors		(8,960)	(11,062)	(23,202)	(19,257)	(17,301)	(25,230)	(30,923)	(27,114)
Short-term borrowings		0	0	(864)	(4,755)	(5,049)	(6,981)	(8,382)	(43,387)
Long-term liabilities		(13,410)	(14,001)	(80,004)	(63,528)	(67,850)	(69,506)	(70,876)	(72,232)
Long-term borrowings		(181)	(869)	(11,133)	(8,141)	(16,313)	(18,456)	(18,456)	(18,456)
Other long-term liabilities		(13,228)	(13,132)	(68,871)	(55,387)	(51,537)	(51,049)	(52,420)	(53,775)
Net assets		90,746	102,626	172,208	159,396	147,167	150,975	160,473	182,918
<b>CASH FLOW</b>									
Operating cash flow		31,968	49,092	61,618	45,996	26,423	47,130	49,290	63,532
Net Interest		762	516	314	(606)	(2,109)	(1,006)	(2,034)	(2,415)
Tax		(10,743)	(11,616)	(13,666)	(8,536)	(3,943)	(7,777)	(6,975)	(17,403)
Capex		(21,712)	(17,814)	(27,197)	(21,355)	(19,554)	(14,097)	(33,386)	(65,898)
Acquisitions/disposals		0	(1,549)	(96,006)	0	(760)	(30,999)	0	0
Financing		1,545	259	47,112	349	(235)	15,207	0	0
Dividends		(5,376)	(7,416)	0	(14,684)	(15,006)	(9,882)	(10,954)	(12,821)
Net cash flow		(3,557)	11,471	(27,826)	1,164	(15,184)	(1,425)	(4,060)	(35,005)
Opening net debt/(cash)		(12,756)	(9,943)	(18,913)	7,228	7,278	18,033	22,778	26,838
Exchange rate movements		925	(1,813)	594	(839)	(276)	812	0	0
Other		(181)	(688)	1,090	(375)	4,705	(4,131)	0	0
Closing net debt/(cash)		(9,943)	(18,913)	7,228	7,278	18,033	22,778	26,838	61,843

Source: Company sources, Edison Investment Research

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**Revenue by geography**

**Management team**
**Chairman: Keith Spencer**

Keith is a qualified mining engineer with 47 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 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.

**CEO: Cobus Loots**

Cobus' 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 during 2009–2011 and a non-executive director during 2011–2013). He served as joint Chief Executive Officer alongside Ron Holding until assuming the office of Financial Director on 1 October 2013. He was appointed Chief Executive Officer on 1 March 2015.

**FD Deon Louw**

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 Limited, chief financial officer of Shanduka Coal, Director of Resource Finance Advisers and Head of Resource Structured Finance at Investec Bank. Deon was appointed as Financial Director on 1 March 2015.

**Independent Non-executive Director: Thabo Mosololi**

Thabo brings a wealth of experience in financial management, corporate governance and audit, having qualified as a chartered accountant with KPMG in 1994. Since then, he has served on various boards as a member and chairman of audit committees in the resources and other industries in South Africa. He is currently a director of MFT Investment Holdings, a family-owned investment company strategically placed to capitalise on B-BBEE investment opportunities.

**Principal shareholders**

	(%)
Shanduka Gold	22.5
Allan Gray Investment Management	19.6
Truffle Asset Management	6.1
Prudential Portfolio Managers (South Africa)	4.7
Old Mutual Investment Group (South Africa)	4.4
Coronation Fund Management	2.8
Miton Asset Management	1.6

**Companies named in this report**

Anglogold Ashanti (ANG SJ), Gold Fields (GFI SJ), Sibanye (SGL SJ), Harmony (HAR SJ), Randgold Resources (RRS LN)

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