Pan African Resources

Burnishing FY25 forecasts

Updated FY25 forecasts

Metals and mining

25 April 2025

Pan African's headline EPS (HEPS) for H125 appeared to show a decline of 43.7% y-o-y relative to its (restated) prior year number. However, if the loss attributable to its Mintails contract liability and its 5.6% (4,779oz) under-sale of gold relative to production are stripped out, we calculate that its normalised HEPS number was c 2.78c and almost exactly in line with our prior expectations (see Exhibit 2). We have reduced our production expectation for the full year by 2.7%. Nevertheless, production in H225 is anticipated to rise 43.0% compared to H125 and is the perfect springboard for PAF to attain our (upgraded) normalised HEPS forecast of 11.19c in FY26 (which is slightly conservative within the consensus range; see Exhibit 6). Our FY25e normalised HEPS forecast remains unchanged.

Year end	Revenue ($m)	PBT ($m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
6/23	321.6	92.9	3.54	0.95	16.9	1.6
6/24	373.8	119.8	4.68	1.24	12.8	2.1
6/25e	483.2	179.7	6.79	1.35	8.8	2.3
6/26e	707.9	327.9	11.19	8.22	5.3	13.8

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. FY23 and FY24 are 'as reported' and not restated or adjusted. Small discrepancies with Exhibit 12 may arise as a result of short-term fluctuations in forex rates.

Mintails financing facility concluded

H225 will be the last time in which the contract liability related to the fixed-price forward sales associated with Pan African's ZAR400m Mintails financing facility will feature in its results. From the start of FY26, PAF will be fully exposed to the prevailing price of gold at exactly the moment its output increases into the 250–350koz pa range.

Valuation: Rising with production and the gold price

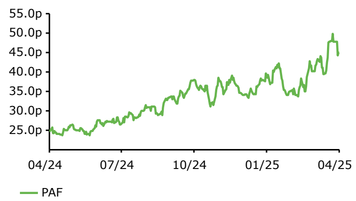
Our core valuation of Pan African remains essentially unchanged at 38.80c per share (to 1 July 2024), based on its five producing mines in FY25. However, this uses a relatively conservative gold price (US$2,124/oz nominal on average for the period FY26–30). It rises by a further 24.19–29.21c (18.44–22.27p) to 62.99–68.01c (48.02–51.86p) if other assets, such as Egoli and the Soweto Cluster, are included. It more than doubles, to 111.22c (84.80p), at the current price of gold of US$3,157/oz at the time of writing. Alternatively, if PAF's historical average price-to-normalised HEPS ratio of 8.2x for the period FY10–24 is applied to our FY25 and FY26 forecasts, it implies a value of 42.19p in FY25, followed by 69.52p in FY26. Stated alternatively, PAF's current share price of 44.85p could be seen as discounting normalised HEPS rising to only 7.22c per share in FY26 (cf 5.27c 'adjusted' in FY24 and our forecasts of 6.79c and 11.19c in FY25 and FY26, respectively). Meanwhile, PAF remains cheaper than its principal London- and South African-listed gold mining peers on at least 66% of commonly used valuation measures (Exhibit 12). Performing a relative valuation analysis, its peers imply a comparable valuation for PAF of 51.46p based on our year one EPS estimate and 72.43p based on our year two EPS estimate. This is validated by a valuation of 73.24p on a cash-flow and terminal multiple-type analysis (on an ex-real growth assumption), rising to 131.38p/share assuming 3.6% of real growth pa (which is the average real return of the gold price alone from 1967 to 2024).

Price	**44.85p**
Market cap	**£1,109m**

ZAR25.3436/£, ZAR19.3243/US$, US$1.3115/£

Net cash/(debt) at H125	$(228.5)m
Shares in issue (effective 2,029.3m excluding treasury)	2,335.7m
Code	PAF
Primary exchange	AIM
Secondary exchange	JSE

Share price performance



%	1m	3m	12m
Abs	30.1	29.1	112.2
52-week high/low		45.0p	22.1p

Business description

Pan African Resources (PAF) has four major producing precious metals assets in South Africa: Barberton (target output 80koz Au pa), the Barberton Tailings Retreatment Project, or BTRP (20koz), Elikhulu (55koz) and Evander underground, incorporating Egoli (currently 30koz, rising to >100koz).

Next events

FY25 results	September 2025

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Edison profile page

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H125 results and H225 guidance and forecasts

Pan African's production in H125 was in line with both our expectations and prior guidance (provided in its Operational update of 12 December). In addition, management reiterated guidance for FY25 of c 215,000oz and provided detailed numbers for H225 and FY26, which are shown in Exhibit 1, below, relative to both our prior and updated expectations.

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

Operation	H125e	H125a	Variance (%)	H225e (prior)	H225e (current)	Change (%)	H225 (guidance)	FY25e (prior)	FY25e (current)	FY26e (prior)	FY26e (current)	FY26 (guidance)
Barberton UG	32,000	31,142	(2.7)	41,463	34,500	(16.8)	34,000-35,000	73,463	65,642	80,000	71,500	68,000-75,000
BTRP	7,500	7,544	0.6	7,500	9,000	20.0	9,000-10,000	15,000	16,544	12,754	12,000	10,000-12,000
Barberton	**39,500**	**38,686**	**(2.1)**	**48,963**	**43,500**	**(11.2)**	**43,000-45,000**	**88,463**	**82,186**	**92,754**	**83,500**	**78,000-87,000**
Evander UG	12,000	11,551	(3.7)	26,000	20,000	(23.1)	20,000-22,000	38,000	31,551	51,921	51,391	48,000-55,000
Evander surface	0	0	N/A	0	0	N/A	0	0	0	0	0	0
Evander	**12,000**	**11,551**	**(3.7)**	**26,000**	**20,000**	**(23.1)**	**20,000-22,000**	**38,000**	**31,551**	**51,921**	**51,391**	**48,000-55,000**
Elikhulu	26,000	25,725	(1.1)	26,000	26,500	1.9	26,500-28,000	52,000	52,225	46,857	48,000	48,000-53,000
MTR	9,000	8,743	(2.9)	24,127	24,127	0.0	23,500-25,000	33,127	32,870	54,603	53,000	48,000-53,000
Total (excl TCMG)	**86,500**	**84,705**	**(2.1)**	**125,090**	**114,127**	**(8.8)**	**113,000-120,000**	**211,590**	**198,832**	**246,135**	**235,891**	**222,000-248,000**
Nobles		0	N/A	0	7,000	N/A	7,000-10,000	0	7,000	62,200	54,000	48,000-60,000
Total	**86,500**	**84,705**	**(2.1)**	**125,090**	**121,127**	**(3.2)**	**120,000-130,000**	**211,590**	**205,832**	**308,335**	**289,891**	**270,000-308,000**

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

Having produced 84,705oz in H125, PAF will need to produce at the top of its H225 guidance range to meet its full-year number of 215,000oz. Edison's current forecast is for output slightly below this level in absolute terms, but still of the same order of magnitude and still more than 10% higher than in FY24, with upside optionality being provided by its newly acquired Nobles project in Australia.

From a financial perspective, there were three particularly notable features of PAF's results in H125:

- On average, Pan African sold its gold for US$2,359/oz. This compares with an average price during the period of US$2,568/oz (source: Bloomberg); that is, the company sold its gold, on average, at a US$209/oz (or 8.1%) discount to the prevailing price in the marketplace. As noted in previous Edison reports, this discount arose from the opportunity cost that resulted from the synthetic gold forward sale transaction used by the company to part fund the construction of the Mogale Tailings Retreatment (MTR) operation. This opportunity loss falls disproportionately on PAF's Evander underground operations (see Exhibit 4). Quantitatively however, this will have reduced PAF's revenue by c US$16.7m (79,926oz sold at a US$209/oz discount) and compares with the US$17.4m disclosed in Pan African's results announcement (note that, for the purposes of our analysis of PAF's H125 results – see Exhibit 2, below – we have used the disclosed figure of US$17.4m to restate the numbers to show the company's performance on an underlying, or normalised, basis, rather than our US$16.7m number; the difference between the two, in this case, being deemed 'immaterial').
- Whereas Pan African produced 84,705oz in H125, it only sold 79,926oz. We estimate that this under-sale of 4,779oz (or 5.6%) relative to production will have similarly cost the company a further c US$12.3m in foregone revenue (4,779oz x US$2,528/oz). Although this will probably be recouped in subsequent accounting periods, its absence will have preternaturally depressed revenue (and, to some extent, related costs) in H125.
- Included in earnings in the reporting period was a gain on acquisition of US$25.2m (party offset by a US$3.0m impairment regarding its Sudanese exploration assets) relating to PAF's purchase of the Tennant Consolidated Mining Group (TCMG; announced on 5 November 2024), which is included in its EPS calculation, but excluded from HEPS. Note that Edison declined to attempt to quantify either in its prior forecasts of PAF's H125 results.

Exhibit 2, below, summarises PAF's H125 results, relative to our prior expectations. It also adjusts H125 results (but not prior results) to take account of the considerations noted above:

- In the first instance (denoted adjusted[1]) we adjust the US$17.4m opportunity cost resulting from the synthetic gold forward sale relating to its Mintails' funding back into the 'Other income/(expenses)' line (ie to show it as if this cost were a hedging cost, rather than a cost to revenue). This adjustment makes no difference to the income statement beyond 'Net income before finance' but adds US$17.4m to revenue (as would have been the case if all Pan African's gold were sold at the market rate in H125, rather than its discounted rate) and increases the hedging loss by a similar amount, thereby increasing HEPS, but not EPS.
- The second adjustment (adjusted[2]) is more subjective, but seeks to represent PAF's results as if all of the gold produced in the period were also sold. This adds US$12.3m to revenue. However, it would also add the corresponding cost of the unsold gold to the 'cost of production' as well as depreciation. The under-sales were

approximately equally attributable to one higher-cost operation (Barberton) and two lower-cost ones (Elikhulu and Mogale). For simplicity however, in making this adjustment, Edison has merely maintained the gross mining profit margin at the same level as the adjusted[1] case (of 34.5%), the effective tax rate at 20.4% and the minority interest at -1.8%.

The effect of these adjustments is to show that, while Pan African reported HEPS of 1.20c/share in H125, on a 'normalised' basis this would have been 2.60c/share without the Mintails contract liability and c 2.78c/share if all of its produced gold had been sold during the period; that is, to all intents and purposes, in line with our prior forecast of 2.79c/share.

Exhibit 2: Pan African P&L statement by half year (H123–H125)

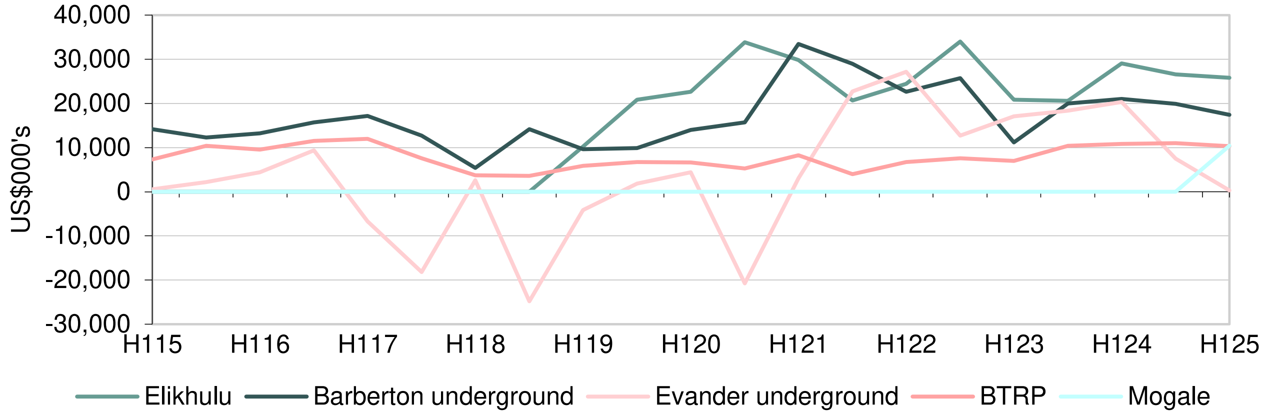
US$000s*	H123	H223	H124	H224	H125e	H125a (as reported)	H125a (adjusted[1])	H125a (adjusted[2])
Revenue	156,489	165,117	193,947	179,849	206,450	189,334	206,734	219,006
Cost of production	(99,282)	(99,508)	(110,292)	(110,891)	(111,679)	(120,634)	(120,634)	(127,795)
Depreciation	(11,122)	(9,277)	(10,768)	(10,476)	(11,539)	(14,744)	(14,744)	(15,619)
Mining profit	46,085	56,332	72,887	58,482	83,232	53,956	71,356	75,592
Other income/(expenses)	(3,610)	(3,737)	(7,231)	(3,144)	(23,473)	(9,655)	(27,055)	(27,055)
Loss in associate etc	0	0	0	0		0	0	0
Loss on disposals	0	0	0	0		0	0	0
Exceptional items	0	0	0	0		22,244	22,244	22,244
Royalty costs	(468)	(495)	(1,242)	(445)	(5,269)	(1,402)	(1,402)	(1,402)
Net income before finance	42,007	52,100	64,414	54,893	54,490	65,143	65,143	69,379
Finance income	456	683	760	1,124		968	968	968
Finance costs	(3,464)	(6,228)	(5,594)	(6,190)		(10,053)	(10,053)	(10,053)
Net finance income	(3,008)	(5,545)	(4,834)	(5,066)	(8,131)	(9,085)	(9,085)	(9,085)
Profit before taxation	38,999	46,555	59,580	49,827	46,359	56,058	56,058	60,294
Taxation	(10,063)	(14,754)	(17,223)	(13,358)	(13,224)	(11,443)	(11,443)	(12,300)
Effective tax rate (%)	25.8	31.7	28.9	26.8	28.5	20.4	20.4	20.4
PAT (continuing ops)	28,936	31,801	42,357	36,469	33,135	44,615	44,615	47,994
Minority interest	(136)	(266)	(224)	(328)	0	(820)	(820)	(864)
Ditto (%)	(0.5)	(0.8)	(0.5)	(0.9)	0.0	(1.8)	(1.8)	(1.8)
Attributable profit	29,072	32,067	42,581	36,797	33,135	45,435	45,435	48,858
Headline earnings	29,072	31,392	42,581	36,903	33,135	23,191	23,191	26,614
Est normalised headline earnings	32,682	35,129	49,812	40,047	56,608	32,846	50,246	53,669
EPS (c)	1.52	1.67	2.22	1.92	1.63	2.35	2.35	2.53
HEPS** (c)	1.52	1.63	2.22	1.93	1.63	1.20	1.20	1.38
Normalised HEPS (c)	1.71	1.83	2.60	2.09	2.79	1.70	2.60	2.78

Source: Pan African Resources, Edison Investment Research. Note: FY23 and FY24 'as reported' basis. *Unless otherwise indicated. **HEPS, headline earnings per share (South African accounting convention).

Operationally, the Mogale Retreatment operation (MTR) announced its first gold pour in early October and its first commercial set of results in H125 for a capital cost ZAR100–150m less than originally budgeted. Management estimates FY25 production of c 33,000oz at an AISC of under US$1,000/oz.

Evander was adversely affected by a delay in commissioning its sub-vertical shaft, which similarly delayed ramp-up from 24 to 25 Level operations at 8 Shaft. As a result, while profitability was broadly static relative to the prior six-month period at Elikhulu, Barberton and the Barberton Tailings Retreatment Project (BTRP), adjusted EBITDA at Evander declined to c US$0.3m (albeit more than made up for by the performance of MTR – see Exhibit 3, below). As noted previously however, Evander is Pan African's operation most adversely affected by the effect of the Mintails funding structure on its received gold price. In the absence of this structure, we estimate that Evander would have instead recorded adjusted EBITDA of c US$7.7m in H125.

Exhibit 3: Pan African estimated adjusted EBITDA, by producing asset, H115–H125 (US$000s)



Source: Edison Investment Research, Pan African Resources

Since its performance problems were resolved with commissioning in December however, the sub-vertical shaft's full 700t/day hoisting capacity has become available to Evander. In combination with the establishment of the high-grade 24 Level B-Line raise in Q325, face length and mining flexibility will therefore improve in H225 and contribute to an increase in the average grade expected from 6.0g/t to 7.5g/t.

At the same time, Phases 3 and 4 of the new tailings dam construction were completed ahead of schedule at Elikhulu. However, multiple Eskom transformer failures at Barberton Mines' Fairview and Sheba operations negatively affected production for 10 days in November (to the tune of c 2,250oz), with the Eskom power utility's back-up units also failing as a result of ageing infrastructure. In mitigation, further contingencies are being implemented to prevent these failures from recurring, with additional spare transformers being kept on site. Moreover, high-grade areas of the 262 Platform at Fairview Mine, indicated by drill intersections of up to 80g/t Au, are in the process of being accessed in the current quarter as development rates are accelerated, while underground sampling at Consort has confirmed high-grade mineral reserve areas below 41 Level in the Prince Consort shaft area. Rehabilitation work on this shaft has now been largely completed, allowing operations to recommence.

In addition to changes to our immediate production assumptions, we have revised our estimate of the gold price for the remainder of the financial year to June up to US$3,157/oz (cf US$2,682/oz previously). At the same time, we have adjusted our foreign exchange rates to reflect the renewed weakness of the rand against both the US dollar and sterling:

- from ZAR22.5670/£ to ZAR25.3436/£ (+12.3%),
- from ZAR17.7435/US$ to ZAR19.3243/US$ (+8.9%), and
- from US$1.2718/£ to US$1.3115/£ (+3.1%).

As a result, we have revised our operational forecasts for the group for FY25 to those shown in Exhibit 4, below:

Exhibit 4: PAF mines' operating statistics and forecasts, H125–H225e

	Barberton		Elikhulu		Evander		BTRP		Mogale		Nobles	
	H125	H225e	H125	H225e	H125	H225e	H125	H225e	H125	H225e	H125	H225e
Total tons milled (t)	163,946	183,739	7,582,981	7,200,000	62,596	70,000	360,492	430,907	2,027,813	4,335,839		101,458
Head grade (g/t)	7.03	6.73	0.32	0.33	5.74	9.07	1.25	1.38	0.28	0.32		2.28
Contained gold (oz)	37,074	39,764	77,955	75,714	11,552	20,408	14,508	19,149	18,215	44,204		7,447
Recovery (%)	84.0	86.8	33.0	35.0	100.0	98.0	52.0	47.0	48.0	54.6		94.0
Production (oz)	31,142	34,500	25,725	26,500	11,551	20,000	7,544	9,000	8,743	24,127		7,000
Production – other (oz)												
Total production (oz)	31,142	34,500	25,725	26,500	11,551	20,000	7,544	9,000	8,743	24,127		7,000
Recovered grade (g/t)	5.91	5.84	0.11	0.11	5.74	8.89	0.65	0.65	0.13	0		2.15
Gold sold (oz)	29,566	34,500	24,109	26,500	11,715	20,000	7,227	9,000	7,309	24,127		7,000
Average spot price (US$/oz)	2,530	3,062	2,156	3,062	1,967	3,062	2,670	3,062	2,653	3,062		3,062
Average spot price (ZAR/kg)	1,460,307	1,861,758	1,244,215	1,861,758	1,135,093	1,861,758	1,540,592	1,861,758	1,531,226	1,861,758		1,861,758
Total cash cost (US$/oz)	1,893	1,694	1,060	881	2,035	1,151	896	742	1,146	539		1,408
Total cash cost (ZAR/kg)	1,092,622	1,030,145	611,515	535,860	1,174,599	699,758	516,741	451,159	661,269	327,728		856,063
Total cash cost (US$/t)	342	318	3.60	3.24	375	329	17.98	15.50	4.94	3.00		97.15
Total cash cost (ZAR/t)	6,129	6,016	60.48	61.34	6,837	6,219	322.61	293.09	74.12	56.72		1,837
Implied revenue (US$000)	74,802	105,649	51,979	81,151	23,043	61,246	19,296	27,561	19,391	73,884		21,436
Implied revenue (ZAR000)	1,342,896	1,997,781	932,997	1,534,527	413,599	1,158,134	346,299	521,160	348,099	1,397,115		405,351
Implied revenue (£000)	57,946	82,210	40,266	63,147	17,851	47,658	14,948	21,446	15,021	57,492		16,680
Implied cash costs (US$000)	55,989	58,457	27,264	23,357	23,503	23,020	6,480	6,679	10,020	13,006		9,857
Implied cash costs (ZAR000)	1,004,825	1,105,409	458,600	441,675	427,969	435,295	116,300	126,292	150,300	245,936		186,386
Implied cash costs (£000)	43,388	45,474	19,802	18,170	18,480	17,907	5,022	5,195	6,490	10,117		7,668

Source: Pan African Resources, Edison Investment Research. Note: Evander average spot price excludes effect of Mintails' contract liability, losses from which are included in 'Other income/(expenses)' in our forecast income statement in Exhibit 5.

One general feature of PAF's operational results in H125 was the effect of inflationary pressures in South Africa, which, in the period under review, were not offset by a depreciating rand. A large proportion of this effect could be traced to electricity and reagent costs. In H125, the former increased by 9.5%, following a 12.7% regulatory increase and a 10.0% increase owing to the start of commercial operations at MTR, offset by the use of solar energy at the Evander Mines' and Fairview solar plants (resulting in a saving of 10.1%) and the discontinuation of production from surface sources at Evander (resulting in a 3.6% saving). While electricity costs are expected to increase by an additional 12–13% in H225 as a consequence of regulator-endorsed tariff increases, management reports that reagent prices now appear to have stabilised. For the purposes of our forecasts, we have assumed that costs at Barberton, Evander and the BTRP will moderate in rand/tonne terms as the volume of tonnes processed at all three recovers. Simultaneously, we assume that unit costs at Elikhulu will remain under control after an excellent performance in H125 when they fell 13.2% relative to H224.

As a result, we have revised our financial forecasts for the group for FY25 to those shown in Exhibit 5, below.

Exhibit 5: PAF P&L statement by half year (H124–FY25e)

US$000s*	H124	H224 (as reported)	H224 (adjusted)	FY24 (as reported)	FY24 (adjusted)	H125 (as reported)	H125 (adjusted[1])	FY25e (adjusted[1])	FY25e (prior)
Revenue	193,947	179,849	190,998	373,796	384,945	189,334	206,734	483,230	485,428
Cost of production	(110,292)	(110,891)	(110,891)	(221,183)	(221,183)	(120,634)	(120,634)	(245,673)	(249,739)
Depreciation	(10,768)	(10,476)	(10,476)	(21,244)	(21,244)	(14,744)	(14,744)	(30,011)	(25,726)
Mining profit	72,887	58,482	69,631	131,369	142,518	53,956	71,356	207,546	209,963
Other income/(expenses)	(7,231)	(3,144)	(14,293)	(10,375)	(21,524)	(9,655)	(27,055)	(37,856)	(32,053)
Loss in associate etc	0	0	0	0	0				
Loss on disposals	0	0	0	0	0				
Impairments	0	0	0	0	0	22,244	22,244	22,244	
Royalty costs	(1,242)	(445)	(445)	(1,687)	(1,687)	(1,402)	(1,402)	(4,716)	(4,834)
Net income before finance	64,414	54,893	54,893	119,307	119,307	65,143	65,143	187,219	173,077
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)	(23,110)	(17,619)
Profit before taxation	59,580	49,827	49,827	109,407	109,407	56,058	56,058	164,109	155,458
Taxation	(17,223)	(13,358)	(13,358)	(30,581)	(30,581)	(11,443)	(11,443)	(42,782)	(49,750)
Effective tax rate (%)	28.9	26.8	26.8	28.0	28.0	20.4	20.4	26.1	32.0
PAT (continuing ops)	42,357	36,469	36,469	78,826	78,826	44,615	44,615	121,328	105,707
Minority interest	(224)	(328)	(328)	(552)	(552)	(820)	(820)	(820)	0
Ditto (%)	(0.5)	(0.9)	(0.9)	(0.7)	(0.7)	(1.8)	(1.8)	(0.7)	0.0
Attributable profit	42,581	36,797	36,797	79,378	79,378	45,435	45,435	122,148	105,707
Headline earnings	42,581	36,903	36,903	79,484	79,484	23,191	23,191	99,904	105,707
Est. normalised headline earnings	49,812	40,047	51,196	89,859	101,008	32,846	50,246	137,760	137,760
EPS (c)	2.22	1.92	1.92	4.14	4.14	2.35	2.35	6.02	5.21
HEPS** (c)	2.22	1.93	1.93	4.15	4.15	1.20	1.20	4.92	5.21
Normalised HEPS (c)	2.60	2.09	2.67	4.68	5.27	1.70	2.60	6.79	6.79

Source: Pan African Resources, Edison Investment Research. Note: *Unless otherwise indicated. **HEPS, headline earnings per share (South African reporting standard).

Notwithstanding the 3,963oz reduction in our production estimate for H225 (see Exhibit 1), our revised estimate for normalised HEPS for FY25 remains unchanged - albeit this is subject to the requirement that the gold price averages US $3,157/oz for the remainder of H225.

More significantly, readers should note that H225 will be the last time in which the contract liability related to the fixed-price forward sales associated with Pan African's ZAR400m Mintails financing facility will feature in PAF's results as the last delivery of gold under this structure has now been made. Readers will recall that Edison shows profits/ losses from this contract liability in the 'Other income/(expenses)' line of the profit & loss statement. 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 (in this case an effective synthetic forward sale), which are otherwise more strictly included in the revenue line.

A comparison between Edison and consensus forecasts for FY25 and FY26 is provided in Exhibit 6. Of note is the extent to which Edison's forecasts for H225 remain conservative within the sample group. All other things being equal however, our normalised HEPS forecast for FY26 increases by c 64.8% in FY26 compared to FY25 and increases again to as high as 18.02c/share in the event that the gold price remains at its current level of US$3,157/oz for the whole of the financial year.

Exhibit 6: Pan African FY25 and FY26 consensus EPS forecasts cf Edison (US cents per share)

	FY25	FY26
Edison forecasts	6.79	11.19
Mean consensus	7.20	13.70
High consensus	8.10	17.00
Low consensus	6.00	10.00

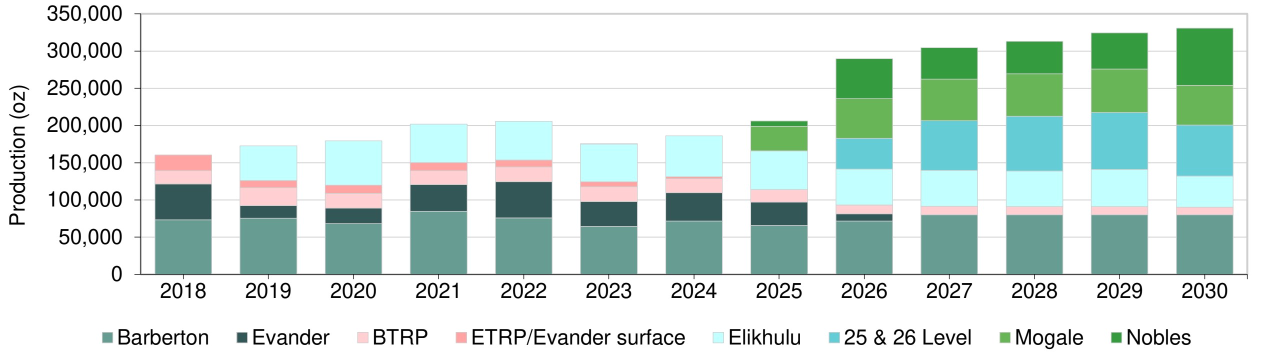
Source: LSEG Data & Analytics, Edison Investment Research. Note: As at 25 April 2025.

Group production

In addition to the changes to our short-term forecasts, we have brought our longer-term forecasts for production from

TCMG's Nobles project into line with updated management guidance, which has had the effect of smoothing group production expectations on a slowly growing profile until at least FY30 in the range 250–350koz pa, as shown below:

Exhibit 7: Estimated Pan African group gold production profile, FY18–30e



Source: Edison Investment Research, Pan African Resources

Additional expansion projects over and above the production profile shown above include:

- The potential to increase annual production from MTR/Mogale from 50,000oz to 60,000oz pa via:
  - The installation of additional reactors to further improve recoveries.
  - The addition of two carbon-in-leach (CIL) tanks to increase throughput from 800ktpm to 1Mtpm, at a limited estimated capital cost of ZAR70m (US$3.9m).
  - The inclusion of a hard rock crushing circuit to enable the processing of nearby remnant hard rock sources (for which a pre-feasibility study is expected in the next three months).
- The potential to accelerate production from the Soweto Cluster by focusing on the possibility of constructing a new processing facility in closer proximity to the Soweto Cluster tailings storage facilities (TSFs), which would be a standalone operation also producing c 50,000oz pa plus the option to include additional proximal 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 standalone 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. A feasibility study to this effect is underway and is expected to be completed by September 2025.
- Fast-tracking the wholly owned Warrego Copper Gold project at TCMG with the objective of budgeting first production in year five (2029/30).
- 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 a current estimated mine life of nine years, with both orebodies open at depth.

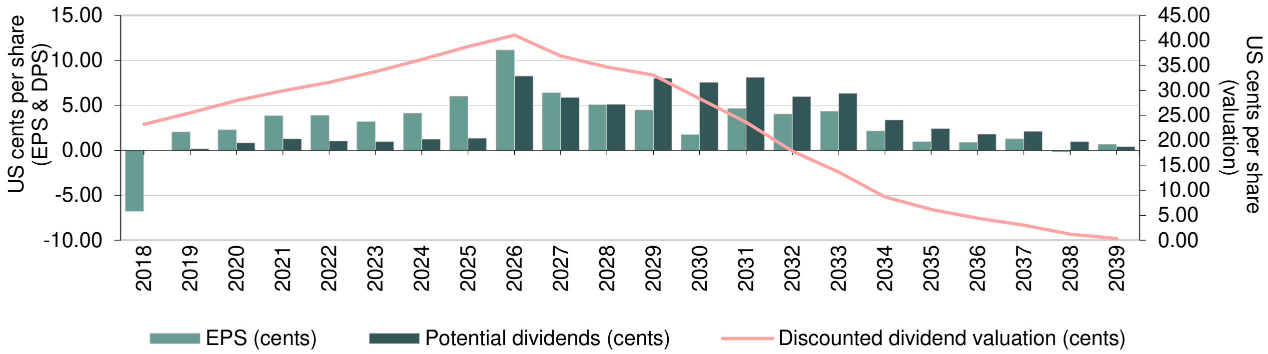
For the purposes of our valuation, below, we have also increased our average long-term AISC forecast for Evander from c US$1,000/oz to c US$1,450/oz in line with updated management guidance.

Updated (absolute) valuation

Valuation

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 six producing assets in FY25) has remained steady at 38.80c (cf 39.49c previously).

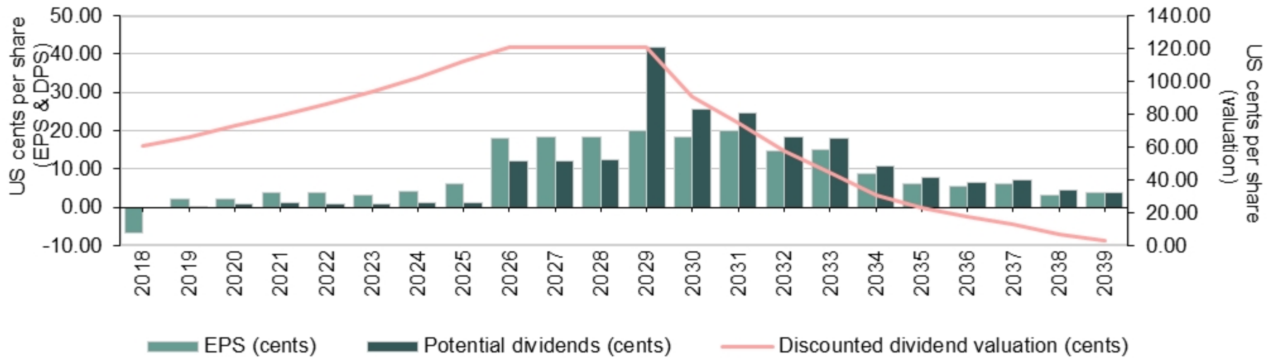
Exhibit 8: PAF estimated life of operations' diluted EPS and (maximum potential*) DPS



Source: Pan African Resources, Edison Investment Research. Note: *From FY29. Excludes discretionary exploration investment.

However, readers should note that this valuation is conducted at Edison's 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$3,157/oz, all other things being equal, our valuation more than doubles to 111.22c (84.80p):

Exhibit 9: PAF estimated life of operations' diluted EPS and (maximum ptotential*) DPS at US$3,161/oz Au



Source: Pan African Resources, Edison Investment Research. Note: *From FY29. Excludes discretionary exploration investment.

Even so, including its other growth projects and assets, our updated total valuation of PAF as a whole rises to 62.99-68.01c (48.02–51.86p).

Exhibit 10: PAF group absolute valuation summary

Project	Current valuation (USc/share)	Previous valuation (USc/share)
Existing producing assets	38.80	39.49
Royal Sheba*	1.77	1.42
Other*	2.88	2.32
Sub-total	**43.45**	**43.23**
EGM underground resource	0.22–5.24	0.22–5.24
Sub-total	**43.67-48.69**	**43.45–48.47**
Egoli	17.29	16.71
Soweto cluster	2.03	1.89
Total	**62.99-68.01**	**62.05–67.07**

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

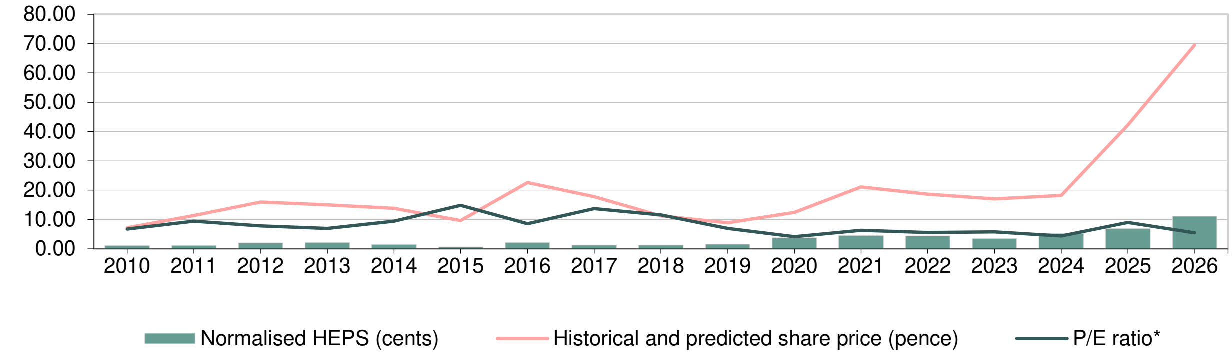
Note that, for the purposes of our forecasts and valuation, we have not yet included any additional hedging in our estimates. Pan African has stated that it has approved lines in place to hedge approximately 75% of TCMG production for the first two years of operation in order to secure the return on its initial investment. Indicative pricing at a spot gold price of A$3,947/oz (US$2,644/oz at US$0.67/A$) for a zero-cost collar structure is a floor price of A$3,600/oz (US $2,412/oz) and a cap price of A$4,800/oz (US$3,216/oz). However, we will only include these in our forecasts once the contracts are actually in place.

Historical relative and current peer group valuation

Historical relative valuation

Exhibit 11 below depicts PAF's average share price in each of the financial years from FY10 to FY24 and compares this with HEPS in the same year. For FY25 and FY26, the predicted share price is shown, given our forecast normalised HEPS for those years (as per the paragraph below Exhibit 11). As is apparent from the chart, PAF's price to normalised HEPS ratios of 5.3x for FY26, in particular, remains in the lower half of its recent historical range of 4.1–14.8x for the period FY10–24:

Exhibit 11: PAF historical price to normalised HEPS ratio, FY10–26e**



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.

If PAF's average year one price to normalised EPS ratio of 8.2x for the period FY10–24 is applied to our updated normalised earnings forecasts, it implies a share price for PAF of 42.19p in FY25 followed by one of 69.52p in FY26 (as shown Exhibit 11). Stated alternatively, PAF's current share price of 44.85p, at prevailing foreign exchange rates, appears to be discounting FY25 and/or FY26 normalised HEPS of 7.22c per share (cf our forecasts of 6.79c and 11.19c, respectively).

Relative peer group valuation

In the meantime, it may be seen that PAF remains cheap relative to its London- and South African-listed gold mining peers on 66% of comparable common valuation measures (24 out of 36 individual measures in the table below) if Edison forecasts are used or 72% (26 out of 36 measures) if consensus forecasts are used.

Exhibit 12: Comparative valuation of PAF with South African- and London-listed peers

	EV/EBITDA (x)		PER (x)		Yield (%)	
	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2
AngloGold Ashanti	5.3	5.3	11.0	10.8	3.9	3.6
Gold Fields	4.8	4.1	8.4	7.3	4.8	5.6
Sibanye	4.5	3.4	9.2	5.8	3.5	3.2
Harmony	6.5	5.0	10.8	8.3	1.4	2.3
Perseus Mining	4.0	3.9	9.0	9.0	2.5	2.6
Endeavour Mining	3.9	3.8	11.4	9.9	3.6	3.8
Average (excl PAF)	**4.8**	**4.2**	**9.9**	**8.5**	**3.3**	**3.5**
Pan African Resources	5.7	3.4	8.7	5.3	2.3	14.0
PAF consensus	5.8	3.3	8.3	4.4	2.4	6.1

Source: Edison Investment Research, LSEG Data & Analytics. Note: Consensus and peers priced as at 25 April 2025.

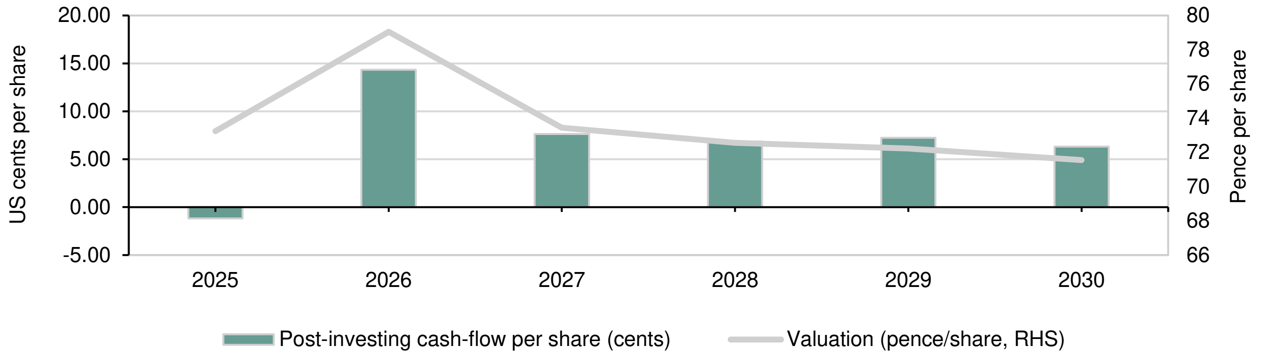
Alternatively, applying PAF's peers' average year one P/E ratio of 9.9x to our normalised HEPS forecast of 6.79c per share for FY25 implies a share price for the company of 51.46p at prevailing foreign exchange rates. Applying its peers' average year two P/E ratio of 8.5x to our normalised HEPS forecast of 11.19c per share for FY26 implies a share price of 72.43p.

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 in order to maximise shareholder returns. As a result, rather than our customary method of discounting maximum potential dividends over the life of operations back to FY25, in the case of Pan African, we can alternatively discount forecast cash flows back over five years to the start of FY25 and then apply an ex-growth terminal multiple to forecast cash flows in that year (FY30) based on the appropriate discount rate.

In this case, our estimate of PAF's pre-financing terminal cash flow in FY30 is 6.31c (at a real gold price of US$1,794/oz in current money terms). Applying a (real) discount rate of 6.72% (calculated from a nominal expected equity return of 9% and long-term inflation expectations of 2.1361%, as defined by the US 30-year break-even inflation rate; source: Bloomberg, 11 April) to this estimate of cash-flows, our valuation of the company is 73.24p/share in FY25 assuming zero long-term cash-flow per share growth beyond FY30.

Exhibit 13: PAF cash-flow and terminal multiple valuation, FY25–30



Source: Edison Investment Research.

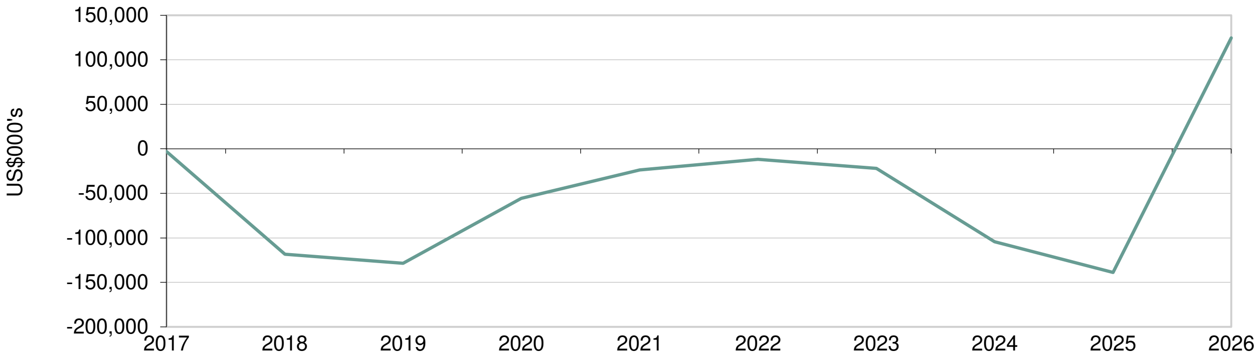
At this point (FY30), production is anticipated to be in the order of 331koz. If PAF is able to maintain this level of cash-flows per share via organic investment, its valuation will flatten out at 71.55p/share in real terms on an ex-growth basis. However, the gold price alone should afford an additional 3.6% per annum 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 157.44p/share and its current valuation to 131.38p/share.

Financials

Pan African reported net debt of US$228.5m on its balance sheet as at end-December 2024 (cf US$104.4m as at end-June 2024, US$61.7m as at end-December 2023 and US$22.1m as at end-June 2023), which equated to a gearing ratio (net debt/equity) of 54.2% (cf 28.6% at end-June 2024, 18.8% at end-December 2023 and 7.5% at end-June 2023) and a leverage ratio (net debt/[net debt+equity]) of 35.1% (cf 22.2% at end-June 2024, 15.8% at end-December 2023 and 7.0% at end-June 2023), after cash flow from operating activities of US$12.0m before dividends (cf 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). 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%.

In the immediate future, we calculate that Pan African's forecast net debt requirement of US$138.9m at end-FY25 will equate to no more than 27.2% gearing (defined as net debt/equity) or 21.4% leverage (defined as net debt/[net debt +equity]). Beyond that, we forecast that PAF will continue to generate cash from operations comfortably above the US $100m pa level (and potentially around the US$200m pa level), such that net debt is eliminated late in FY26, by which time we assume that capex will once again have returned to near-sustaining levels.

Exhibit 14: Pan African estimated net debt profile forecast, FY17–26e (annually)



Source: Edison Investment Research, Pan African Resources

Including all other components, total net debt as at end-December was US$228.5m (cf US$106.4m at end-June, US $64.3m at end-December 2023, US$22.0m at end-June 2023 and US$53.7m at end-December 2022), as shown below:

Exhibit 15: Pan African components of total net debt (US$m)

US$m	FY20	H121	FY21	H122	FY22	H123	FY23	H124	FY24	H125
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**
Cash	33.5	28.0	35.1	35.2	27.0	33.9	34.8	31.3	26.3	17.2
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**
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
Net senior debt	**62.3**	**60.1**	**33.7**	**23.9**	**9.3**	**49.9**	**18.9**	**60.1**	**102.8**	**213.9**
Lease liabilities	14.1	5.0	5.3	4.5	4.4	4.3	3.5	3.3	3.0	3.3
Other	0.0	0.0	0.0	(0.2)	(0.7)	(0.5)	(0.4)	0.9	0.7	11.3
Total net debt	**76.4**	**65.2**	**39.0**	**28.2**	**13.0**	**53.7**	**22.0**	**64.3**	**106.4**	**228.5**
Change	N/A	(11.2)	(26.2)	(10.8)	(15.2)	(40.7)	(31.7)	42.3	42.1	122.1

Source: Pan African Resources. Note: Totals may not add up owing to rounding. *Including restricted cash.

Nevertheless, the group remains very comfortably within its senior debt covenants:

Exhibit 16: Pan African group debt covenants

Measurement	Constraint	H119	FY19	H120	FY20	H121	FY21	H122	FY22	H123	FY23	H124	FY24	H125
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
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
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
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

Source: Pan African Resources

Exhibit 17: Financial summary

US$'000s	2022	2023	2024	2025e	2026e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	376,371	321,606	373,796	483,230	707,882
Cost of sales	(226,445)	(198,790)	(221,183)	(245,673)	(306,626)
Gross profit	149,926	122,816	152,613	237,557	401,256
EBITDA	147,830	121,853	150,926	232,841	395,609
Operating profit (before amort. and excepts.)	121,402	101,454	129,682	202,831	340,436
Intangible amortisation	0	0	0	0	0
Exceptionals	(10,295)	(7,347)	(10,375)	(15,612)	(1,642)
Other	0	0	0	0	0
Operating profit	111,107	94,107	119,307	187,219	338,795
Net interest	(4,231)	(8,553)	(9,900)	(23,110)	(12,498)
Profit Before Tax (norm)	117,171	92,901	119,782	179,721	327,939
Profit before tax (FRS 3)	106,876	85,554	109,407	164,109	326,297
Tax	(31,924)	(24,817)	(30,581)	(42,782)	(100,934)
Profit after tax (norm)	85,247	68,084	89,201	136,940	227,004
Profit after tax (FRS 3)	74,952	60,737	78,826	121,328	225,363
Average Number of Shares Outstanding (m)	1,926	1,917	1,917	2,029	2,029
EPS - normalised (c)	4.44	3.54	4.68	6.79	11.19
EPS - FRS 3 (c)	3.90	3.19	4.14	6.02	11.11
Dividend per share (c)	1.04	0.95	1.24	1.35	8.22
Gross margin (%)	39.8	38.2	40.8	49.2	56.7
EBITDA margin (%)	39.3	37.9	40.4	48.2	55.9
Operating margin (before GW and except.) (%)	32.3	31.5	34.7	42.0	48.1
BALANCE SHEET					
Fixed assets	401,139	439,676	676,478	820,079	807,797
Intangible assets	44,210	44,429	43,994	46,230	48,508
Tangible assets	355,802	395,247	632,484	751,604	737,045
Investments	1,127	0	0	22,244	22,244
Current assets	55,953	61,263	57,938	47,616	181,785
Stocks	9,977	9,567	16,431	15,179	23,607
Debtors	17,546	15,182	15,175	32,437	50,448
Cash	26,993	34,771	26,332	0	107,730
Current liabilities	(58,989)	(77,386)	(84,864)	(152,885)	(331,306)
Creditors	(57,117)	(65,884)	(79,344)	(108,187)	(325,786)
Short-term borrowings	(1,872)	(11,502)	(5,520)	(44,697)	(5,520)
Long-term liabilities	(103,494)	(128,957)	(237,104)	(208,338)	(93,258)
Long-term borrowings	(37,088)	(45,334)	(125,214)	(94,167)	22,367
Other long-term liabilities	(66,406)	(83,623)	(111,890)	(114,171)	(115,625)
Net assets	294,609	294,596	412,448	506,472	565,017
CASH FLOW					
Operating Cash Flow	142,879	132,941	134,310	162,778	379,887
Net Interest	(2,794)	(5,121)	(9,731)	(23,110)	(12,498)
Tax	(8,520)	(7,722)	(15,476)	(4,078)	(33,753)
Capex	(81,951)	(109,952)	(169,521)	(159,114)	(42,891)
Acquisitions/disposals	563	(2,779)	141	0	0
Financing	(3,222)	0	0	0	0
Dividends	(21,559)	(19,975)	(18,302)	(18,302)	(27,304)
Net cash flow	25,396	(12,608)	(78,579)	(41,826)	263,442
Opening net debt/(cash)	23,553	11,967	22,065	104,402	138,865
Exchange rate movements	(4,401)	(4,481)	1,160	0	0
Other	(9,409)	6,991	(4,918)	7,363	0
Closing net debt/(cash)	11,967	22,065	104,402	138,865	(124,577)

Source: Company sources, Edison Investment Research. Note: FY24 balance sheet ‘pro forma’ and income statement and cash flow statement ‘as reported’. FY23 and FY24 ‘as reported’ and not restated (restatement deemed immaterial by Edison).

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