EDISON

Pan African Resources

FY25 operational update and revised forecasts

Records abound

Metals and mining

25 June 2025

Pan African's 11 June operational update indicated FY25 output 3.9% below the bottom of the previously guided range. However, the shortfall reflected little more than Nobles and Evander failing to hit what were otherwise relatively aggressive production targets. Production in H225 was still at record levels and almost one-third higher than in H1. Our prior production forecast was at the bottom of the guidance range and we have only had to reduce our FY25 forecast production number by 4.2%. This has been more than offset by outperformance in the gold price. In addition, some output from Nobles and MTR/Mogale, which we had expected to be classified as 'pre-commercial', we now expect to be classified as 'commercial' and included in PAF's income statement for FY25. Taken together, we have upgraded our FY25 normalised HEPS forecast quite materially, from 6.79c per share to 8.15c per share (see Exhibit 3), while our overall valuation of the company has also increased, albeit more modestly, owing to the recent strength of the rand against the US dollar.

Year end	Revenue ($m)	PBT ($m)	EPS (¢)	DPS (¢)	P/E (x)	Yield (%)
6/23	321.6	92.9	3.54	0.95	17.7	1.5
6/24	373.8	119.8	4.68	1.24	13.4	2.0
6/25e	551.2	220.1	8.15	1.47	7.7	2.3
6/26e	747.9	347.6	11.87	8.82	5.3	14.0

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 10 may arise as a result of short-term fluctuations in forex rates.

Mintails financing facility concluded

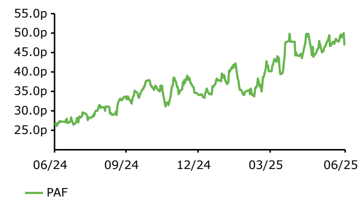
Pan African's contract liability relating to the fixed-price forward sales associated with its ZAR400m financing facility for Mintails concluded in February. Similarly, its zero-cost collars expire this month. Hereafter, PAF will be fully exposed to the prevailing price of gold at exactly the moment its output increases into the 250–350koz pa range from FY26.

Valuation: Steady with much potential upside

Our core valuation of Pan African has risen by 0.5% to 38.99c per share (cf 38.80c previously), based on its six producing mines. 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 23.69–28.71c (17.42–21.12p) to 62.67–67.69c (46.09–49.79p) if other assets, such as Egoli and the Soweto Cluster, are included. It more than doubles, to 127.98c (94.13p), at the price of gold of US$3,300/oz at the time of writing. Alternatively, if PAF's historical average price-to-normalised HEPS ratio of 8.2x for the FY10–24 is applied to our FY25 and FY26 forecasts, it implies values of 48.88p and 71.15p, respectively. In the meantime, it remains cheaper than its principal London- and South African-listed gold mining peers on at least 63% of commonly used valuation measures (Exhibit 11), which imply comparable valuations for PAF of 62.69p based on our year-one EPS estimate and 72.61p based on our year-two EPS estimate. This is validated by a valuation of 96.10p on a cash-flow and terminal multiple-type analysis (on an ex-real growth assumption), rising to 199.54p/share assuming real cash-flow growth of 3.6% per year (which is the average real return of the gold price from 1967 to 2024).

Price	**46.15p**
Market cap	**£1,083m**
ZAR24.1513/£, ZAR17.7650/US$, US$1.3596/£	
Net cash/(debt) at 31 Dec 2024	$(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	4.3	36.1	86.4
52-week high/low		50.8p	22.7p

Business description

Pan African Resources has five 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 (50koz, rising to >100koz with Egoli) and one in Australia, Tennants Creek (42–94koz).

Next events

FY25 results	September 2025

Analyst

Lord Ashbourne +44 (0)20 3077 5700

mining@edisongroup.com

Edison profile page

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FY25/H225 guidance and forecasts

On 11 June, Pan African announced an operational update for the six-month period from 1 January to 30 June. From an operational and financial perspective, the main features of the announcement were:

- Record half-year gold production in H225 of c 112koz to yield a total of c 197koz for FY25 – 3.9% below the bottom end of the prior guidance range of 205–215koz, but nevertheless almost one-third higher than production in H125 of 84.7koz.
- All-in sustaining costs (AISC) of US$1,525–1,550/oz in H225 (c 4% above prior guidance of US$1,450–1,500/oz) to give a full-year figure in the range US$1,550–1,575/oz (c 6% above prior guidance of US$1,450–1,500/oz), including a c US$25/oz contribution from losses associated with zero-cost collar hedges.
- A c 32% reduction in net gearing, from US$228.5m at the interim stage to an estimated US$155m at end-June.
- Production guidance of 275–292koz for FY26, honed and narrowed from the prior range of 270–308koz.

In addition, Pan African's board approved a share buyback programme, whereby the company may purchase up to 144.5m ordinary shares in the company for a consideration of ZAR200m (c US$11.1m) in the secondary marketplace.

In terms of production, our interpretation of PAF's announcement relative to our prior expectations is provided in Exhibit 1 below.

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

Operation	H125a	H225e (prior)	H225e (current)	Variance (%)	Variance (oz)	FY25e (prior)	FY25e (current)	FY26e (prior)	FY26e (current)	FY26 (updated guidance)
Barberton UG	31,142	34,500	38,100	10.4	3,600	65,642	69,242	71,500	71,500	69,000-72,000
BTRP	7,544	9,000	8,000	(11.1)	(1,000)	16,544	15,544	12,000	13,000	13,000-15,000
Barberton	**38,686**	**43,500**	**46,100**	**6.0**	**2,600**	**82,186**	**84,786**	**83,500**	**84,500**	**82,000-87,000**
Evander UG	11,551	20,000	15,449	(22.8)	(4,551)	31,551	27,000	51,391	48,000	46,000-50,000
Evander surface	0	0	0	N/A	0	0	0	0	0	0
Evander	**11,551**	**20,000**	**15,449**	**(22.8)**	**(4,551)**	**31,551**	**27,000**	**51,391**	**48,000**	**46,000-50,000**
Elikhulu	25,725	26,500	26,000	(1.9)	(500)	52,225	51,725	48,000	49,500	49,000-51,000
MTR	8,743	24,127	23,000	(4.7)	(1,127)	32,870	31,743	53,000	53,000	52,000-54,000
Total (excl TCMG)	**84,705**	**114,127**	**110,549**	**(3.1)**	**(3,578)**	**198,832**	**195,254**	**235,891**	**235,000**	**229,000-242,000**
Nobles	0	7,000	1,846	(73.6)	(5,154)	7,000	1,846	54,000	48,000	46,000-50,000
Total	**84,705**	**121,127**	**112,395**	**(7.2)**	**(8,732)**	**205,832**	**197,100**	**289,891**	**283,000**	**275,000-292,000**

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

While Barberton outperformed our expectations (owing to an improvement in output at all operations in the wake of its restructuring and 20% workforce reduction), it was offset by a shortfall at Evander (due to a slower than expected ramp up after the commissioning of the subvertical shaft in January), while Nobles missed what was otherwise a relatively aggressive production target.

Since the completion of its commissioning, however, the sub-vertical shaft's full 700t/day hoisting capacity at Evander has become available since April. In combination with the establishment of the high-grade 24 Level B-Line raise in Q325, face length and mining flexibility have therefore improved to such an extent that output should average c 3,850oz pm in May and June (46,200oz per year annualised).

In the meantime, at Barberton, high-grade areas of the 262 Platform at Fairview Mine, indicated by drill intersections of up to 80g/t Au, have been accessed, while underground sampling at Consort has confirmed high-grade mineral reserve areas below 41 Level in the Prince Consort shaft area (which has now been rehabilitated).

Concurrently, in Australia, construction at Tennant Mines' Nobles operation (at a cost of US$36m) was completed with successful hot commissioning in April. After an inaugural gold pour in May, however, production ramp up was slower than expected owing to a delay in the commissioning of the filter presses associated with the dry stack landforms (required for tailings deposition). Nevertheless, steady-state throughput at an annualised rate of c 50,000oz per year is still expected to be achieved in Q126.

While production in FY25 was c 4.2% below our expectations (outlined in our note of 25 April), the gold price has comfortably outperformed our forecast US$3,157/oz 'for the remainder of the financial year', averaging US$3,223/oz in April, US$3,289/oz in May and US$3,361/oz so far in June.

In addition to changes to our immediate production and gold price assumptions, we have also revised our estimate of forex rates to reflect the recent (slightly unusual) strength of the rand against both the US dollar and sterling:

- from ZAR25.3436/£ to ZAR24.1513/£ (-4.7%),
- from ZAR19.3243/US$ to ZAR17.7650/US$ (-8.1%), and
- from US$1.3115/£ to US$1.3596/£ (+3.7%).

In tandem with its updated cost guidance, we have therefore revised our operational forecasts for Pan African's mines for H225 to those shown in Exhibit 2 below.

Exhibit 2: PAF mines' operating statistics and forecasts, H125-H225e

	Barberton		Elikhulu		Evander		BTRP		Mogale		Nobles		Totals	
	H125	H225e	H125	H225e	H125	H225e	H125	H225e	H125	H225e	H125	H225e	H125	H225e
Total tons milled (t)	163,946	190,029	7,582,981	7,200,000	62,596	70,000	360,492	445,039	2,027,813	4,267,249		66,352	10,197,828	12,238,669
Head grade (g/t)	7.03	6.95	0.32	0.32	5.74	7.00	1.25	1.19	0.28	0.31		1.41	0.49	0.50
Contained gold (oz)	37,074	42,459	77,955	74,286	11,552	15,764	14,508	17,021	18,215	42,817		3,003	159,304	195,350
Recovery (%)	84.0	89.7	33.0	35.0	100.0	98.0	52.0	47.0	48.0	53.7		61.5	53.2	57.5
Production (oz)	31,142	38,100	25,725	26,000	11,551	15,449	7,544	8,000	8,743	23,000		1,846	84,705	112,395
Production – other (oz)														
Total production (oz)	31,142	38,100	25,725	26,000	11,551	15,449	7,544	8,000	8,743	23,000		1,846	84,705	112,395
Recovered grade (g/t)	5.91	6.24	0.11	0.11	5.74	6.86	0.65	0.56	0.13	0		0.87	0.26	0.29
Gold sold (oz)	29,566	38,100	24,109	26,000	11,715	15,449	7,227	8,000	7,309	23,000		1,846	79,926	112,395
Average spot price (US$/oz)	2,530	3,077	2,156	3,077	1,967	3,077	2,670	3,077	2,653	3,077		3,077	2,359	3,077
Average spot price (ZAR/kg)	1,460,307	1,819,350	1,244,215	1,819,350	1,135,093	1,819,350	1,540,592	1,819,350	1,531,226	1,819,350		1,819,350	1,361,202	1,819,350
Total cash cost (US$/oz)	1,893	1,838	1,060	1,012	2,035	1,679	896	972	1,146	627		3,827	1,542	1,348
Total cash cost (ZAR/kg)	1,092,622	1,086,836	611,515	598,597	1,174,599	992,861	516,741	574,522	661,269	370,830		2,263,158	868,074	797,311
Total cash cost (US$/t)	342	368	3.60	3.66	375	371	17.98	17.46	4.94	3.38		106.48	12.09	12.38
Total cash cost (ZAR/t)	6,129	6,778	60.48	67.23	6,837	6,815	322.61	321.22	74.12	62.17		1,958	211.61	227.74
Implied revenue (US$000)	74,802	117,221	51,979	79,993	23,043	47,531	19,296	24,613	19,391	70,763		5,680	188,511	345,801
Implied revenue (ZAR000)	1,342,896	2,155,991	932,997	1,471,280	413,599	874,223	346,299	452,701	348,099	1,301,517		104,461	3,383,890	6,360,172
Implied revenue (£000)	57,946	90,308	40,266	61,627	17,851	36,619	14,948	18,962	15,021	54,517		4,376	146,032	266,408
Implied cash costs (US$000)	55,989	70,025	27,264	26,319	23,503	25,939	6,480	7,772	10,020	14,423		7,065	123,256	151,544
Implied cash costs (ZAR000)	1,004,825	1,287,936	458,600	484,076	427,969	477,083	116,300	142,956	150,300	265,282		129,943	2,157,994	2,787,276
Implied cash costs (£000)	43,388	53,976	19,802	20,287	18,480	19,994	5,022	5,991	6,490	11,118		5,446	93,182	116,812

Source: Edison Investment Research, Pan African Resources. Note: Forecast Evander spot price excludes effect of Mintails' contract liability, losses from which are included in Other income/(expenses) in our forecast income statement in Exhibit 3.

One general feature of our updated cost forecasts for PAF's operations in H225 has been the effect of persistent inflationary pressures in South Africa, which, in the period under review, have not been offset by a depreciating rand. Although reagent prices now appear to have stabilised, relative to H1, for example, electricity costs in H2 (c 15% of total costs) will have risen by c 12–13% as a consequence of regulator-endorsed tariff increases. In addition, it will have inherited, even if only temporarily, a full suite of centralised, head office costs from Tennant Creek (TCMG).

As a result, we have upgraded our FY25 financial estimates for the group to those shown in Exhibit 3 below.

Exhibit 3: PAF P&L statement by half year, H124-H225e

US$000s*	H124	H224 (as reported)	H224 (adjusted)	FY24 (as reported)	FY24 (adjusted)	H125 (as reported)	H125 (adjusted)	H225e	FY25e (adjusted)	FY25e (prior)
Revenue	193,947	179,849	190,998	373,796	384,945	189,334	206,734	344,427	551,161	483,230
Cost of production	(110,292)	(110,891)	(110,891)	(221,183)	(221,183)	(120,634)	(120,634)	(151,544)	(272,178)	(245,673)
Depreciation	(10,768)	(10,476)	(10,476)	(21,244)	(21,244)	(14,744)	(14,744)	(15,501)	(30,245)	(30,011)
Mining profit	72,887	58,482	69,631	131,369	142,518	53,956	71,356	177,382	248,738	207,546
Other income/(expenses)	(7,231)	(3,144)	(14,293)	(10,375)	(21,524)	(9,655)	(27,055)	(10,817)	(37,872)	(37,856)
Loss in associate etc	0	0	0	0	0					
Loss on disposals	0	0	0	0	0					
Exceptional items	0	0	0	0	0	22,244	22,244	0	22,244	22,244
Royalty costs	(1,242)	(445)	(445)	(1,687)	(1,687)	(1,402)	(1,402)	(4,128)	(5,530)	(4,716)
Net income before finance	64,414	54,893	54,893	119,307	119,307	65,143	65,143	162,437	227,580	187,219
Finance income	760	1,124	1,124	1,884	1,884	968	968			
Finance costs	(5,594)	(6,190)	(6,190)	(11,784)	(11,784)	(10,053)	(10,053)			
Net finance income	(4,834)	(5,066)	(5,066)	(9,900)	(9,900)	(9,085)	(9,085)	(14,025)	(23,110)	(23,110)
Profit before taxation	59,580	49,827	49,827	109,407	109,407	56,058	56,058	148,413	204,471	164,109
Taxation	(17,223)	(13,358)	(13,358)	(30,581)	(30,581)	(11,443)	(11,443)	(44,029)	(55,472)	(42,782)
Effective tax rate (%)	28.9	26.8	26.8	28.0	28.0	20.4	20.4	29.7	27.1	26.1
PAT (continuing ops)	42,357	36,469	36,469	78,826	78,826	44,615	44,615	104,383	148,998	121,328
Minority interest	(224)	(328)	(328)	(552)	(552)	(820)	(820)	0	(820)	(820)
Ditto (%)	(0.5)	(0.9)	(0.9)	(0.7)	(0.7)	(1.8)	(1.8)	0.0	(0.6)	(0.7)
Attributable profit	42,581	36,797	36,797	79,378	79,378	45,435	45,435	104,383	149,818	122,148
Headline earnings	42,581	36,903	36,903	79,484	79,484	23,191	23,191	104,383	127,574	99,904
Est. normalised headline earnings	49,812	40,047	51,196	89,859	101,008	32,846	50,246	115,200	165,446	137,760
EPS (c)	2.22	1.92	1.92	4.14	4.14	2.35	2.35	5.14	7.38	6.02
HEPS** (c)	2.22	1.93	1.93	4.15	4.15	1.20	1.20	5.14	6.29	4.92
Normalised HEPS (c)	2.60	2.09	2.67	4.68	5.27	1.70	2.60	5.68	8.15	6.79

Source: Edison Investment Research, Pan African Resources. Note: *Unless otherwise indicated. **HEPS, headline earnings per share (South African Reporting Standard).
In columns marked 'adjusted' the opportunity cost resulting from the synthetic gold forward sale relating to Mintails' funding has been adjusted out of the revenue line and into 'Other income/(expenses)' to highlight PAF's performance in the absence of derivative contracts, shown in the 'Est. normalised headline earnings' and 'Normalised HEPS (c)' lines.

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 was made in February. As per our normal practice, we show profits/losses from this contract liability in the 'Other income/(expenses)' line of the profit and 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, which are otherwise more strictly included in the revenue line for the effective synthetic forward sales.

A comparison between Edison and consensus forecasts for FY25 and FY26 is provided in Exhibit 4. All other things being equal, our normalised HEPS forecast increases by c 45.6% in FY26 compared to FY25 and increases again to as high as 17.97c per share if the gold price stays at its current level of US$3,300/oz for the whole financial year.

Exhibit 4: Pan African FY25 and FY26 consensus EPS forecasts cf Edison (US cents per share)

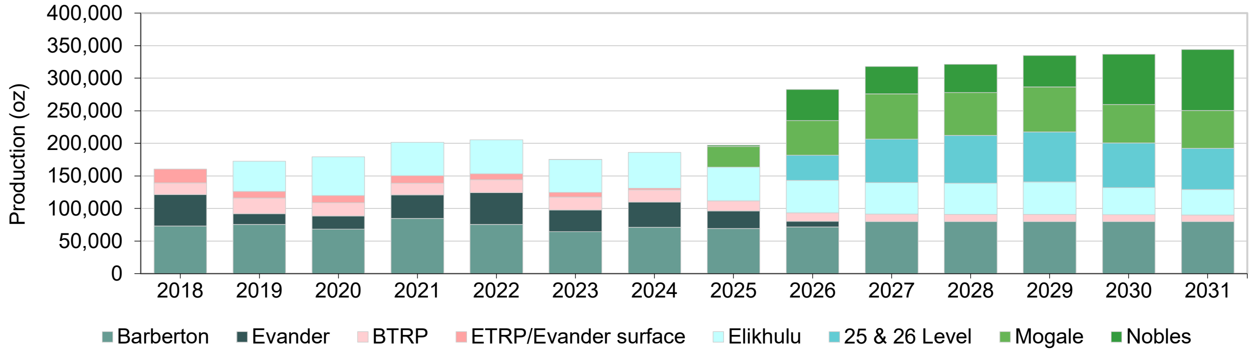
	FY25	FY26
Edison forecasts	8.15	11.87
Mean consensus	7.50	14.60
High consensus	9.00	18.00
Low consensus	6.00	11.10

Source: LSEG Data & Analytics, Edison Investment Research. Note: As at 23 June 2025.

Group production

Apart from changes to FY25 and FY26, the only other change that we have made to our long-term production forecasts relates to the 25% expansion of the MTR/Mogale plant from 800ktpm to 1Mtpm at a total cost of US$6.5m in order to increase production from 50koz pa to c 60koz pa. Whereas we had assumed this expansion to be academic at the time of our last note, we now assume it to be a work in progress, expected to be completed over the course of the next 12 months, setting Pan African on the road to peak production (under current mine plans) of 344.4koz in FY31, as shown below:

Exhibit 5: Estimated Pan African group gold production profile, FY18-30e



Source: Edison Investment Research, Pan African Resources.

Once the MTR/Mogale plant expansion has been executed, PAF has a number of other potential organic growth projects to choose from, including:

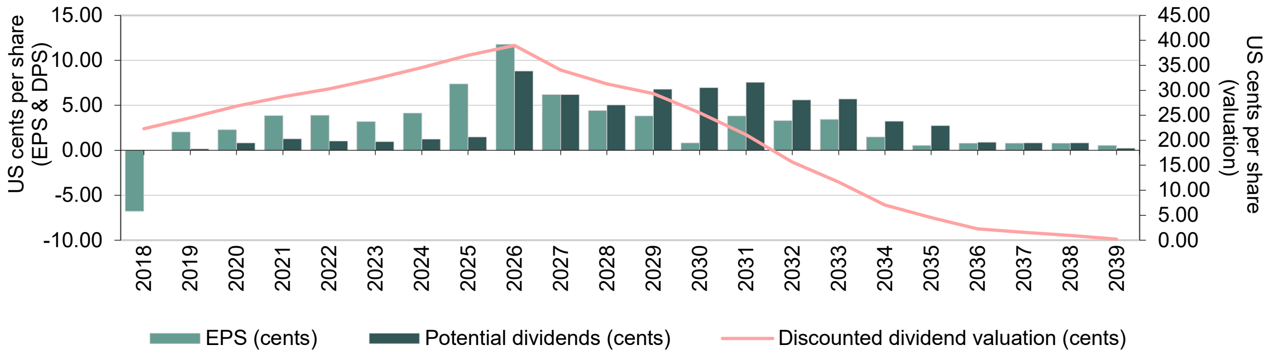
- The potential to accelerate production from the Soweto Cluster by focusing on the possibility of constructing a new processing facility close to the MTR/Mogale plant, which would be a standalone operation also producing c 50,000oz pa plus the option to include additional proximal TSF resources that 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. Constructing a standalone plant close to MTR/Mogale will have the advantage of locating it close to the redeposition site on land already owned by Pan African, as well as allowing the two to share facilities such as offices, the smelt house etc. 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 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 an estimated mine life of nine years, with both orebodies open at depth.

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 and Edison's long-term gold price of US$1,794/oz in real terms) has risen by 0.5% to 38.99c (cf 38.80c previously).

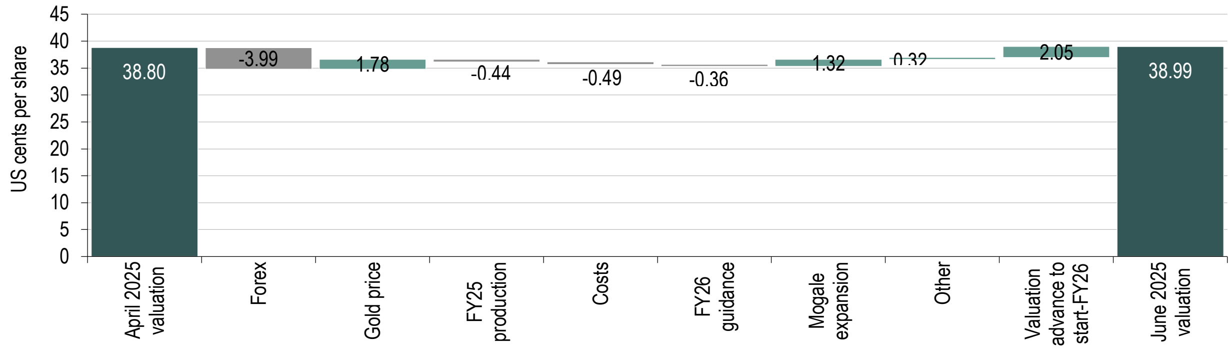
Exhibit 6: PAF estimated life of operations' diluted EPS and (maximum potential*) DPS



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

A summary of the major components in the change to our valuation is provided in the graph below.

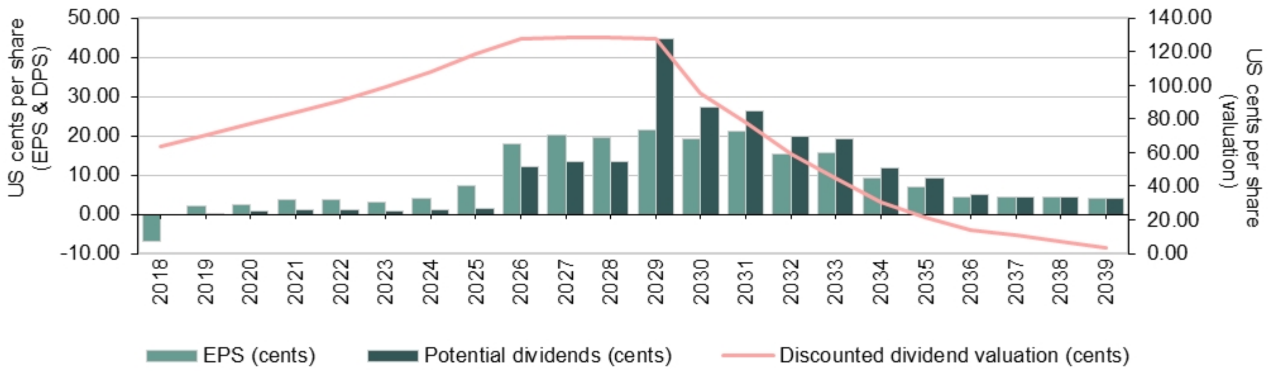
Exhibit 7: Pan African valuation change, by component (US cents per share)



Source: Edison Investment Research.

However, readers should note that this valuation is conducted at our relatively conservative gold price assumption of a US$2,124/oz (nominal) average for the period FY26–30. At the current gold price of US$3,300/oz, all other things being equal, our valuation more than doubles to 127.98c (94.13p):

Exhibit 8: PAF estimated life of operations' diluted EPS and (maximum potential*) DPS at US$3,300/oz Au



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

Even at our lower, long-term gold price, however, including its other growth projects and assets, our updated total valuation of PAF as a whole rises to 62.67–67.69c (46.09–49.79p):

Exhibit 9: PAF group absolute valuation summary

Project	Current valuation (USc/share)	Previous valuation (USc/share)
Existing producing assets	38.99	38.80
Royal Sheba*	1.83	1.77
Other*	2.98	2.88
Sub-total	**43.80**	**43.45**
EGM underground resource	0.22–5.24	0.22–5.24
Sub-total	**44.02-49.04**	**43.67-48.69**
Egoli	16.75	17.29
Soweto cluster	1.90	2.03
Total	**62.67-67.69**	**62.99-68.01**

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

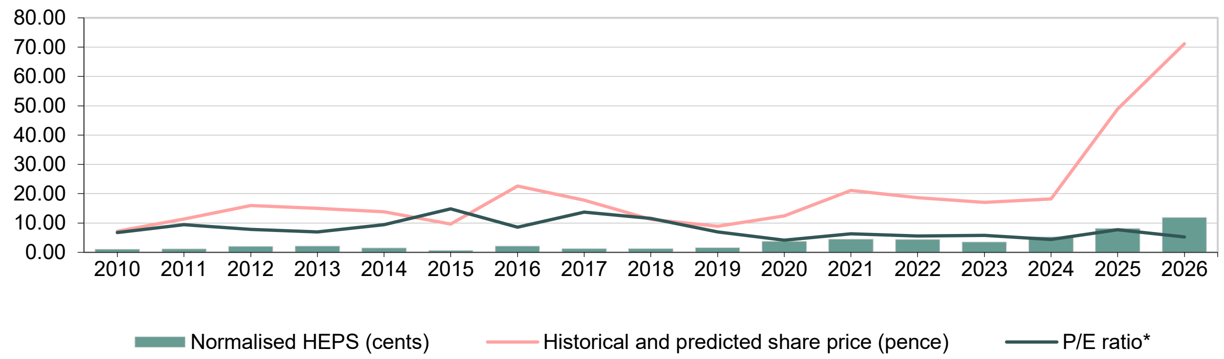
For the purposes of our forecasts and valuation, we have not yet included any additional hedging in our estimates. Pan African has stated that it has approved lines in place to hedge approximately 75% of TCMG production for the first two years of operation to secure the return on its initial investment. However, we will only include such contracts in our forecasts once they are actually in place.

Historical relative and current peer group valuation

Historical relative valuation

Exhibit 10 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 the exhibit). As the chart shows, PAF's price to normalised HEPS ratios of 5.3x for FY26 remains well in the lower half of its recent historical range of 4.1–14.8x for FY10–24.

Exhibit 10: PAF historical price to normalised HEPS ratio, FY10-26e**



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

If PAF's average year-one price to normalised EPS ratio of 8.2x for FY10–24 is applied to our updated normalised earnings forecasts, it implies a share price for PAF of 48.88p in FY25 followed by one of 71.15p in FY26 (as shown Exhibit 10). Stated alternatively, PAF's current share price of 46.15p, at prevailing foreign exchange rates, appears to be discounting FY25 and/or FY26 normalised HEPS of 7.70c per share (vs our forecasts of 8.15c and 11.87c, respectively).

Relative peer group valuation

In the meantime, PAF appears to remain cheap relative to its London- and South African-listed gold mining peers on 83% of comparable common valuation measures (30 out of 36 individual measures in the table below) if Edison forecasts are used or 63% (23 out of 36 of the same measures) if consensus forecasts are used.

Exhibit 11: Comparative valuation of PAF with South African- and London-based peers

	EV/EBITDA (x)		PER (x)		Yield (%)	
	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2
AngloGold Ashanti	5.6	5.6	10.5	10.9	4.6	4.7
Gold Fields	5.1	4.2	8.3	7.1	4.5	5.4
Sibanye	5.3	4.2	14.6	7.8	0.0	2.2
Harmony	5.4	3.8	8.4	5.6	1.7	3.2
Perseus Mining	4.6	4.4	10.0	9.4	2.2	2.4
Endeavour Mining	3.8	3.7	10.9	9.1	3.5	4.2
Average (excl PAF)	**5.0**	**4.3**	**10.5**	**8.3**	**2.7**	**3.7**
Pan African Resources	5.2	3.4	7.7	5.3	2.3	14.0
PAF consensus	6.9	3.8	8.9	4.6	1.8	5.8

Source: Edison Investment Research, LSEG Data & Analytics. Note: Consensus and peers priced as at 23 June 2025.

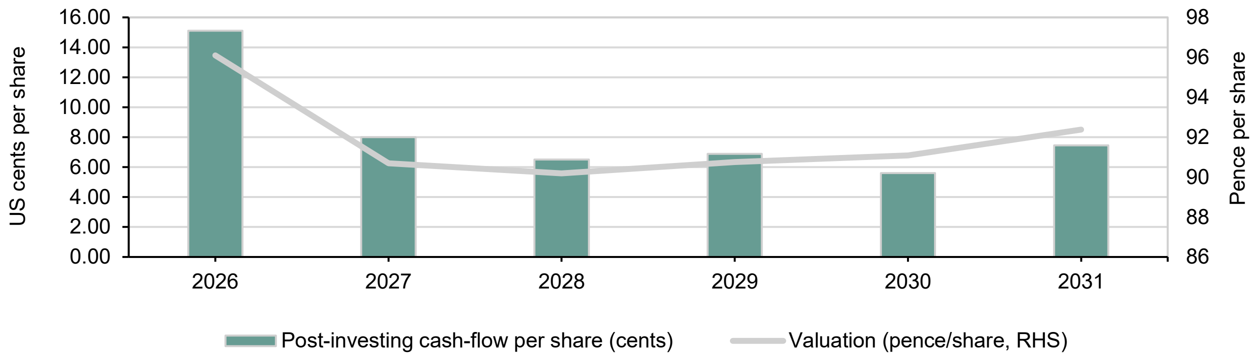
Alternatively, applying PAF's peers' average year one P/E ratio of 10.5x to our normalised HEPS forecast of 8.15c per share for FY25 implies a share price for the company of 62.69p at prevailing foreign exchange rates. Applying its peers' average year two P/E ratio of 8.3x to our normalised HEPS forecast of 11.87c per share for FY26 implies a share price of 72.61p.

Valuing blue-sky upside

Pan African is a multi-asset company that has shown a willingness and ability to grow production both organically and by acquiring assets to maximise shareholder returns. As a result, rather than our customary method of discounting maximum potential dividends over the life of operations back to 1 July 2026 (vs 1 July 2025 previously), in the case of Pan African we can alternatively discount forecast cash flows back over five years to the start of FY26 and then apply an ex-growth terminal multiple to forecast cash flows in that year (FY31) based on the appropriate discount rate.

In this case, our estimate of PAF's pre-financing terminal cash flow in FY31 is 7.46c (at a real gold price of US$1,794/oz in current money terms). Applying a (real) discount rate of 5.94% (calculated from a nominal expected equity return of 9% and increased long-term inflation expectations of 2.2890% (vs 2.1361% previously), as defined by the US 30-year break-even inflation rate (source: Bloomberg, 19 June) to this estimate of cash-flows, our valuation of the company has risen to 96.10p/share in FY26 (vs 73.24p/share in FY25 previously) assuming zero long-term cash-flow per share growth beyond FY30.

Exhibit 12: PAF cash-flow and terminal multiple valuation, FY25-30



Source: Edison Investment Research.

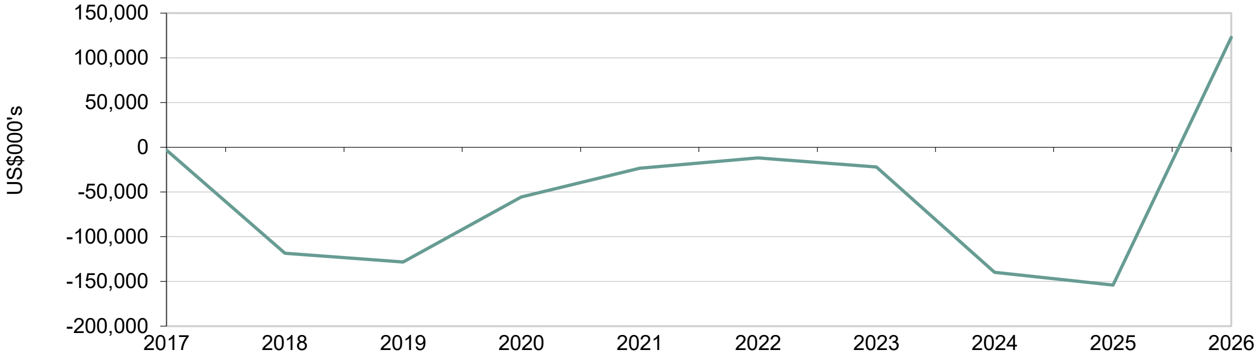
At this point (FY31), production is anticipated to be c 334koz. If PAF is able to maintain this level of cash-flows per share via organic investment, its valuation will flatten out at 92.38p/share in real terms on an ex-growth basis. However, the gold price alone should afford an additional 3.6% per year to cash-flows in real terms (the compound average annual real appreciation rate in its price from 1967 to 2024), in which case PAF's terminal valuation more than doubles to 238.60p/share and its current valuation to 199.54p/share (vs 131.38p/share in FY25 previously).

Financials

Pan African reported net debt of US$228.5m on its balance sheet as at end-December 2024 (vs US$104.4m at end-June 2024, US$61.7m at end-December 2023 and US$22.1m at end-June 2023), which equated to a gearing ratio (net debt/equity) of 54.2% (vs 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% (vs 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 (vs 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 its operational update, PAF estimated net debt of US$155m as at end-June, representing a c 32% reduction in net gearing relative to end-December. This is consistent with our prior forecast of US$138.9m and suggests year-end gearing in the order of 29.4% and leverage of 22.7%. Beyond that, we forecast that PAF will continue to generate cash from operations comfortably above US$100m per year (and potentially around US$200m per year), such that net debt is eliminated towards the middle of FY26, by which time capex will once again have returned to sustaining levels (assuming no new project developments which, actually, we think is unlikely).

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



Source: Edison Investment Research, Pan African Resources.

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Exhibit 14: 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	551,161	747,867
Cost of sales	(226,445)	(198,790)	(221,183)	(272,178)	(318,213)
Gross profit	149,926	122,816	152,613	278,983	429,654
EBITDA	147,830	121,853	150,926	273,454	423,161
Operating profit (before amort. and excepts.)	121,402	101,454	129,682	243,208	361,481
Intangible amortisation	0	0	0	0	0
Exceptionals	(10,295)	(7,347)	(10,375)	(15,628)	(1,702)
Other	0	0	0	0	0
Operating profit	111,107	94,107	119,307	227,580	359,779
Net interest	(4,231)	(8,553)	(9,900)	(23,110)	(13,863)
Profit Before Tax (norm)	117,171	92,901	119,782	220,099	347,618
Profit before tax (FRS 3)	106,876	85,554	109,407	204,471	345,916
Tax	(31,924)	(24,817)	(30,581)	(55,472)	(106,779)
Profit after tax (norm)	85,247	68,084	89,201	164,626	240,839
Profit after tax (FRS 3)	74,952	60,737	78,826	148,998	239,137
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	8.15	11.87
EPS - FRS 3 (c)	3.90	3.19	4.14	7.38	11.78
Dividend per share (c)	1.04	0.95	1.24	1.47	8.82
Gross margin (%)	39.8	38.2	40.8	50.6	57.5
EBITDA margin (%)	39.3	37.9	40.4	49.6	56.6
Operating margin (before GW and except.) (%)	32.3	31.5	34.7	44.1	48.3
BALANCE SHEET					
Fixed assets	401,139	439,676	712,919	853,614	843,149
Intangible assets	44,210	44,429	56,908	81,404	83,765
Tangible assets	355,802	395,247	656,011	772,210	759,384
Investments	1,127	0	0	0	0
Current assets	55,953	61,263	70,540	56,036	219,096
Stocks	9,977	9,567	16,431	18,710	24,940
Debtors	17,546	15,182	17,990	37,204	53,297
Cash	26,993	34,771	35,997	0	140,736
Current liabilities	(58,989)	(77,386)	(89,203)	(124,646)	(342,107)
Creditors	(57,117)	(65,884)	(83,683)	(109,759)	(336,587)
Short-term borrowings	(1,872)	(11,502)	(5,520)	(14,887)	(5,520)
Long-term liabilities	(103,494)	(128,957)	(294,100)	(265,550)	(140,436)
Long-term borrowings	(37,088)	(45,334)	(170,222)	(139,148)	(12,384)
Other long-term liabilities	(66,406)	(83,623)	(123,878)	(126,403)	(128,052)
Net assets	294,609	294,596	400,156	519,454	579,701
CASH FLOW					
Operating Cash Flow	142,879	132,941	134,310	201,834	408,468
Net Interest	(2,794)	(5,121)	(9,731)	(23,110)	(13,863)
Tax	(8,520)	(7,722)	(15,476)	(23,349)	(36,824)
Capex	(81,951)	(109,952)	(169,521)	(158,726)	(51,214)
Acquisitions/disposals	563	(2,779)	9,806	0	0
Financing	(3,222)	0	0	0	(0)
Dividends	(21,559)	(19,975)	(18,302)	(18,302)	(29,700)
Net cash flow	25,396	(12,608)	(68,914)	(21,653)	276,866
Opening net debt/(cash)	23,553	11,967	22,065	139,745	154,035
Exchange rate movements	(4,401)	(4,481)	1,160	0	0
Other	(9,409)	6,991	(49,926)	7,363	0
Closing net debt/(cash)	11,967	22,065	139,745	154,035	(122,832)

Source: Company sources, Edison Investment Research.
Note: FY24 balance sheet 'pro forma' to reflect acquisition of TCMG, but 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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20 Red Lion Street
London, WC1R 4PS
United Kingdom