

# Conditional Amendment To The Terms Of The Manica Gold Exploration Project (“Manica”) Disposal Agreement

## 1. INTRODUCTION

Pan African shareholders (“**Shareholders**”) are referred to the announcements published by the Company on 29 August 2012 and 14 December 2012 (“**Announcements**”) regarding the disposal by Pan African of Manica to a wholly-owned subsidiary of Auroch Minerals NL (“**Auroch**”) (“**Transaction**”). Pan African and Auroch have agreed to amend the terms of the Transaction as explained below.

Pursuant to the original Transaction agreement and amendments thereto (“**Original Agreement**”), Pan African received 25 million shares in Auroch (“**Consideration Shares**”) and an AUD 2,000,000 cash payment is payable to Pan African within 18 months of completion of the Transaction (“**Transaction Purchase Consideration**”). Pan African is also entitled to a deferred consideration consisting of further shares and cash payments (“**Future Consideration**”). The Future Consideration is subject to Auroch achieving certain future milestones, which at this stage is uncertain. A detailed description of the terms of the Original Agreement is provided in the Announcements. The Company’s carrying value for the Auroch investment is currently GBP1,182,606.

Pan African considers Manica as a non-core asset which will require considerable future development capital. Currently Pan African’s shares in Australian Securities Exchange (“**ASX**”) quoted Auroch are subject to an embargo arrangement with the ASX, whereby these shares may not be sold or otherwise transferred until January 2015.

## 2. AMENDMENT

Pan African is intent to remain focused on operating assets and now wishes to expedite the realisation of value pursuant to the Transaction. For this reason, Pan African entered into an agreement with Auroch on 25 November 2013 (“**Amendment**”) in terms of which:

1. Auroch shall pay Pan African an amount of AUD 2,000,000 in cash, as full and final settlement of the Transaction Purchase Consideration and Future Consideration (“**Cash Consideration**”) as follows:
  - Auroch shall pay Pan African AUD 150,000 of the Cash Consideration by no later than 30 November 2013; and

- Auroch shall settle the remaining portion of the Cash Consideration by 1 March 2014 (“**Payment Date**”), but may extend the Payment Date by a further 2 months by paying

Pan African an amount of AUD 50,000 per month of extension prior to the Payment Date, as extended, and such payments shall serve as part payment of the Cash Consideration; and

2. if Auroch settles the Cash Consideration in accordance with the Amendment, Pan African shall allow Auroch to reacquire or cancel the Consideration Shares at no additional cost or consideration.

In the event that Auroch fails to settle the Cash Consideration pursuant to the Amendment, the Amendment will expire and the provisions of the Original Agreement will be restored. The Amendment is not subject to any other conditions.

### **3. PRO FORMA FINANCIAL EFFECTS**

As a result of the *pro forma* financial effects of the Transaction having previously being published in the Announcements, the *pro forma* financial effects of the Amendment (“**Financial Effects**”) have been set out in the table below. The Financial Effects have been prepared for illustrative purposes only in order to provide information about how the Amendment might have affected Shareholders, had the Amendment been implemented on the dates indicated in the notes below.

Due to their nature, the Financial Effects may not fairly present the financial position, changes in equity, results of operations or cash flows of Pan African after the Amendment. The preparation of the Financial Effects is the responsibility of Pan African’s directors.

The Financial Effects have been prepared using accounting policies that comply with International Financial Reporting Standards (“**IFRS**”) and that are consistent with those applied in the published audited results of Pan African for the year ended 30 June 2013.

The figures included in the “Before the Amendment” column of the Financial Effects have been extracted from Pan African’s annual financial statements for the financial year ended 30 June 2013 (“**2013 Financial**

**Statements”**), which accounted for the Transaction in accordance with the terms and conditions of the Original Agreement. The Financial Effects are therefore presented after accounting for the Transaction in the 2013 Financial Statements.

	<b>Before the Amendment</b>
Earnings per share (pence)	
Diluted earnings per share (pence)	
Headline earnings per share (pence)	
Diluted headline earnings per share (pence)	
Net asset value per share (pence)	
Tangible net asset value per share (pence)	
Weighted average number of shares in issue	1 619 75
Diluted weighted average number of shares in issue	1 625 93
Number of shares in issue	1 822 83

**Notes:**

1. The figures included in the “Before the Amendment” column have been extracted from the 2013 Financial Statements.
2. The Financial Effects have been prepared on the assumption that the Amendment was concluded on and all payments in terms thereof received on 1 July 2012 for purposes of the Statement of Comprehensive Income and by 30 June 2013 for purposes of the Statement of Financial Position.
3. The Financial Effects are prepared on the assumption that Pan African received the Cash Consideration amounting to AUD 2,000,000 (GBP 1,162,791) as full and final settlement of the Transaction Purchase Consideration and Future Consideration.
4. The Financial Effects have been prepared on the assumption that Pan

African disposed of the Consideration Shares to Auroch for no consideration.

5. The 2013 Financial Statements accounted for the impairment to nil value of all amounts due to, but not received by, Pan African pursuant to the Transaction. Accordingly, as a result of the Amendment, those impairment charges pertaining to the Cash Consideration of GBP 1,162,791 were reversed for purposes of preparing the Financial Effects.

6. None of the adjustments will have a continuing effect on Pan African.

7. For purposes of the Financial Effects, Australian Dollars have been converted to South African Rand at a rate of AUD 1.00 : ZAR 8.73 and South African Rand have been converted to British Pounds using the relevant exchange rates applicable in the 2013 Financial Statements.