



Rev A - D650R

**STRICTLY CONFIDENTIAL**

First Floor, Block G  
Rochester Place  
173 Rivonia Road  
Sandton 2146  
PO Box 782761  
Sandton 2146  
Republic of South Africa

Tel: +27 11 783 9903  
Fax: +27 11 783 9953  
www.venmyn.com

**Attention:** Mr Maritz Smith  
Metorex Limited  
21 Cradock Avenue  
Rosebank, 2132  
South Africa

27<sup>th</sup> July 2009

The Directors

**REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT  
TO  
METOREX LIMITED  
REGARDING THE DISPOSAL OF A 6.3% INTEREST  
IN  
PAN AFRICAN RESOURCES  
TO  
SHANDUKA GOLD (PTY) LIMITED**

**1. Introduction**

Venmyn Rand (Pty) Limited (Venmyn) was appointed by the board of directors of Metorex Limited (Metorex) to provide an independent fairness opinion to the shareholders regarding the disposal of 6.3% of Pan African Resources Plc's (PAR) issued share capital from Metorex to Shanduka Gold (Pty) Limited (Shanduka Gold) (the Shanduka Disposal).

The transaction involves the acquisition by Shanduka Gold of 70,417,036 PAR shares from Metorex, at the concluded bookbuild price of ZAR0.65 per PAR share, amounting to a total transaction value of ZAR45.771m to be settled by way of cash. Given the book build process, the ZAR0.65 per PAR share represents the market value.

This transaction will take place prior to the exercise by Shanduka Gold of their revised option to acquire a total 26% stake in PAR.

Mr Cyril Ramaphosa is a director of Barberton Mines (Pty) Ltd, a subsidiary of PAR and Metorex, prior to implementation of the Bookbuild. Mr Ramaphosa also has a beneficial interest in Shanduka Gold. Shanduka Gold currently owns 26% of Barberton Mines. Accordingly, the Shanduka Disposal is deemed as a small related party transaction for Metorex in terms of the Listings Requirements of the JSE Limited (JSE).

**2. Fairness opinion required in terms of Section 10 of the JSE Listings Requirements**

In order for the directors of Metorex to provide a statement that the transaction is fair insofar as the shareholders of Metorex (excluding any related parties) are concerned, the directors of Metorex are required, in terms of Section 10.7 of the JSE Listings Requirements, to obtain an independent fairness opinion before making this statement.

The fairness opinion will be made available for inspection at the offices of Metorex during normal business hours for 28 days from the date of this opinion.

### 3. Responsibility

Compliance with the JSE Listings Requirements is the responsibility of the directors of Metorex.

Reporting to the shareholders on the fairness of the terms and conditions of the transaction is the responsibility of Venmyn.

### 4. Explanation as to how the term “fair” applies in the context of the transaction

Schedule 5.7 of the JSE Listings Requirements states that the “fairness” of a transaction is based upon quantitative issues.

Broadly speaking the transaction would be considered fair to the shareholders of Metorex if the value received in terms of the transaction amount is equal to or greater than the value of the assets being disposed of, or unfair if the value received in terms of the transaction amount is less than the value of the disposed assets. This is not withstanding consideration of the circumstances of other issues that might influence the estimation of the price of the transaction.

The transaction would be considered fair to the shareholders of Metorex if:-

- the value of 6.3% of PAR, being disposed of by Metorex to Shanduka Gold, is less than or equal to the transaction value of ZAR45.771m, in cash.

In this particular case, it was important to be mindful of the requirements of the South African Code for the Reporting of Mineral Asset Valuation (SAMVAL Code) prepared under the auspices of the Southern African Institute of Mining and Metallurgy (SAIMM) and the Geological Society of Southern Africa (GSSA) which is specifically relevant to mineral companies.

To this end, Venmyn not only employs Competent Persons and Competent Valuers in the minerals industry, but has also prepared numerous fairness opinions for mineral companies in the past.

The valuation upon which this fairness opinion is based, was done in accordance with the SAMVAL Code (2008), as defined.

### 5. Details and sources of information

In arriving at our opinion we have relied upon the following principal sources of information:-

- Metorex annual report (2008);
- PAR annual reports (2008, 2007 and 2006);
- PAR re-admission document (AIM) and pre-listing statement (ALT<sup>x</sup>), July 2007, containing:-
  - CPR on the asses of PAR by Turgis Consulting (Pty) Ltd, July 2007 (Mitchell, Gavine, du Plessis, Ingram); and
  - CPR on Barberton Mines by SRK Consulting (South Africa) (Pty) Ltd, July 2007 (Waldeck, Cunnigham, Boshoff, McDonald, Goldschmidt, Smithen, Wertz, Hobbs)
- PAR consolidated financial statements (March 2009);
- Barberton Mines annual financial statements (2008, 2007 and 2006);
- share exchange agreement between Shanduka Gold and PAR and Shanduka Resources (Pty) Limited (Shanduka Resources) (June 2009);
- shareholders agreement between Shanduka Gold and Metorex and Barberton Mines (April 2003);
- executive summaries of the feasibility studies completed on the Phoenix Platinum (RSA) and Manica projects completed in-house by PAR, June 2009 (Holding and Bevelander);
- PAR company presentation, summary of key information (June 2009);

- PAR interim results (31<sup>st</sup> December 2007 and 31<sup>st</sup> December 2008);
- Barberton Mines total Mineral Resources summary (July 2009);
- PAR pre- and post-transaction major shareholdings;
- Barberton Mines monthly reports (October 2007 to March 2009);
- Barberton Mines three year mine plan (July 2009 to June 2012);
- Central African Republic (CAR) (Dekoa and Bogoin projects) historical and future exploration expenditure;
- financial models for Barberton Mines, Phoenix project and Manica project;
- materially related agreements between related parties;
- supplied head grades, mining and production rates, recoveries and price forecasts;
- desktop review on prevailing market, economic, legal and other conditions which may affect underlying value;
- publicly available information relating to the mining sector; and
- publicly available information relating to PAR and Metorex that Venmyn deemed to be relevant, including company announcements, analysts' reports and media articles.

The information above was sourced from:-

- directors and management of Metorex and PAR and their advisors; and
- third party sources, insofar as such information related to publicly available economic, market and other data applicable to or potentially influencing PAR.

## 6. Assumptions

Venmyn arrived at the opinion based upon the following assumptions:-

- reliance can be placed on the financial statements of PAR;
- reliance can be placed on the Mineral Resources and Mineral Reserves Statements as stated in the following provided documents:-
  - the PAR re-admission document (July 2007);
  - Barberton Mines total Mineral Resources summary (July 2009);
  - PAR annual reports (2008);
  - PAR company presentation, summary of key information (June 2009); and
  - Barberton Mines three year mine plan (July 2009 to June 2012).
- reliance can be placed on PAR's future capital expenditure to execute the Phoenix and Manica projects;
- reliance can be placed on the actual historical capital and total operating expenditure and gold recoveries of the Barberton mines; and
- reliance can be placed on the forecasted capital and operating expenditure for the Phoenix and Manica projects as provided for in the PAR company presentation, summary of key information (June 2009).

## 7. Appropriateness and reasonableness of underlying information and assumptions

Venmyn performed the following to satisfy themselves of the appropriateness and reasonableness of the information and assumptions employed in arriving at the opinion:-

- review the critical assumptions required to construct a discounted cash flow (DCF) model to ensure no obvious fatal flaws existed;
- compared operating expenditure costs to standard industry values for similar facilities;

- compared capital expenditure costs to standard industry values of similar facilities;
- reviewed the metallurgical recoveries and compared them with standard industry values of similar facilities;
- reviewed the PAR Mineral Resources and Mineral Reserves Statements;
- reviewed the audited and unaudited financial information related to PAR and Metorex;
- considered the SAMVAL Code requirements for valuation of mineral assets;
- discussed issues with PAR's Senior Management to determine their relevant experience and capabilities to successfully execute the Manica and Phoenix projects;
- held discussions with certain directors and management and considered such other matters as we considered necessary;
- reviewed the three month weighted average PAR share price;
- reviewed the PAR financial forecast and the basis of the assumptions therein including the prospects of executing the Phoenix and Manica projects. This review included an assessment of the historical performance of the Barberton Mines to-date as well as the reasonableness of the future outlook of the Phoenix and Manica projects; and
- reviewed certain publicly available information relating to PAR and Metorex deemed to be relevant, including company announcements, analysts' reports and media articles.

## 8. Going concern

The going concern concept is based upon the assumption that an entity will continue to operate for the foreseeable future. Where there is a reasonable expectation that a company will be unable to meet its current obligations as they become due, the going concern assumption may not apply.

Factors influencing the historical liquidity position of PAR included, inter alia:-

- a significant decline in the South African Rand (ZAR) price of gold and platinum group metals (PGMs);
- delays in successful execution and commissioning of the Phoenix and Manica projects;
- capital expenditure overruns in executing the Phoenix and Manica projects;
- significant increases in total operating expenditure costs; and
- the inability to internally fund significant capital and working capital requirements, including the execution of the Phoenix and Manica projects.

Venmyn is of the opinion that, in the medium-term, except for the scenario where the commodity prices could significantly decrease and the ZAR significantly strengthen against the United States Dollar (USD), all of the factors, as listed above, should be addressed by PAR, in the future.

Excluding the provision of capital to execution the Manica and Phoenix projects, PAR is adequately capitalised over the medium-term. Venmyn did not identify any existing factors that would prevent the continued applicability of the going concern concept.

## 9. Limiting conditions

This opinion is provided to the board of directors and shareholders of Metorex in connection with and for the purposes of the Shanduka Disposal. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Metorex's shareholders.

Venmyn have relied upon and assumed the accuracy of the information provided to us in deriving our opinion having made due enquiry. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management of PAR or Metorex, by reference to publicly available or independently obtained information.

While our work has involved an analysis of, inter alia, the annual financial statements, the underlying technical and cash flow valuation information for PAR, together with other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information on PAR and Metorex related to future events and was based upon assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods.

We express no opinion as to how closely the projected results will correspond to the actual future results of PAR. Where practicable, we have compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with the relevant management.

We have also assumed that the transaction will have the legal consequences described in discussions with, and materials furnished to us by, representatives and advisors of PAR and Metorex and we express no opinion on such consequences.

Our opinion is based upon the current economic, regulatory and market conditions which for the commodity industry are particularly unusual and exceptional. Subsequent developments may affect this opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

## 10. Independence

In terms of schedule 5.1(a) of the JSE Listings Requirements, we confirm that Venmyn has no equity interest in PAR, Metorex, Shanduka Gold, Shanduka Resources or in any other party to the transaction.

In terms of schedule 5.1(a) of the JSE Listings Requirements, we confirm that there is no existing relationship between Venmyn, PAR, Metorex, Shanduka Gold, Shanduka Resources or in any other party to the transaction.

Furthermore, we confirm that our professional fees are not contingent upon the successful implementation of the transaction.

## 11. Valuation methods and procedures

Being mindful of the SAMVAL Code, Venmyn performed a valuation of PAR and specifically the mineral assets of PAR to determine whether the transaction value of ZAR45.771m to be paid in cash for the 6.3% interest in terms of the transaction represents a fair value.

The valuation of PAR has been based upon:-

- the mineral assets of the Barberton Mines, the Phoenix and Manica projects and the historical expenditure on the CAR exploration projects (Dekoa and Bogoin);
- the forecasted capital expenditure to execute the Phoenix and Manica projects;
- commodity prices for gold and PGMs based on the average of a two year historical price and a two year analyst's consensus forecast as outlined in Table 1 below:-

**Table 1 : Commodity Prices Used**

COMMODITY	USD/Oz
Pt	1,276
Pd	295
Rh	3,964
Au	856

- "fair" value ZAR/USD exchange rate of ZAR8.00 per USD as per the currency strategist at Global Markets, Standard Bank;

- Venmyn considered the weighted average share price movements for PAR over daily, weekly and monthly periods to assess the reasonableness of the ZAR0.65 per PAR share offer price;
- future economic information based upon analysts' forecasts and most recent Reuters consensus views as determined by various contributing economists;
- historical and estimated future operating costs, capital expenditure, metallurgical recoveries and production rates as determined by PAR and reviewed and accordingly adjusted by Venmyn;
- life of mine (LOM) for Barberton Mines, Phoenix and Manica Projects of 10, 16 and 11 years respectively;
- 74% interest in Barberton Mines and 100% interest in the Phoenix, Manica, Dekoa and Bogoin projects;
- 14% minority discount to the estimated cash flow value since Shanduka Gold's acquired stake is <25% (PWC Valuation Methodology Survey P44-P51); and
- 16% liquidity (small stock) discount to the estimated cash flow value since PAR's historic liquidity is very low (PWC Valuation Methodology Survey P44-P51).

*Note: The applied minority and liquidity discounts are aligned with the PricewaterhouseCoopers Valuation Methodology Survey (2007/08 edition).*

There are three generally accepted valuation approaches as defined in the SAMVAL Code used in the valuation of mineral properties. These include the following:-

- cash flow approach;
- market approach; and
- cost approach.

## 12. Operating assets

The valuation of the production property, Barberton Mines, and the development properties, Phoenix and Manica projects was determined using the cash flow approach. The cash flow approach has been based on the net present values (NPV) that have been derived using the DCF technique applied on the post-tax un-escalated cash flows.

The following real discount rates were used to determine the respective NPV of the production and development properties:-

- Barberton Mines (12.5%);
- Manica project (Mozambique) (17.5%); and
- Phoenix project (RSA) (15.0%).

The valuation of the two exploration properties, Dekoa and Bogoin, was determined using the cost approach. The cost approach relies on historical and/or future costs spent on the properties by PAR and involves consideration of the relative increase or decrease in the value of the assets as a result of the past efforts.

A prospectively enhancement multiplier (PEM) is a factor applied to the total cost of exploration expenditure, at different stages of exploration and project advancement, as shown in Table 2, using a concept of successful efforts:-

**Table 2 : Indicative PEM multipliers applicable to the historical costs**

EXPLORATION PHASE	UPPER PEM	LOWER PEM
Unexplored Prospect	0	0
Greenfields entry and desktop historical literature research	1.0	0.0

EXPLORATION PHASE	UPPER PEM	LOWER PEM
Reconnaissance and follow-up stream sampling	1.0	0.5
Follow-up soil sampling	1.5	0.8
Geophysical survey	2.5	1.0
Core Drilling, Definition of Inferred Mineral Resource	3.0	2.0
Bulk Sampling	4.0	3.0
Historical Mining	5.0	4.5
Definition of Indicated Mineral Resource	8.0	5.0

In terms of the cost approach, these past exploration costs have been multiplied by appropriate PEMs based on the relative success and extent of the exploration work. Venmyn considers that the following PEM factors are appropriate to determine the “fair” value for the Dekoa and Bogoin projects using this method as shown in Table 3.

The discounted NPVs, as determined from the post-tax pre-finance cash flows for the production and development properties, were combined with the value determined using the cost approach for the Dekoa and Bogoin projects to determine the total value of the PAR assets.

**Table 3 : Summary PEMs for the Dekoa and Bogoin Projects**

PROJECT	PHASE DESCRIPTION	PEM		
		UPPER	LOWER	“FAIR”
Dekoa and Bogoin projects	Follow-up soil sampling and limited drilling	1.5	0.8	0.8

The attributable value of Barberton mines was 74% of the Barberton Mines NPV, corresponding to PAR’s stake. The attributable Shanduka Gold stake of 6.3% was calculated from the total value of the PAR assets.

The most important value driver to the DCF was the commodity price revenues which, to a degree, are subject to the current economic climate in South Africa driving the ZAR/USD exchange rate. Other factors that were reviewed were the Mineral Resources and Mineral Reserves and their ability to sustain the relevant cash flows together with head grades, the discount rate, working capital, operating costs and future capital expenditure requirements.

Prevailing market and industry conditions were also considered in assessing the risk profile of PAR. The valuations were performed taking into account technical risk, market and other industry factors affecting PAR, and the possibility of not executing the Phoenix and/or Manica projects. Additionally, sensitivity analyses were performed considering the key value drivers.

### 13. Valuation results

Venmyn performed a valuation of PAR using various methods permitted by the SAMVAL Code in determining a range of values and a “fair” value as outlined in Table 4. The upper and lower range of the cash flow valuation approach takes into account varying discount rates, the revenue generated, the capital and the operating expenditures.

Venmyn was particularly mindful of the fact that PAR has indicated that they will need to spend approximately USD91.5m for capital development for both the Phoenix and Manica projects. At the time of this transaction Metorex is the majority share holder and does not have the financial capacity to provide this finance.

**Table 4 : Value of 100% and 6.3% PAR Stake**

DESCRIPTION	DISCOUNT RATE	TOTAL PAR VALUE (ZARm)*		
		Upper	Lower	“Fair”
Barberton Mines (Attributable)	12.5%	947.9	314.9	586.5
Manica Project	17.5%	432.1	1.1	186.6
Phoenix Project	15.0%	308.7	89.6	177.5
CAR Projects	n/a	67.2	35.8	35.8
100% PAR Value	n/a	1,755.9	441.5	986.4
<b>100% Par Value after discounts*</b>	<b>n/a</b>	<b>1,268.4</b>	<b>318.9</b>	<b>712.6</b>
<b>6.3% PAR Value</b>	<b>n/a</b>	<b>79.9</b>	<b>20.1</b>	<b>44.9</b>

\*applying 14% minority and 16% liquidity discounts

The independent valuation by Venmyn indicates that the value of the 6.3% PAR stake is ZAR44.892m prior to the exercise of the Shanduka Gold option.

Based upon these results, and given that the transaction value to PAR is by way of a cash settlement of ZAR45.771m, this transaction can be considered to be fair to Metorex share-holders.

The valuation exercise above was undertaken solely in respect of the fairness opinion and should not be used for any other purposes.

#### 14. Opinion

Venmyn has considered the terms and conditions of this transaction and the weighted average three month PAR share price and, based upon and subject to the conditions set out herein, is of the opinion that the transaction value of ZAR45.771m for assets having a "fair" value of ZAR44.892m and an upper and lower value range of ZAR79.912m and ZAR20.093m respectively are fair to the shareholders of Metorex.

Our opinion is necessarily based upon the information available to us up to 6<sup>th</sup> July 2009, including in respect of the financial information as well as other conditions and circumstances existing and disclosed to us. We have assumed that all conditions precedent, including any material regulatory and other approvals or consents required in connection with the transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Yours faithfully



**D.R. de Wit**  
Pr Tech Eng, B Tech (Chem Eng),  
MAP (WBS), MSAIMM, MIASSA, MAusIMM  
**CORPORATE MINERALS ADVISER**



**A.N. CLAY**  
M.Sc. (Geol.), M.Sc. (Min. Eng.), Dip. Bus. M.  
Pr Sci Nat, MSAIMM, FAusIMM, FGSSA, MAIMA,  
M.Inst.D., AAPG, MCIMMP  
**MANAGING DIRECTOR**