

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

This document comprises a prospectus (the "**Prospectus**") for the purposes of Article 3 of the European Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") relating to Pensana Rare Earths Plc ("**Pensana**" or the "**Company**") and has been prepared in accordance with the prospectus regulation rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of the FSMA (the "**Prospectus Regulation Rules**"). This document has been approved by the FCA as the competent authority under the Prospectus Regulation and in accordance with section 87A of the FSMA and has been made available to the public as required by the Prospectus Regulation Rules. The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company or the quality of the securities that are the subject of this document. Investors should make their own assessment as to the suitability of investing in the securities.

Application will be made to the FCA for all of the issued Ordinary Shares to be admitted to the standard listing segment of the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Ordinary Shares to be admitted to trading on its main market for listed securities (together "**Admission**"). Admission to trading on the London Stock Exchange constitutes admission to trading on a regulated market. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on the London Stock Exchange at 8.00 am on 6 July 2020.

**This document has been prepared in connection with Admission. This document does not constitute or form part of an offer or invitation to sell or issue, or any solicitation of an offer to purchase or subscribe for, any securities by any person. No offer of Ordinary Shares is being made in any jurisdiction.**

The Company and its Directors (whose names appear on page 29 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and its Directors, the information contained in this document is in accordance with the facts and makes no omission likely to affect its import.

**This document should be read in its entirety and in particular, the section headed "Risk Factors" on pages 9 to 23.**

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## **PENSANA RARE EARTHS PLC**

*(incorporated under the Companies Act 2006 and registered in England and Wales with registered number 12206525)*



**Admission to the standard listing segment of the Official List and trading on the London Stock Exchange's Main Market for listed securities of 188,274,665 ordinary shares of £0.001 each in the capital of the Company**

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### **Ordinary Share capital immediately following Admission**

Issued and fully paid

| Number             | Nominal Value |
|--------------------|---------------|
| <b>188,274,665</b> | £0.001        |

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Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of Bryan Cave Leighton Paisner LLP at Governor's House, 5 Laurence Pountney Hill, London, EC4R 0BR from the date of this document for a period of 12 months following the date of this document. A copy of this document will be available on the Company's website at - <https://pensana.co.uk/>.

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## SUMMARY

| Introduction and warnings               |                                                                     |
|-----------------------------------------|---------------------------------------------------------------------|
| <b>Name of Issuer:</b>                  | <b>Pensana Rare Earths Plc</b>                                      |
| <b>ISIN Ordinary Shares:</b>            | GB00BKM0ZJ18                                                        |
| <b>ISIN CHESS Depositary Interests:</b> | AU0000025231                                                        |
| <b>LEI:</b>                             | 213800H4QP6T9499RU64                                                |
| <b>Website:</b>                         | <a href="https://pensana.co.uk/">https://pensana.co.uk/</a>         |
| <b>Telephone:</b>                       | +44 (0)20 7321 3738 (London)<br>+44 (0)20 7321 3739 (London)        |
| <b>Competent Authority:</b>             | FCA ( <a href="https://www.fca.org.uk">https://www.fca.org.uk</a> ) |
| <b>Date of Publication:</b>             | 1 July 2020                                                         |

### Warnings

This summary should be read as introduction to the Prospectus. Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor.

If you invest, you could lose all or part of your invested capital and where your liability is not limited to the amount of your investment, you could lose more than your invested capital.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering the admission of the Ordinary Shares to the standing listing segment of the Official List and to the London Stock Exchange's main market for listed securities.

### Key information on the issuer

#### Who is the issuer of the securities?

The Company was incorporated on 13 September 2019 in England and Wales as a public limited company with registered number 12206525. The Company's registered office is 100 Pall Mall, London, England, SW1Y 5NQ and its legal entity identifier is 213800H4QP6T9499RU64. The Company was incorporated under the Companies Act 2006.

#### Principal Activity

The Company was incorporated by Pensana Metals Limited ("**Pensana Australia**"), an

## Key information on the issuer

Australian public company, for the sole purposes of re-domiciling Pensana Australia and its subsidiaries to the United Kingdom by means of an Australian scheme of arrangement pursuant to Part 5.1 of the Corporations Act. The Scheme became effective on 23 January 2020 and was implemented on 4 February 2020 whereby:

- all ordinary shares in Pensana Australia were transferred to the Company;
- all Scheme Participants (other than Scheme Ineligible Foreign Shareholders) received one Pensana CDI for every share held by them in Pensana Australia;
- Pensana Australia de-listed from the ASX and become a wholly owned subsidiary of the Company; and
- the Company was admitted to the official list of the ASX on 7 February 2020 and dealings in Pensana CDIs (being CHESS depository interests which each represent a unit of beneficial ownership in the Ordinary Shares) commenced on a normal settlement basis on ASX at 10.00 a.m. (Sydney time) on 12 February 2020.

Prior to the Scheme being implemented, the Company had not conducted any business other than carrying out its obligations in respect of the Scheme. Following the Scheme becoming effective, the Company's business consists of the business of Pensana Australia which is focussed on the development of a neodymium and praseodymium ("**NdPr**") project located in Longonjo, Angola (the "**Longonjo Project**"), in which the Group owns an 84 per cent. share. The Company's development of the Longonjo Project is to ultimately realise the Company's goal of being a major and crucial supplier of raw materials for the move towards the electrification of society.

The Longonjo Project is currently at an advanced exploration phase. However, following the release of a pre-feasibility study into the Longonjo Project on 15 November 2019, the Company intends to develop it into one of the world's major sources of neodymium and praseodymium, which are the critical rare earth metals with applications in modern energy technologies. In May 2020, the Company was granted a mining licence in respect of the Longonjo Project and, subject to funding, the Company is looking to commence main construction of the project in the first quarter of 2021 and achieve first production of concentrate in mid-2022.

The Group is also investigating the potential for downstream processing of concentrate from the Longonjo Project into a high grade, NdPr rich, mixed rare earth carbonate prior to export. This will be studied further in the ongoing feasibility studies being carried by the Group to understand the feasibility of integrating such processing in to the Longonjo Project and whether it would be economically viable and advantageous to the Group if and when the Longonjo Project is developed into production.

On 4 May 2020, the Group announced that it had been granted a new prospection licence over a 7,456 square kilometres area located 16 kilometres from the Longonjo Project (the "**Coola Project**"). There are two known carbonatites in the licence area with reported NdPr rare earth mineralisation (as per academic studies) however the Group is yet to commence exploration work at this site and its primary main focus remains on completing the current work programme at the Longonjo Project.

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document. As at the date of this Prospectus, following the subscription by FSDEA, the Angolan Sovereign Wealth Fund, for (i) five per cent. of the Company's then issued share capital in March 2020 and (ii) approximately 16 per cent. of the Company's then issued share capital in June 2020, the Group has cash resources of A\$5.9 million which provides sufficient working capital for the Group until 31 March 2021.



### Key information on the issuer

After this point, a working capital shortfall of approximately A\$1.2 million will arise for the remainder of the Working Capital Period in respect of the Company's exploration activities and general operations which increases to a working capital shortfall of approximately A\$76.2 million from 31 December 2020 if a decision is made in the fourth quarter of 2020 to proceed with the development of the Longonjo Project. Accordingly, additional financing will need to be raised by the Group in order to continue its activities at the current level of expenditure and to develop the Longonjo Project in line with the pre-feasibility design plan.

### Major Shareholders

As at 30 June 2020, being the latest practicable date prior to the publication of this Prospectus (the "**Latest Practicable Date**"), and so far as is known by the Company, the following are, and will on Admission, be directly or indirectly interested in 3 per cent. or more of the Company's issued share capital:

| Shareholder                               | Number of Ordinary Shares | Percentage of total voting rights as at Latest Practicable Date <sup>(3)</sup> and Admission |
|-------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------|
| QG Africa Mining L.P. <sup>(1), (3)</sup> | 33,457,303                | 17.77%                                                                                       |
| National Nominees Limited                 | 15,836,181                | 8.41%                                                                                        |
| Selection Capital Limited <sup>(2)</sup>  | 9,069,861                 | 4.82%                                                                                        |
| JP Morgan Nominees Australia Pty Limited  | 6,371,759                 | 3.38%                                                                                        |
| Mr Richard Arthur Lockwood                | 6,168,300                 | 3.28%                                                                                        |

<sup>(1)</sup> Subsidiary of the Angolan Sovereign Wealth Fund ("**FSDEA**")

<sup>(2)</sup> Wholly owned by Paul Atherley, Chairman

<sup>(3)</sup> Adjusted to include the subscription by QG Africa Mining L.P. of 16,508,633 Ordinary Shares on 1 July 2020.

### Key Managing Directors

The Company's executive directors are Timothy George and David Hammond.

### Statutory Auditors

BDO LLP are the statutory auditors for the Company for the current financial year. Ernst & Young were the statutory auditors for Pensana Australia for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and the six month period ended 31 December 2019.

### What is the key financial information regarding the issuer?

*Table 1*

#### Income statement

The table below sets out summary financial information of the Group as derived from the audited annual consolidated financial statements of the Pensana Australia Group (which was acquired by the Company on 4 February 2020) for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the unaudited interim consolidated financial statements for the six month periods ended 31 December 2019 and 31 December 2018.

|  | <u>Year ended 30 June</u> | <u>6 months ended 31 Dec</u> |
|--|---------------------------|------------------------------|
|--|---------------------------|------------------------------|

| Key information on the issuer                              |                          |                          |                          |                            |                            |
|------------------------------------------------------------|--------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
|                                                            | 2019<br>(audited)<br>A\$ | 2018<br>(audited)<br>A\$ | 2017<br>(audited)<br>A\$ | 2019<br>(unaudited)<br>A\$ | 2018<br>(unaudited)<br>A\$ |
| Other income                                               | 458,203                  | 2,288                    | 3,117                    | 342                        | 3,508                      |
| Administration expenses                                    | (1,117,960)              | (795,198)                | (336,911)                | (1,622,442)                | (579,266)                  |
| Corporate expenses                                         | (3,141,730)              | (909,361)                | (1,074,729)              | (1,301,601)                | (1,734,228)                |
| Impairment of assets                                       | (1,613,770)              | (110,827)                | (7,797,899)              | -                          | -                          |
| Provisions for estimated credit losses on financial assets | (478,039)                | -                        | -                        | -                          | 496,087                    |
| Foreign currency exchange (loss)/gain                      | 59,400                   | (11,892)                 | 13,823                   | (61,094)                   | 27,794                     |
| <b>Loss from operations before finance costs</b>           | <b>(5,833,896)</b>       | <b>(1,824,990)</b>       | <b>(9,192,599)</b>       | <b>(2,984,795)</b>         | <b>(2,778,279)</b>         |
| Finance costs                                              | -                        | -                        | -                        | -                          | -                          |
| <b>Loss before income tax</b>                              | <b>(5,833,896)</b>       | <b>(1,824,990)</b>       | <b>(9,192,599)</b>       | <b>(2,984,795)</b>         | <b>(2,778,279)</b>         |
| Income tax benefit/(expense)                               | -                        | -                        | -                        | -                          | -                          |
| <b>Total loss for the period</b>                           | <b>(5,833,896)</b>       | <b>(1,824,990)</b>       | <b>(9,192,599)</b>       | <b>(2,984,795)</b>         | <b>(2,778,279)</b>         |
| <b>Other comprehensive income/(loss)</b>                   | 580,787                  | 598,161                  | (331,676)                | (119,012)                  | 704,747                    |
| <b>Total comprehensive (loss)/income for the period</b>    | <b>(5,253,109)</b>       | <b>(1,226,829)</b>       | <b>(9,524,275)</b>       | <b>(3,103,807)</b>         | <b>(2,073,532)</b>         |

Table 2

### Balance sheet

The table below sets out summary financial information of the Group as derived from the audited annual consolidated financial statements of the Pensana Australia Group for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the unaudited interim consolidated financial statements for the six month periods ended 31 December 2019 and 31 December 2018.

|                          | Year ended 30 June       |                          |                          | 6 months ended 31 Dec      |                            |
|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
|                          | 2019<br>(audited)<br>A\$ | 2018<br>(audited)<br>A\$ | 2017<br>(audited)<br>A\$ | 2019<br>(unaudited)<br>A\$ | 2018<br>(unaudited)<br>A\$ |
| Current assets           | 8,347,202                | 6,004,683                | 1,938,151                | 4,896,618                  | 8,142,727                  |
| Non-current assets       | 9,178,544                | 5,602,883                | 8,866,471                | 11,339,086                 | 7,356,126                  |
| <b>Total assets</b>      | <b>17,525,746</b>        | <b>11,607,566</b>        | <b>10,804,622</b>        | <b>16,235,704</b>          | <b>15,498,853</b>          |
| Current liabilities      | 635,453                  | 722,919                  | 341,901                  | 1,793,660                  | 918,080                    |
| Non-current liabilities  | -                        | -                        | -                        | -                          | -                          |
| <b>Total liabilities</b> | <b>635,453</b>           | <b>722,919</b>           | <b>341,901</b>           | <b>1,793,660</b>           | <b>918,080</b>             |
| <b>Net assets</b>        | <b>16,890,293</b>        | <b>10,834,647</b>        | <b>10,462,721</b>        | <b>14,442,044</b>          | <b>14,580,773</b>          |
| Issued capital           | 50,991,922               | 41,149,646               | 39,734,149               | 52,463,499                 | 46,321,345                 |
| Reserves                 | 6,847,360                | 4,800,094                | 4,018,675                | 5,912,329                  | 6,152,800                  |
| Accumulated losses       | (40,948,989)             | (35,115,093)             | (33,290,103)             | (43,933,784)               | (37,893,372)               |
| <b>Total equity</b>      | <b>16,890,293</b>        | <b>10,834,647</b>        | <b>10,462,721</b>        | <b>14,442,044</b>          | <b>14,580,773</b>          |

Table 3

## Key information on the issuer

### Cash flow statement

The table below sets out summary financial information of the Group as derived from the audited annual consolidated financial statements of the Pensana Australia Group for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the unaudited interim consolidated financial statements for the six month periods ended 31 December 2019 and 31 December 2018.

|                                                      | <u>Year ended 30 June</u> |                  |                  | <u>6 months ended 31 Dec</u> |                    |
|------------------------------------------------------|---------------------------|------------------|------------------|------------------------------|--------------------|
|                                                      | <b>2019</b>               | <b>2018</b>      | <b>2017</b>      | <b>2019</b>                  | <b>2018</b>        |
|                                                      | <b>(audited)</b>          | <b>(audited)</b> | <b>(audited)</b> | <b>(unaudited)</b>           | <b>(unaudited)</b> |
|                                                      | <b>A\$</b>                | <b>A\$</b>       | <b>A\$</b>       | <b>A\$</b>                   | <b>A\$</b>         |
| Cashflows used in/provided by;                       |                           |                  |                  |                              |                    |
| - operating activities                               | (1,753,127)               | (1,363,455)      | (1,074,150)      | (1,564,718)                  | (915,208)          |
| - investing activities                               | (3,663,471)               | (1,663,958)      | (1,757,325)      | (1,917,975)                  | (2,021,957)        |
| - financing activities                               | 9,876,776                 | 1,415,497        | 3,289,864        | -                            | 5,171,698          |
| Net increase/(decrease) in cash and cash equivalents | 4,460,178                 | (1,611,916)      | 458,389          | (3,482,693)                  | 2,234,533          |
| Cash at the beginning of the period                  | 242,768                   | 1,848,248        | 1,389,239        | 4,712,730                    | 242,768            |
| Effects of exchange rate changes                     | 9,784                     | 6,436            | 620              | 328                          | 11,194             |
| <b>Cash at the end of the period</b>                 | <b>4,712,730</b>          | <b>242,768</b>   | <b>1,848,248</b> | <b>1,230,365</b>             | <b>2,488,495</b>   |

### What are the key risks that are specific to the issuer?

- The Company's main undertaking, the Longonjo Project, is an advanced stage exploration and development project that has no operating history upon which to base estimates of future operating costs and future capital spending requirements. Therefore the Group currently has no source of operating cash flow, has not recorded any material revenues from its operations to date, nor does it expect to generate any revenues from its operations in the short term.
- As at the date of this Prospectus, the Group has cash reserves of A\$5.9 million. Based on the Company's current cash flow forecasts, its current work program the Company anticipates that it will have a working capital shortfall of approximately A\$1.2 million by 31 March 2021 for the remainder of its working capital period. If the Company makes an affirmative development decision on the Longonjo Project in the fourth quarter of 2020, then the Company's working capital shortfall from the date of such decision for the remainder of the working capital period will increase to approximately A\$76.2 million from 31 December 2020. Accordingly, additional financing will need to be raised by the Group in order to continue its activities at the current level of expenditure and to develop the Longonjo Project in line with the pre-feasibility design plan.
- The current permit held by the Group for the prospecting phase at the Longonjo Project is due to expire in November 2020 and there is no guarantee or assurance that if the Group decides to renew such permit, it will be renewed or extended if required or that new conditions will not be imposed to it if extended. In particular, the renewal of the prospection licence in respect of the Longonjo Project is subject to regulatory approval and the minimum expenditure requirements being met.

**Key information on the issuer**

However, the Group was granted a mining licence in respect of the Longonjo Project in May 2020 and consequently, an inability to renew the prospection licence at the Longonjo Project will not be material to the Group as a failure to renew the prospection licence does not affect the validity of the mining licence. The Group will also need to apply, and is in the process of applying, for additional approvals, licences and/or permits for the development and mining stage of the Longonjo Project to produce concentrate and/or carbonates, both of which are subject to various conditions.

- The Company is primarily focused on the exploration and development of the Longonjo Project and accordingly is largely dependent upon the Longonjo Project, which is expected to be the Group's primary source of future revenue. Whilst the Group does have an additional interest in the Coola Project, this is in very early stages of exploration and the viability of the licence area for commercial production is currently unknown. Therefore, any material adverse development affecting the progress of the Longonjo Project would have a material adverse effect on the Group's business, financial performance, results of operations and prospects.
- The Group's operations are at an early stage of development and future success will depend on the Group's ability to manage the Longonjo Project and to take advantage of further opportunities that may arise, such as the opportunity for downstream processing of concentrate into a high grade, NdPr rich, mixed rare earth carbonate. Development of the Longonjo Project could be delayed, or could experience interruptions or increased costs, or may not be completed at all due to a number of factors which are outside the control of the Group.
- The development of mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines and whether a mineral deposit will be commercially viable depends on a number of factors which may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return.
- The Longonjo Project and/or the Coola Project may involve unprofitable efforts, either from areas of exploration which ultimately prove not to contain natural resources, or the predicted quantities of natural resources, or from areas in which a natural resource discovery is made but is not economically recoverable at current or near future market prices when including the costs of development, operation and other costs.
- The outbreak of the COVID-19 pandemic has had an impact on the Group's businesses. The current government lockdown in Angola has led to a temporary suspension of work at the Longonjo Project and an inability for the Group to commence exploration work at the Coola Project. Further escalation of COVID-19, and the implementation of additional government-regulated restrictions would delay the ability of the Group to carry out any preparatory works at the Longonjo Project and, ultimately, start production at the Longonjo Project and generate cash for the Group.

**Key information on the securities**

**What are the main features of the securities?**

**Type, class and ISIN of the securities**

## Key information on the securities

### What are the main features of the securities?

The shares in the Company are fully paid ordinary shares with a nominal value of £0.001 each. The Company has, and will on Admission, have one class of ordinary shares comprising the entire issued share capital of the Company. On Admission, the Ordinary Shares will be registered with an ISIN of GB00BKM0ZJ18. It is expected that the Ordinary Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "PRE".

### Currency of the securities

The Ordinary Shares are, and on Admission will be, denominated in pounds sterling.

### Number of issued and fully paid securities

As at the date of this Prospectus, 188,274,665 Ordinary Shares are in issue and fully paid. It is expected that on Admission, 188,274,665 Ordinary Shares will be in issue and fully paid.

### Rights attaching to the securities

The Ordinary Shares rank *pari passu* in all respects and all Ordinary Shares have equal rights to participate in capital, dividend and profit distributions of the Company.

On a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against. On a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

### Description of restrictions on the free transferability of the securities

The Ordinary Shares are freely transferable and there are no restrictions on transfer.

### Dividend policy

The Company does not currently pay any dividends to its shareholders.

Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Company's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Board may consider relevant. The Board only intends to commence the payment of dividends when it becomes commercially prudent to do so, if at all.

### Where will the securities be traded?

Applications will be made for the issued and to be issued Ordinary Shares to be admitted to the standard listing segment of the Official List and to trading on the London Stock Exchanges' main market for listed securities. The Company is currently also listed on ASX where the Ordinary Shares are admitted for quotation on the ASX. As an overseas company listed on ASX, settlement of the Ordinary Shares on the ASX occurs through CHESS depository interests each representing a unit of beneficial ownership in the Ordinary Shares ("Pensana CDIs"). The Pensana CDIs are registered with an ISIN of AU0000025231 and will continue to be tradeable on ASX following Admission.

### Is there a guarantee attached to the securities?

No.

### What are the key risks that are specific to the securities?

## **Key information on the securities**

### **What are the main features of the securities?**

- There is no existing market for the Ordinary Shares in London and an active trading market for the Ordinary Shares in London may not develop or be sustained.
- The listing of the Ordinary Shares in the United Kingdom and Australia will result in differences in liquidity, settlement and clearing systems, trading currencies, prices and transaction costs between the exchanges where the Ordinary Shares will be listed.
- There can be no assurance that dividends will be paid on the Ordinary Shares and the Board only intends to commence the payment of dividends when it becomes commercially prudent to do so, if at all.

## **Key information on admission to trading on a regulated market**

### **Why is this prospectus being produced?**

The Prospectus is being produced following the implementation of the Scheme whereby the Company has acquired the entire issued share capital of Pensana Australia. In connection with the Scheme, the Company issued Pensana CDIs, being CHESS depository interests each representing a unit of beneficial ownership in the Ordinary Shares, to Scheme Participants (other than Scheme Ineligible Foreign Shareholders) as consideration for the transfer of the Pensana Australia Shares they held. The Company was admitted to the official list of ASX on 7 February 2020 and the Pensana CDIs became tradeable on a normal settlement basis on ASX at 10.00 a.m. (Sydney time) on 12 February 2020.

In addition to its ASX listing, the Company intends to make an application to the FCA for the Ordinary Shares to be admitted to the standard listing segment of the Official List. An application will also be made to the London Stock Exchange for the issued Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange by no later than 8.00 am on 6 July 2020.

## RISK FACTORS

*Any investment in the Ordinary Shares is subject to a number of risks. Prior to investing in the Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any such investment in the Ordinary Shares, the Group's business and the industries in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.*

*Prospective investors should note that the risks relating to the Group, its business and industries and the Ordinary Shares summarised in the section of this Prospectus entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Group faces relate to events, and depend on circumstances, that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus entitled "Summary" but also, among other things, the risks and uncertainties described below.*

*The Company and the Directors consider the risks set out in this section to be material for prospective investors in the Company. However, this section does not comprise an exhaustive list or explanation of all risks that prospective investors may face when making an investment in the Ordinary Shares and should be used as guidance only. Additional risks and uncertainties not currently known to the Company and the Directors, or that the Company and the Directors do not currently consider material, may also have an adverse effect on the Company's financial condition, business, prospects and/or results of operations. In such circumstances, the market price of the Ordinary Shares could decline and investors may lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this Prospectus and their personal circumstances (including the financial resources available to them).*

### 1 RISKS RELATING TO THE GROUP AND THE GROUP'S BUSINESS

#### 1.1 **The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document. The Group has no history of mineral production at the Longonjo Project and accordingly has no revenues from operations and negative cash flows and will require additional future capital in the short term to continue its exploration activities and if it decides to commence development of the Longonjo Project**

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

The Company's main undertaking, Longonjo Project, is an advanced stage exploration and development project for which a pre-feasibility study was released on 15 November 2019. However, the Longonjo Project has no operating history upon which to base estimates of future operating costs and future capital spending requirements.

Therefore the Group currently has no source of operating cash flow, has not recorded any material revenues from its operations to date, nor does it expect to generate any revenues from its operations in the short term. The Group's ultimate success will depend on its ability to reach the production stage and generate cash flow in the future. It is also expected to have negative operating cash flow for the foreseeable future and therefore the Group will require funding to continue its

business and material interest in the Longonjo Project and any failure to obtain such finance may mean that the Company is unable commence commercial production from the Longonjo Project.

The Group will have further capital requirements and exploration expenditures as it proceeds to develop the Longonjo Project. The development of the Longonjo Project and continued exploration will therefore depend on the Group's ability to obtain additional required financing and the terms on which such finance is available. In particular, the potential development of the Longonjo Project requires substantial capital commitments, which the pre-feasibility study released by the Group on 15 November 2019 estimates at approximately A\$190 million over the next 2 years and which may increase to approximately A\$297 million over the next 2 years if the feasibility studies being carried out by the Group establish the feasibility of downstream processing of concentrate into a high grade, NdPr rich, mixed rare earth carbonate. As at the date of this Prospectus, the Group has cash reserves of A\$5.9 million and had incurred liabilities of A\$838,900. Based on the Company's current cash flow forecasts and its current work program, the Company anticipates that it will have a working capital shortfall of approximately A\$1.2 million by 31 March 2021 for the remainder of its working capital period. If the Company makes an affirmative development decision on the Longonjo Project in the fourth quarter of 2020, then the Company's working capital shortfall from the date of such decision for the remainder of the working capital period will increase to approximately A\$76.2 million from 31 December 2020. Accordingly, additional financing will need to be raised by the Group in order to continue its activities at the current level of expenditure and to develop the Longonjo Project in line with the pre-feasibility design plan.

The future ability of the Group to arrange such financing will depend in part upon prevailing financing market conditions, the demand and price of NdPr, as well as the business performance of the Group, all of which may be outside of the Group's control. There can also be no assurance that any debt or equity financing or cash generated by future operations will be available or sufficient to meet the working capital requirements of the Group.

Accordingly, the Company can provide no assurance that it will be able to obtain financing on favourable terms or at all. If financing is not available, the Company will consider deferring the development of the Longonjo Project and it could result in an indefinite postponement of development or production on the Longonjo Project, or in a loss of project ownership or earning opportunities by the Group which would impact the value of Ordinary Shares. In particular, the Company's expenditure on exploration could be reduced or even halted, although where it does this it may result in a loss of the prospection licences in respect of the Longonjo Project and the Coola Project held by the Group if the minimum expenditure requirements have not been met.

The Company may also consider the disposal of interests in its assets, including its Tanzanian assets which are held for sale and the possible disposal of a portion of the Group's interest in the Longonjo Project and its exploration assets at Longonjo or Coola as a means to raise additional finance to develop the Longonjo Project. The Company is currently at an advanced stage of negotiations for such sale of its Tanzanian assets, completion of which is expected to be conditional upon a mining licence being granted in respect of the Miyabi Gold Project, which is expected to be granted at the end of the third quarter of 2020. Should the current negotiations not complete, the Company does not intend to commit further expenditure to the Miyabi Gold Project or carry out any exploration activities in respect of the project and would consider relinquishing its licences if an alternative purchaser could not be identified. The timing and terms of any other such potential disposal of an



interest in the Group's other assets outside Tanzania would depend on the amount raised in any future fundraisings carried out by the Company, but the Company would seek to ensure that any such disposal of an interest in assets is completed before its working capital is depleted, where possible.

If all of the above actions (future equity, alternative non-equity and/or debt fundraisings, disposals of interests in assets, or a corporate solution) were unsuccessful or could not be completed, the Company would look to restructure its affairs under the supervision of a court appointed insolvency practitioner. The timing of this action would depend on the Board's view as to the point in time at which the Company was unable to pay its debts as they became due which could occur during the current Working Capital Period.

## **1.2 Dependence on the Longonjo Project**

The Company is primarily focused on the exploration and development of the Longonjo Project and accordingly is largely dependent upon the Longonjo Project, which is expected to be the Group's primary source of future revenue. Whilst the Group does have an additional interest in the Coola Project, this is in very early stages of exploration and the viability of the licence area for commercial production is currently unknown. Therefore, any material adverse development affecting the progress of the Longonjo Project would have a material adverse effect on the Group's business, financial performance, results of operations and prospects.

## **1.3 Approvals, licences and permits in connection with current exploration activities and future development and mining activities may not be renewed or obtained**

Governmental approvals, licences and permits are currently, and may in the future, be required by the Group in connection with the prospecting and exploration phases and the future development and mining phase at both the Longonjo Project, for which the Group has been granted a mining licence, and the Coola Project, for which the Group has been granted a prospection licence. The maintenance, renewal and granting of such approvals, licences and permits depends on the Group being successful in obtaining required statutory approvals and complying with regulatory processes in Angola. A failure to obtain these statutory approvals or comply with these regulatory processes may adversely affect the Group's title to such approvals, licences and permits and which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

The current permit held by the Group for the prospecting phase at the Longonjo Project is due to expire in November 2020 and there is no guarantee or assurance that if the Group decides to renew such permit, it will be renewed or extended if required or that new conditions will not be imposed to it if extended. In particular, the renewal of the prospection licence in respect of the Longonjo Project is subject to regulatory approval and the minimum expenditure requirements being met. However, the Group was granted a mining licence in respect of the Longonjo Project in May 2020 and consequently, an inability to renew the prospection licence at the Longonjo Project will not be material to the Group as a failure to renew the prospection licence does not affect the validity of the mining licence. The Group will also need to apply, and is in the process of applying, for additional approvals, licences and/or permits for the development and mining stage of the Longonjo Project to produce concentrate and/or carbonates, both of which are subject to various conditions including the preparation and submission of a technical, economical and financial viability study and environmental impact study. The granting of approvals, licences and/or permits is assessed on a case-by-case basis

and accordingly the Group cannot confirm with certainty whether such studies prepared by the Group will be satisfactory to the ministry in Angola who approves the grant of relevant approvals, licences and permits.

To the extent such approvals, licences and permits are not obtained, the Group may be curtailed or prohibited from proceeding with planned exploitation, development and operations of the Longonjo Project and the exploration and potential exploitation of the Coala Project. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

#### 1.4 **Risks associated with development of the Longonjo Project**

The Group's operations are at an early stage of development and future success will depend on the Group's ability to manage the Longonjo Project and to take advantage of further opportunities that may arise, such as the opportunity for downstream processing of concentrate into a high grade, NdPr rich, mixed rare earth carbonate. In particular, the Group's success is dependent upon the Directors' ability to develop the Longonjo Project by commencing and maintaining production at the site and there is no certainty that funding will be available if the Group decides to commence development of the Longonjo Project and that anticipated outcomes and sustainable revenue streams will be achieved.

Development of the Longonjo Project could be delayed or could experience interruptions or increased costs or may not be completed at all due to a number of factors, including but not limited to:

- the Group's ability to raise finance for the development of the Longonjo Project;
- changes in the regulatory environment;
- non-performance by third party contractors;
- inability to attract, train (as required) and retain a sufficient number of workers;
- changes in environmental compliance requirements;
- unfavourable weather conditions or catastrophic events such as fires, storms or explosions and Angola in an area that can be subject to severe climatic conditions such as hot temperatures in summer and torrential rain, potentially causing flooding;
- unforeseen escalation in anticipated costs of development, or delays in construction, or adverse currency movements resulting in insufficient funds being available to complete planned development;
- increases in extraction costs including energy, material and labour costs;
- lack of availability of mining equipment and other exploration services;
- shortages or delays in obtaining critical mining and processing equipment;
- the breakdown or failure of equipment or processes;

- construction, procurement and/or performance of the processing plant and ancillary operations falling below expected levels of output or efficiency; and
- taxes and imposed royalties.

There can therefore be no assurance that the Group will complete the various stages of development necessary to begin generating revenue for the Group at the Longonjo Project and any of these factors may have a material adverse effect on the Group's business, results of operations and activities, financial condition and prospects.

#### 1.5 **Mineral development is speculative and uncertain and involves a high degree of risk**

The development of mineral deposits involves a high degree of risk. Few properties which are explored are ultimately developed into producing mines. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Group may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of end users, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure, commodity prices, which fluctuate widely, and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The combination of these factors may result in the Company expending significant resources (financial and otherwise) on a property without receiving a return.

#### 1.6 **There is no certainty that the Longonjo Project will be profitable**

Natural resource exploration activities are capital intensive and inherently uncertain in their outcome. The Longonjo Project requires funding for its development and the Group's projects may involve unprofitable efforts, either from areas of exploration which ultimately prove not to contain natural resources, or the predicted quantities of natural resources, or from areas in which a natural resource discovery is made but is not economically recoverable at current or near future market prices when including the costs of development, operation and other costs. In addition, environmental damage could greatly increase the cost of operations, and various operating conditions may adversely and materially affect the levels of production. These conditions include delays in obtaining governmental approvals or consents, delays due to extreme weather conditions, insufficient storage or transportation capacity or adverse geological conditions. While diligent supervision and effective maintenance operations can contribute to maximising production rates over time, production delays and declines from normal operations cannot be eliminated and may adversely and materially affect the Group's revenues, cashflow, business, results of operations and financial resources and condition.

There are also legislative requirements for taxes to be paid in Angola in respect of mining activities carried out in Angola which include activities in the prospecting and exploration phases. Such taxes may be subject to change and will impact the revenue that the Group can generate which it will be able to retain for its own profits.

**1.7 Lockdown restrictions imposed by the Angolan Government due to the COVID-19 pandemic has temporarily suspended the Group's operations at its project sites**

The outbreak of the COVID-19 pandemic has had an impact on the Group's businesses. The current government lockdown in Angola has led to a temporary suspension of work at the Longonjo Project and an inability for the Group to commence exploration work at the Coola Project. The Group is following the applicable local guidance and where possible, staff are operating remotely using technology solutions. It is not clear when the lockdown restrictions will be lifted in Angola and therefore it is also uncertain as to when works at the Longonjo Project will resume as normal and exploration works can commence at the Coola Project. The Group is committed to ensuring the safety and wellbeing of all employees, contractors and stakeholders and accordingly is regularly assessing developments and the ability to recommence operations in a safe and appropriate manner. Whilst the scale of the impact of COVID-19 and the related lockdown in Angola on the Group is difficult to evaluate, the continued inability to work on site at the Longonjo Project will delay progress in the early development of the project and potentially the completion of the Group's ongoing feasibility studies which are required to assist the Board in its decision making when considering whether to approve development.

Further escalation of the COVID-19 pandemic, and the implementation of any additional government-regulated restrictions which delays the Group in carrying out its business activities at the Longonjo Project (such as preparatory works) ultimately delays the Group's ability to reach production and start to generate cash and so could have a material adverse impact on the Group's operations and financial results.

**1.8 Estimates of Mineral Resources are uncertain**

Declared Mineral Resource estimates are expressions of judgment based on knowledge, experience and industry practice.

Accordingly by their very nature of being estimates, there can be no assurance that Mineral Resources which are estimated will be recovered or that they can be brought into profitable production. Estimates that were valid when originally estimated may alter significantly when new information or techniques become available and may require revisions based on actual production experience.

Fluctuations in NdPr prices, results of drilling, metallurgical testing and production and the evaluation of studies, reports and plans subsequent to the date of any estimates may require revision of such estimates and if these estimates are revised, this could have a material adverse effect on the Group's business, financial performance, results of operations and prospects and its ability to raise further finance needed to develop the Longonjo Project.

**1.9 The price of rare earth concentrate and rare earth carbonate is affected by factors beyond the Group's control**

If the Group is able to develop the Longonjo Project and/or the Coola Project for production and the market price of rare earth concentrate and/or rare earth carbonate decreases significantly for an extended period of time, the ability for the Group to attract finance and ultimately generate profits could be adversely affected. Numerous external factors and industry factors that are beyond the control of the Group that affect the price of rare earth concentrate and/or rare earth carbonate include:

- industrial demand;
- levels of rare earth production;
- rapid short term changes in supply and demand because of speculative or hedging activities; and
- global or regional political or economic events.

The price at which the Group can sell any rare earth concentrate and rare earth carbonate it may produce in the future will therefore be relevant to the future revenues that can be generated by the Group and its ability to finance the development of the Longonjo Project and any adverse effects on such price could have a material adverse effect on the Group's business, financial performance, results of operations and prospects.

1.10 **The Angolan government's rights in respect of deposits of strategic importance could result in the revocation of any mining licence granted to the Group in respect of the Longonjo Project**

There can be no assurance that the Group's assets in Africa will not be subject to nationalisation, requisition or confiscation, whether legitimate or not, by any authority or body. In particular under Angolan mining law, the relevant regime applicable to a company varies depending on whether a mineral resource is or is not considered strategic for the country with strategic minerals being subject to more complex procedures for the award of mining rights. The Angolan government has sole discretion to determine if a mineral is considered 'strategic' for these purposes and will consider a number of factors when making its decision including (i) scarcity; (ii) international demand; (iii) impact over the growth of the economy; (iv) creation of significant employment; (v) positive influence at the level of international trading; (vi) the importance for the military and (vii) the importance for high-level technologies.

Pursuant to Presidential Decree no. 231/16 of 8 December 2016 (the "**2016 Decree**"), rare earth minerals were considered strategic by the Angolan government and accordingly, the Company acknowledges that there is a possibility that the legal regime governing strategic minerals will be applicable to both the Longonjo Project and the Coola Project. However, the Group has recently been granted both a mining licence in respect of the Longonjo Project and a prospection licence in respect of the Coola Project where the Group has been given the relevant rights to carry out exploration and mining activities in connection with rare earth minerals.

Whilst from a procedural point of view there are no significant differences between a resource being considered strategic or not, there is the possibility that the Angolan government may determine that the prospection, mining, treatment and trading of rare earth minerals can only be carried out by the Angolan state. In such circumstances, such activities would be carried out by a national concessionaire and all mining rights over such strategic minerals would belong to

the national concessionaire. There are no provisions in the Angolan Mining Code which govern the situation where mining rights have already been granted over minerals that are now considered strategic by the Angolan government. However it is likely that if the Angolan government exercised its rights to determine that the prospection, mining, treatment and trading of rare earth minerals can only be carried out by the Angolan state, this would be treated as the redemption/revocation of a mining concession where the concession is taken back by the Angolan government on public utility grounds in exchange for payment to the private investor that held the relevant rights, of a fair compensation calculated pursuant to the Angolan Mining Code. As at the Latest Practicable Date, there are no legal provisions which provide that prospection, mining, treatment and trading activities regarding strategic minerals must be carried out exclusively by a national concessionaire for rare earth minerals.

The Directors consider that it is unlikely that the Angolan government will seek to redeem any mining concession granted to the Group in respect of the Longonjo Project on the basis that its mining licence was only recently granted and the Angolan Ministry of Petroleum and Mineral Resources has been directly involved with the Longonjo Project from its early stages and is aware of its current development status. In particular, the Angolan Minister of Mineral Resources and Petroleum has indicated that the Angolan government is keen to reduce state participation and is in the process of privatising a number of state owned enterprises (including such enterprises in the minerals and petroleum sectors) as part of its efforts to attract direct foreign investment and diversify the Angolan economy.

In the unlikely event that the Angolan government did exercise its rights summarised above, and as a result revoked any mining licence granted to the Group in respect of the Longonjo Project and/or the Coola Project, this would have a significant impact on the Group which is entirely dependent on these projects (with the Longonjo Project expected to be the Group's primary source of future revenue). In this event, the Group would seek compensation from the Angolan Government pursuant to Article 57 of the Angolan Mining Code. Whilst the Angolan Mining Code provides that the value of investments made by a holder of the mining rights will be considered when determining the amount of compensation due, there is a risk that the amount received may not reflect the total investments made by the Group in respect of the Longonjo Project and the Coola Project (as applicable) for the value the Group ascribes to these projects. This would have a material adverse effect on the Group's business, financial performance, results or operations and prospects. If any mining licence was revoked, the Group would consider other business opportunities and use the corresponding compensation to invest in any suitable opportunities.

#### **1.11 Access to infrastructure**

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. In the course of developing future mines, the Group, may need to construct and support the construction of infrastructure, which includes permanent water supplies, tailings storage facilities, power, maintenance facilities and logistics services and access roads. Reliable rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Group's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Group's site(s) could materially adversely affect the Group's future results of operations or financial condition. Furthermore, any

failure or unavailability of the Group's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could impact its exploration activities at the Longonjo Project and at the Coola Project or materially adversely affect development of the Longonjo Project and later once the Longonjo Project is in development, the production output from its mine(s).

#### 1.12 **Future reclamation/rehabilitation costs**

The Group's current prospecting and exploration operations are subject to costs to reclaim properties and if the Group commences its development and mining activities, further, and potentially higher, reclamation costs will need to be incurred after the minerals have been mined from the site. Reclamation costs that the Group may have to incur if it commences development and mining activities at the Longonjo Project include costs to provide for indigenous revegetation of the tailings storage facility and waste rock dump, as they are deposited, from commencement of operations for the life of mine (which is expected to be a minimum of 9 years). In addition, environmental legislation in Angola requires that mining companies make a provision for a mine closure fund which is equal to five per cent. of the upfront capital expenditure. The obligation therefore represents an ongoing cost for the Group. As mine plans are estimates only and subject to change, the current estimate may not represent the actual and estimated amount required to complete all reclamation activity. If actual costs are significantly higher than the Group's estimates, its financial performance may be materially affected.

#### 1.13 **Environmental regulation**

The Company's operations are subject to various environmental and safety legislation. Such legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. This could impose significant costs and burdens on the Company's investments (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation.

Mining operations have inherent risks and liabilities associated with damage to the environment and the disposal of waste products occurring as a result of mineral exploration and production. Laws and regulations involving the protection and the remediation of the environment are constantly changing and are generally becoming more restrictive.

There may also be unforeseen environmental liabilities resulting from future mining activities, which may be costly to remedy. If the Company is unable to fully remedy an environmental problem, it may be required to stop or suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company's future business, prospects, financial condition and results of operations.

#### 1.14 **The Group will be subject to competition for its skilled personnel and challenges in attracting and retaining key personnel, including the Directors and any senior managers could impair the Group's ability to conduct and grow its operations effectively**

The Group's ability to compete in the competitive natural resources sector depends upon its ability to retain and attract highly qualified management, geological and technical personnel. The loss of key management and/or technical personnel could delay the development of the Longonjo Project, exploration at the Longonjo Project

and the Coala Project and negatively impact the ability of the Company to compete in the resources sector. In addition, the Company will need to recruit key personnel to develop its business as and when it moves to construction and ultimately operation of a mine each of which requires additional skills. Other resource companies that it competes against for qualified personnel may have greater financial and other resources, different risk profiles or longer track records than the Group. If this competition is very intense, the Group might not be able to attract or retain these key persons on conditions that are economically acceptable. Therefore, the inability of the Group to retain and attract such key persons could delay or prevent it from achieving its objectives overall which could have a material adverse effect on its business, financial condition, results of operations and prospects.

**1.15 The Group's insurance and indemnities may not adequately cover all risks or expenses**

The Group maintains insurance of the type and in the amounts that the Directors consider necessary for the Group's operations. However, the Group is unable to insure against all risks and may be exposed, under certain circumstances, to uninsurable hazards and risks which may result in financial liability, property damage, personal injury or other hazards or liability for the acts or omissions of sub-contractors, operators and other third parties.

There is also no assurance that the Group will be able to maintain adequate insurance in the future at rates the Group considers reasonable. Accordingly, the Group could incur substantial losses if an event which is not fully covered by insurance occurs, which would have a material adverse effect on the Group's business, results of operations and financial condition.

**1.16 The Company may be subject to foreign investment and exchange risks**

The Pensana Australia Group's functional and presentational currency is A\$. The Group's presentational currency will be in US\$ with effect from the current financial year which commenced on 1 July 2019. When consolidating a business that has functional currencies other than US\$, the Company will be required to translate, inter alia, the balance sheet and operational results of such business into US\$. Due to the foregoing, changes in exchange rates between US\$ and other currencies could lead to significant changes in the Company's reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although the Company may seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at all times when the Company wishes to use them, or that they will be sufficient to cover the risk.

**1.17 The Group is vulnerable to the changes in the Chinese economy**

If the Group is able to develop the Longonjo Project for production, it is expected that a large proportion of the Group's potential customer base will be in China. Once in development, the Group could therefore become reliant on the Chinese economy being relatively stable in order to be able to ensure it has a market to sell a proportion of its products. Natural disasters, epidemics, pandemics, acts of war or terrorism or other factors beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in China. In particular, severe communicable disease outbreaks, like the flu or coronavirus (COVID-19) could



result in a widespread health crisis that could materially adversely affect economic systems and financial markets. If there is any deterioration in, or disruption to, the legal, political, economic or social conditions in China this could lead to a reduction in the demand of rare earth minerals in China or affect the ability of the Group to sell any products it may develop from the Longonjo Project there. As a result, this could have a material adverse effect on the Group's business, results of operations, financial condition, prospects and performance once production at the Longonjo Project commences.

## **2 RISKS RELATING TO ANGOLA AND TANZANIA**

### **2.1 Risks related to operating in Angola (and Tanzania)**

There are substantial risks associated with investments in emerging markets such as Angola and Tanzania, where civil unrest, nationalist movements, political violence and economic crises are possible. Any changes in the political, fiscal and legal systems or conditions, or civil unrest in these countries, may affect the ownership or operation of the Group's interests, in particular the Longonjo Project which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

These countries may also pose heightened risks of expropriation of assets, increased taxation and a unilateral modification of concessions and contracts. Exploration, development and production activities in these countries are potentially subject to political and economic risks, including:

- cancellation or renegotiation of contracts;
- changes in domestic laws or regulations, including tax laws;
- inconsistencies between domestic laws or regulations, which could create conflicting views as regards the interpretation of the same;
- royalty and tax increases or claims by governmental entities, including retroactive claims;
- a higher degree of discretion on the part of governmental agencies;
- expropriation or nationalisation of property;
- currency fluctuations and foreign exchange controls; and
- risks of loss due to civil strife, acts of war, guerrilla activities, insurrection and terrorism.

### **2.2 Risks relating to Angolan law and any potential future amendments**

The Group's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual payments to maintain mineral properties in good standing. There can be no assurance that the laws protecting foreign investments, will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks detailed above. There can be no assurance that any agreements with the relevant governments will prove to be enforceable or provide adequate protection against any or all of the risks

described above, which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

In particular, by means of Presidential Decree 161/2020, of 5 June 2020, the President of the Republic of Angola approved the creation of the National Mineral Resources Agency ("**ANRM**") as the new public body responsible for the regulation, monitoring and promotion of the Angolan mining sector. As a result of the creation of ANRM, Ferrangol – E.P. will be dissolved and wound-up and replaced by ANRM as the regulatory entity for all minerals in Angola. This change in Angolan law directly relates to the Group as Ferrangol – E.P. is a minority shareholder in Ozango Minerais S.A., the Group entity which holds the prospection and mining licences for the Longonjo Project. However, it is not yet clear how and when the shareholding of Ferrangol – E.P. in Ozango Minerais S.A. will be transferred to ANRM and how this will impact, if at all, the mining investment contract in respect of the Longonjo Project under which Ferrangol – E.P. is currently the National Concessionaire.

## 2.3 **Risks relating to bribery and corruption**

In certain jurisdictions, fraud, bribery and corruption are more common than in others. In addition, the mining industry has, historically, been shown to be vulnerable to corrupt or unethical practices. While the Group maintains a bribery policy, anti-corruption training programmes, codes of conduct, procedures and other safeguards designed to prevent the occurrence of fraud, bribery and corruption, and no members of the Group or the Directors have been subject to fraud, bribery or corruption proceedings, it may not be possible for the Group to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which its employees, agents, sub-contractors or joint venture partners are located. The Group may, therefore, be subject to civil and criminal penalties and to reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Group operates, including the UK Bribery Act 2010, could have a material adverse effect on its results of operations and financial condition.

## 3 **RISKS RELATING TO THE SECURITIES OF THE COMPANY**

### 3.1 **There is no existing market for the Ordinary Shares in London and an active trading market for the Ordinary Shares in London may not develop or be sustained**

Prior to Admission, there has been no public trading market for the Ordinary Shares in London. There can be no assurance that an active trading market will develop or, if it does develop, that it will be maintained. The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including natural resource market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Ordinary Shares, regardless of the Company's actual performance. The market price of the Ordinary Shares may also fluctuate substantially due to various factors, some of which may be specific to the Company, and some of which may be related to the natural resource market in general.

In particular, current holders of Pensana CDIs will need to convert their Pensana CDIs into Ordinary Shares before being able to trade them on the London market. If such holders of Pensana CDIs do not choose to convert their Pensana CDIs into Ordinary Shares and there are no additional investors in Ordinary Shares following Admission, this may affect the ability for an active trading market for the Ordinary Shares to develop in London.

If an active and liquid trading market does not develop or is not sustained, the liquidity and trading price of the Ordinary Shares could be materially and adversely affected and investors may have difficulty selling their Ordinary Shares.

**3.2 Dual listing of the Ordinary Shares will result in differences in liquidity, settlement and clearing systems, trading currencies, prices and transaction costs between the exchanges where the Ordinary Shares will be listed**

The Company was admitted to the official list on the ASX on 7 February 2020 and dealings in Pensana CDIs on a normal settlement basis commenced on ASX at 10.00 a.m. (Sydney time) on 12 February 2020. An application will also be made to list the Ordinary Shares on the London Stock Exchange. Consequently, the trading in and liquidity of the Ordinary Shares will be split between these two exchanges. Moreover, the price of the Ordinary Shares may fluctuate, and may at any time be different on the ASX and the London Stock Exchange and vice versa. There are differences that occur in settlement and clearing systems, trading currencies, transaction costs and other factors between the exchanges and if a holder of Pensana CDIs wants to trade on the London Stock Exchange, they will need to convert their Pensana CDIs to Ordinary Shares. This could adversely affect the trading of the Ordinary Shares and the Pensana CDIs on these exchanges and increase their price volatility and/or adversely affect the price and liquidity of the Ordinary Shares and the Pensana CDIs on these exchanges.

The Pensana CDIs are quoted and traded in Australian Dollars on the ASX. It is intended that the Ordinary Shares will be quoted and traded in Pounds Sterling on the London Stock Exchange. The market price of each investment on those exchanges may also differ due to exchange rate fluctuations. The Pensana CDIs traded on the ASX are settled and cleared through CHESS. Following Admission, the Ordinary Shares which are traded on the London Stock Exchange will be settled and cleared through CREST.

**3.3 The Company may not be able to pay dividends**

The Company has not been able to declare or pay dividends to its shareholders. The Company currently intends to retain future earnings, if any, for development of the Longonjo Project and future operations, if necessary. Therefore, at present, there is no intention to pay dividends. The Board will review the amount of any future dividends to be paid to shareholders having regard to among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Board may consider relevant. The Board only intends to commence the payment of dividends when it becomes commercially prudent to do so, if at all.

**3.4 Holders of Pensana CDIs will not be entitled to attend or vote at the Company's general meetings unless certain actions are taken**

In order for the Ordinary Shares to trade on ASX, Pensana CDIs were issued by the Company to Scheme Participants as consideration for their transfer of Pensana Australia Shares to the Company pursuant the Scheme. Holders of Pensana CDIs have a beneficial interest in Ordinary Shares, however the legal title is held by a depositary. Accordingly, holders of Pensana CDIs are not on the register of members of the Company and are not entitled to attend or vote at the Company's general meetings unless they:

- (a) instruct depositary, as legal owner, to vote the Ordinary Shares underlying their Pensana CDIs in a particular manner;

- (b) inform the Company that they wish to nominate themselves or another person to be appointed as the depositary's proxy for the purposes of attending and voting the shares underlying their Pensana CDIs at the general meeting; or
- (c) convert their Pensana CDIs into a holding of Ordinary Shares and voting these at the general meeting.

Whilst Pensana CDI voting instruction forms and details of the above actions will be included in each notice of general meeting sent by the Company to Pensana CDI holders, it is the responsibility of the holders of Pensana CDI to carry out the relevant action in order to be able to validly vote at a general meeting of the Company. If the above actions are not validly carried out, then holders of Pensana CDIs will not be entitled to attend or vote at general meetings.

### 3.5 **Investment in publically quoted securities**

Prospective investors should be aware that the value of Ordinary Shares may go down as well as up and that the market price of Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment

### 3.6 **Impact on securities due to industry analysts**

Both the market price and trading price of the Ordinary Shares may depend on the opinions of the securities analysts who monitor the operations of the Group and publish research reports on the Group's future performance. The Company does not have control over such analysts, who may downgrade their recommended prices for the Ordinary Shares at any time, issues opinion which are not in line with the Board's view or not even cover the Company in their publications and reports. Such actions by analysts could have an adverse impact on the trading volume and price of the Ordinary Shares.

### 3.7 **The Company is applying for a standard listing and, accordingly, the Company will not be required to comply with those protections applicable to a premium listing**

The Company is seeking a Standard Listing on the Official List and, as a consequence, affords shareholders a lower level of regulatory protection than that afforded to investors in companies with Premium Listings on the Official List, which are subject to additional obligations under the Listing Rules. In particular, the provisions of Chapters 6 to 13 of the Listing Rules (other than Rule 7.2.1), being additional requirements for a Premium Listing of equity securities (Premium Listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars), will not apply. In addition, a Standard Listing will not permit the Company to gain UK FTSE indexation.

### 3.8 **Ordinary Shares and/or Pensana CDIs may be suspended from trading**

Each of the LSE, in respect of Ordinary Shares, and the ASX, in respect of Pensana CDIs, has the right to suspend trading in certain circumstances. If the Ordinary Shares and/or Pensana CDIs (as applicable) are suspended from trading, the holders of Ordinary Shares or Pensana CDIs may not be able to dispose of their Ordinary Shares or Pensana CDIs on the LSE or ASX (as the case may be).

#### ASX

Trading in the Pensana CDIs on ASX may be halted or suspended at the request of the Company or at the discretion of ASX.

At the request of the Company, ASX may grant:

- (a) a halt in the trading of Pensana CDIs on ASX for a period not exceeding the commencement of trading on the second trading day following the day on which the trading halt is requested; or
- (b) a suspension in the trading of Pensana CDIs on ASX for the period requested by the Company.

ASX also retains a general discretion to suspend trading in Pensana CDIs in circumstances where the Company is unable or unwilling to comply with the ASX Listing Rules, to prevent a disorderly or uninformed market or for any other reason ASX deems appropriate. ASX will automatically suspend trading in Pensana CDIs if the Company fails to lodge annual, half yearly and quarterly reports in accordance with the ASX Listing Rules or fails to pay the Company's annual ASX listing fee within 15 business days of the due date.

#### LSE

The FCA may suspend the Ordinary Shares from trading on the LSE from time to time if it determines that the smooth operation of the market is or may be temporarily jeopardised or it is necessary to protect investors.

## **IMPORTANT INFORMATION**

### **FORWARD LOOKING STATEMENTS**

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Regulation Rules, the Listing Rules or the DTRs, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

### **APPLICATION OF THE CITY CODE ON TAKEOVERS AND MERGERS**

The Company is subject to the City Code on Takeovers and Mergers (the "**City Code**") as its registered office is in the UK and it is considered by the Panel on Takeovers and Mergers (the "**Panel**") to have its place of central management and control in the United Kingdom as a result of half of the board, including the chairman who has a casting vote, being resident in the United Kingdom. The Company expects that it will continue to be subject to the City Code following Admission and accordingly, the City Code applies to any offer made to the Company shareholders in relation to their shares in the Company. The City Code operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

### **WEBSITE**

The contents of the Company's website, <https://pensana.co.uk/> or content accessible from hyperlinks in this document do not form part of this documents. Investors should base their decision whether or not to invest in the Ordinary Shares on the contents of this document alone.

### **PRESENTATION OF FINANCIAL INFORMATION**

The Pensana Australia Group has historically published its financial statements in Australian Dollars. The Group will publish its financial statements in US dollars, with effect from the current financial year which commenced on 1 July 2019.

The following exchange rates have been used throughout this Prospectus for information extracted from the historical financial information:

|                   | Year ended 30 June |        |        |
|-------------------|--------------------|--------|--------|
|                   | 2019               | 2018   | 2017   |
| Closing (AUD/USD) | 0.7015             | 0.7403 | 0.7686 |
| Average (AUD/USD) | 0.7064             | 0.7752 | 0.7537 |

For all financial information, unless otherwise indicated, the following exchange rate has been used.

A\$1 : US\$0.6893, being the exchange rate at the Latest Practicable Date.

The financial information of the Pensana Australia Group (which was acquired by the Company on 4 February 2020) set out in this document has, unless otherwise indicated, been extracted from the audited annual consolidated financial statements for the Pensana Australia Group as at, and for the years ended, 30 June 2017, 30 June 2018 and 30 June 2019 and from the unaudited interim consolidated financial statements for the Pensana Australia Group for the six month period ended 31 December 2019 as set out in Appendix 1 of this document.

The audited annual consolidated financial statements and unaudited interim consolidated financial statements for the Pensana Australia Group have been prepared in accordance with Australia Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australia Accounting Interpretations and the Corporations Act 2001. The consolidated financial statements for the Pensana Australia Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## CURRENCIES

In this document reference to :

- “£”, “GBP”, “Great British Pounds”, “pounds sterling”, “pence” or “p” are to the lawful currency of the United Kingdom;
- “A\$”, “AUD”, or “AUS dollars” are to the lawful currency of Australia; and
- “\$”, “USD” and “dollars” are to the lawful currency of the United States.

The basis of translation of any foreign currency transactions and amounts in the financial information included in this document are set out therein.

## ROUNDING

Certain financial and statistical information contained in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

## **PRESENTATION OF MARKET AND OTHER DATA**

Market and economic data used throughout this document is sourced from various independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **DEFINED TERMS**

Certain terms used in this Prospectus, including certain capitalised terms and technical and other terms, are defined in Part 9 of this document.

## **CONSEQUENCES OF A STANDARD LISTING**

Application will be made for all of the Ordinary Shares to be admitted to the Official List pursuant to Chapter 14 of the Listing Rules which sets out the requirements for standard listings.

As a company with a standard listing, the Company will not be required to comply with the provisions of, amongst other things:

- Chapter 7 of the Listing Rules setting out the Premium Listing Principles as contained in Listing Rule 7.2.1A that companies with a standard listing are not required to comply with.
- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not appointed and does not intend to appoint such a sponsor in connection with the Admission.
- Chapter 9 of the Listing Rules regarding continuing obligations in relation to companies with a premium listing that companies with a standard listing are not required to comply with.
- Chapter 10 of the Listing Rules relating to significant transactions. Nonetheless, the Company is required under Chapter 11 of the ASX Listing Rules to consult with ASX and (in certain circumstances), seek shareholder approval before making a significant change to the nature of its activities, disposing of its main undertaking or disposing of its major assets.
- Chapter 11 of the Listing Rules regarding related party transactions. Nonetheless, the Company is required to comply with DTR 7.3 which requires board approval and announcement of material related party transactions. The Company is also required to comply with Chapter 10 of the ASX Listing Rules which require that the Company not enter into any transaction with a person of influence relating to the acquisition or disposal of any substantial assets of the Company, not issue securities to a related party and not make certain payments to related parties without seeking shareholder approval.
- Chapter 12 of the Listing Rules regarding purchases by the Company of Ordinary Shares.
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders. However, the Company is required to comply with the requirements of the ASX Listing Rules, which contain certain obligations in relation



to the form and content of any notices of meeting sent to its shareholders where shareholder approval is being sought pursuant to an ASX Listing Rules.

In addition to the above, standard listed companies are not required to comply with the below eligibility and ongoing requirements for a premium listing:

- Companies with a standard listing are not required to: (i) exercise operational control over the business it carries on as its main activity; or (ii) carry on an independent business as their main activity.
- The UK Corporate Governance Code does not apply directly to companies with a standard listing. The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations apply to the Company. However, pursuant to paragraph 7.2 of the DTRs, companies with a standard listing are still required to make a statement in the directors' report covering the governance code to which the issuer is subject in relation to the financial reporting process and certain details of its share capital. The directors of companies with a standard listing are also required to include a description of the internal control and risk management systems and the composition of committees. The Company will comply with such requirements set out in DTR 7.2.
- A standard listing does not require a company to offer pre-emption rights pursuant to the Listing Rules. However, the Company will be required to comply with the ASX Listing Rules which require (among other things) that it seek shareholder approval before issuing shares representing more than 15 per cent. (or 25 per cent. in certain circumstances) of its expanded share capital in any 12 month period (subject to certain exceptions).

In addition, companies with a standard listing are not eligible for inclusion in the UK series of FTSE indices.

## **GOVERNING LAW**

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| Event                          | Date/Time              |
|--------------------------------|------------------------|
| Publication of this Prospectus | 1 July 2020            |
| Admission of Ordinary Shares   | 8.00 am on 6 July 2020 |

*These dates are provided by way of indicative guidance only and are subject to change, if any of the above times and/or dates change, the Company will give notice via a Regulatory Information Service.*

*Reference to a time of day are to London time.*

## DEALING CODES

|                                     |              |
|-------------------------------------|--------------|
| ISIN for the Ordinary Shares        | GB00BKM0ZJ18 |
| ISIN for CHESS Depositary Interests | AU0000025231 |
| SEDOL for Ordinary Shares           | BKM0ZJ1      |
| Ticker code for Ordinary Shares     | PRE          |

## NO ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders are not required to take any action upon receipt of this Prospectus, which is being made available publicly for information purposes only.

This Prospectus has been published solely to enable the Company to obtain Admission of the Ordinary Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market.

## DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

|                                                                                                      |                                                                                                                                             |                                                      |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| <b>Directors</b>                                                                                     | Paul Campbell Atherley                                                                                                                      | <i>Non - Executive Chairman</i>                      |
|                                                                                                      | Timothy Ralph George                                                                                                                        | <i>Executive Director/ Chief Executive Officer</i>   |
|                                                                                                      | David Peter Hammond                                                                                                                         | <i>Executive, Director / Chief Operation Officer</i> |
|                                                                                                      | Mark Ainsworth Hohnen                                                                                                                       | <i>Non-Executive Director</i>                        |
|                                                                                                      | Neil Thacker Maclachlan                                                                                                                     | <i>Non-Executive Director</i>                        |
| <b>Company Secretary</b>                                                                             | Robert Kaplan                                                                                                                               |                                                      |
| <b>Registered Office</b>                                                                             | 100 Pall Mall<br>London<br>SW1Y 5NQ<br>England                                                                                              |                                                      |
| <b>UK Solicitors to the Company</b>                                                                  | Bryan Cave Leighton Paisner LLP<br>Governor's House<br>5 Laurence Pountney Hill<br>London<br>EC4R 0BR<br>United Kingdom                     |                                                      |
| <b>Australian Solicitors to the Company</b>                                                          | DLA Piper, Australia<br>Level 31, Central Park<br>152-158 St Georges Terrace<br>Perth WA 6000<br>PO Box Z5470<br>Perth WA 6831<br>Australia |                                                      |
| <b>Auditors to the Company</b>                                                                       | BDO LLP<br>55 Baker Street<br>London<br>W1U 7EU<br>United Kingdom                                                                           |                                                      |
| <b>Auditors of Pensana Australia for the years ended 30 June 2017, 30 June 2018 and 30 June 2019</b> | Ernst & Young<br>11 Mounts Bay Road<br>Perth WA 6000<br>Australia                                                                           |                                                      |
| <b>Registrars</b>                                                                                    | Computershare Investor Services Pty Limited<br>Level 11, 172 St Georges Terrace<br>Perth WA 6000<br>Australia                               |                                                      |
| <b>Competent Person</b>                                                                              | SRK Consulting (Australasia) Pty Limited<br>Level 1, 10 Richardson Street<br>West Perth WA 6005<br>Australia                                |                                                      |

## **Part 1**

### **Information on the Group**

#### **1 INTRODUCTION**

The Company is focussed on the development of a neodymium and praseodymium ("NdPr") project located in Longonjo, Angola, in which the Group owns an 84 per cent. share (the "**Longonjo Project**"). The Company's development of the Longonjo Project is to ultimately realise the Company's goal of being a major and crucial supplier of raw materials for the move towards the electrification of society.

#### **2 HISTORY OF THE COMPANY**

The Company is a public limited company incorporated in England and Wales with company number 12206525. The Company was incorporated by Pensana Australia, an Australian public company, for the sole purpose of re-domiciling Pensana Australia and its subsidiaries to the United Kingdom by means of an Australian scheme of arrangement pursuant to Part 5.1 of the Australian Corporations Act (the "**Scheme**").

The Scheme became effective on 23 January 2020 and was implemented on 4 February 2020 pursuant to which:

- all Pensana Australia Shares were transferred to the Company;
- all Scheme Participants (whether or not they voted for or against the Scheme), other than Scheme Ineligible Foreign Shareholders, received one Pensana CDI (which represents a unit of beneficial ownership in the Ordinary Shares) for each Pensana Australia Share held; and
- Pensana Australia was de-listed from ASX and became a wholly-owned subsidiary of the Company.

The Company was admitted to the official list of ASX on 7 February 2020 and dealings in Pensana CDIs on ASX commenced on a normal settlement basis at 10.00 a.m. (Sydney time) on 12 February 2020. Following Admission, the Company will remain listed on ASX and subject to the ASX Listing Rules.

As at 30 June 2020, being the latest practicable date prior to the publication of this Prospectus, the Company had a market capitalisation of approximately A\$44.66 million, before the issue of 16,508,633 Ordinary Shares to QG Africa Mining L.P. on 1 July 2020.

Below is a brief summary of Pensana Australia and its subsidiaries which, following the implementation of the Scheme, comprises the Group:

- Pensana Australia was incorporated on 29 September 2006 as Tasman Goldfields Limited and changed its name to Bright Star Resources Limited on 11 October 2010.
- In July 2012, the Group merged with Rift Valley Resources Limited through a scheme of arrangement.

- On 20 November 2013, the Group acquired Sable Minerals Pty Limited which held a 70 per cent. interest in Ozango Minerais SA. which holds the title to the Longonjo Project.
- On 27 July 2015, the Group acquired the Mtemi Group of companies. The assets held by the Mtemi Group at the time of its acquisition by the Group have subsequently been relinquished and the Mtemi Group of companies are dormant.
- On 31 October 2018 the Group acquired an additional 14 per cent. equity in Angolan subsidiary company Ozango Minerais S.A. which holds the title to the Longonjo Project.
- In March 2020, FSDEA, the Angola Sovereign Wealth Fund, subscribed for 7,648,670 Ordinary Shares (being five per cent. of the then issued share capital of the Company) through its subsidiary QG Africa Mining L.P. to raise approximately A\$2 million in aggregate before expenses.
- In March 2020 the Group was granted a prospection permit for a NdPr rare earth mineralisation area, 16 kilometres from the Longonjo Project.
- In May 2020, the Group was granted a mining licence in respect of the area of the Longonjo Project that was identified in the pre-feasibility study as being economically feasible.
- In June 2020, FSDEA subscribed for an additional 25,808,633 Ordinary Shares (being approximately 16 per cent. of the then issued share capital of the Company) through its subsidiary QG Africa Mining L.P. to raise approximately A\$7.25 million in aggregate before expenses.

As at the date of this Prospectus, FSDEA holds 17.77% of the current issued share capital of the Company.

### 3 **BUSINESS OVERVIEW**

#### 3.1 **Longonjo Project**

The primary focus of the Company is on the development of the Longonjo Project in Angola. The Company intends to develop the Longonjo Project into one of the world's major sources of NdPr, which are the critical rare earth metals with applications in modern energy technologies. There are few independent suppliers in the rare earth metal supply chain outside China.

The Company's ultimate objective is that the Longonjo Project can be developed as a low capital cost, globally significant producer in the rare earth metal supply chain for NdPr. To help realise this objective, the Company commissioned Amec Foster Wheeler Australia Pty Ltd (trading as "**Wood Group**") to undertake a preliminary feasibility study into the Longonjo Project (the "**PFS**"), the results of which were released on 15 November 2019. The mine design in the PFS highlights that the Longonjo Project has the potential to produce rare earth metals in a sustainable manner with clean power generation. In addition, the mine has been designed to take into account community engagement and the technical and professional development of the local workforce.

The Company's understanding of the current economic policy of the Angolan government is that it is seeking to diversify Angola's economy away from its reliance on the diamond and petroleum sectors and following discussions between

the Company and Angolan government ministers, the directors understand that the Longonjo Project is considered a major initiative in this regard following the promulgation of new mining laws in 2011. The Directors believe that the growing bilateral arrangements between the United Kingdom and Angola lend further support to the Company's business strategy as does the recent investment in the Company by FSDEA, the Angolan Sovereign Wealth Fund.

### 3.2 **The Group's Operations at the Longonjo Project**

Significant operational progress on the Longonjo Project was achieved in 2018 and such progress continued in 2019 with a series of technical programmes successfully completed.

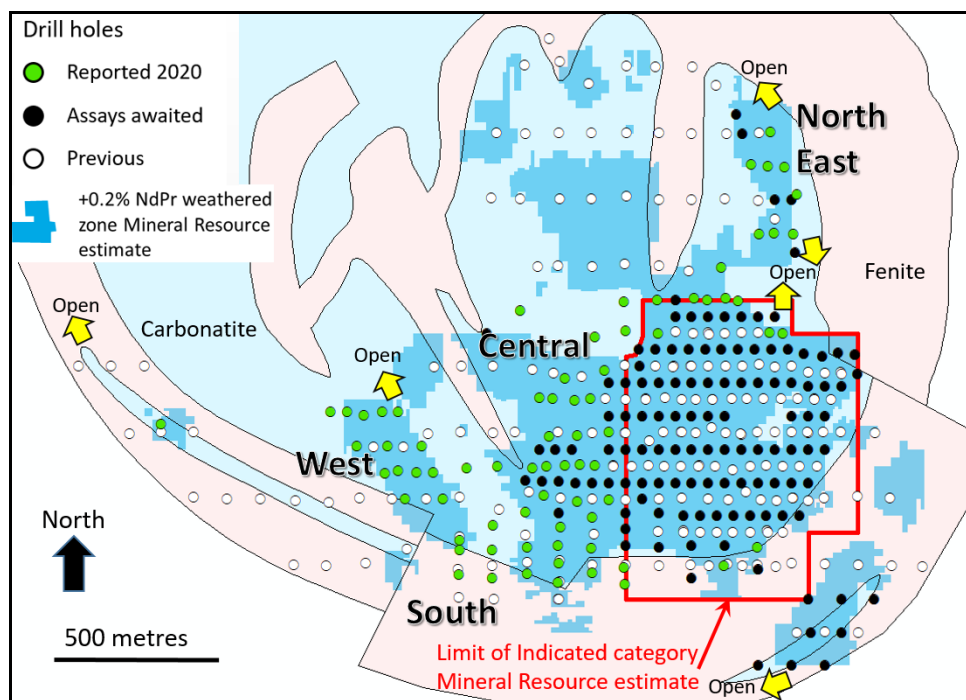
The technical programmes included two major drilling campaigns that lead to a significant expansion of the Longonjo Project's Mineral Resource estimate, metallurgical flow sheet optimisation and, with the appointment of the Wood Group as lead engineers, the commencement of a range of engineering studies that culminated in the completion of the PFS in November 2019.

Work programmes are now underway to support the detailed design engineering process to meet the objective of fast-tracking the Longonjo Project to production of a saleable concentrate. Studies are ongoing on mining, using opencast methods as the resource is close to surface, and a processing facility (using flotation technology) to produce a high-grade concentrate which will be transported via rail (approximately 4 kilometres from the mining site) to the port of Lobito for export.

Subsequent to the PFS, an additional 195 hole, 7,987 metre reverse circulation drilling programme has been undertaken at the Longonjo Project to investigate whether any of the Inferred Mineral Resource estimates in the weathered zone of the Longonjo Project can be classified as Measured and Indicated Mineral Resources and later Proved and Probable Ore Reserves on the completion of further technical studies. The programme also tested for potential extensions to mineralisation in fresh rock beneath the weathered zone.

The drilling programme has been carried out as part of the work for the definitive feasibility study announced by the Company on 13 January 2020 and the Company expects to announce an updated Mineral Resource estimate in the third quarter of 2020.

The plan below illustrates the location of the drilling holes and the status of the assay results as at 27 May 2020. The results that have been received include high grade intersections from the surface which demonstrate the continuity of the weathered zone Inferred mineralisation in the South, West, Central and North East areas.



The Group is also currently investigating the potential for downstream processing of 50,000 tonnes per annum of concentrate into a high grade, NdPr rich, mixed rare earth carbonate prior to export. The carbonate study is being carried out by an independent third party consultant and will be assessed further and reported on as part of the Group's ongoing feasibility studies to understand the feasibility of adding such hydrometallurgical processing in to the Longonjo Project and whether it would be economically viable and advantageous to the Group if and when the Longonjo Project is developed into production.

In May 2020, the Group was granted a mining licence in respect of the area of 21.2 square kilometres at the Longonjo Project that was identified in the PFS as being economically feasible. The mining licence is for an initial period of 15 years and is renewable, subject to certain conditions, for up to 35 years.

Environmental and social baseline studies have also been completed and an application for a construction permit, over the same area and project as covered by the mining licence, which were submitted by the Company to the Ministry of Environment during the second quarter of 2020 to secure a construction permit. Once construction of the mine has completed and subject to the terms of the construction permit being fulfilled, the Ministry of Environment will issue an operations permit for the project.

With the grant of a mining licence in respect of the Longonjo Project, the Company will need to consider whether to relinquish its prospection licence or consider renewing it over a reduced prospection area if further exploration is still warranted after November 2020. If such a renewal application is made, the Company will also need to consider whether the renewal should be over the same area of land or a smaller area which aligns with any area subject to the current prospection permit that may be identified by the Group as being of economic interest in the future. Whilst any such renewal will be subject to regulatory approval and the minimum expenditure requirements on the current prospection licence in respect of the Longonjo Project being satisfied, failure to renew this licence would not be material to the Group as a failure to renew the prospection licence does not affect the validity of its mining licence at the Longonjo Project.

The outbreak of the COVID-19 pandemic has had an impact on the Group's operations. The current government lockdown in Angola has led to a temporary suspension of work at the Longonjo Project and an inability for the Group to commence exploration work at the Coola Project. The Group is following the applicable local guidance and where possible, staff are operating remotely using technology solutions. It is not clear when the lockdown restrictions will be lifted in Angola and therefore it is also uncertain as to when works at the Longonjo Project will resume as normal and exploration works can commence at the Coola Project. However, the current inability for the Group to carry out works at the Longonjo Project due to the COVID-19 restrictions should not adversely impact the Company's ability to deploy the required capital expenditure for the relevant prospection licence as the Company is able to incur such expenditure through non-site related activities. In respect of the Coola Project, the Company does not currently anticipate that the COVID-19 restrictions will impact its ability to deploy the required capital expenditure in order to maintain its prospection licence in respect of the project. The Group is committed to ensuring the safety and wellbeing of all employees, contractors and stakeholders and accordingly is regularly assessing developments and the ability to recommence operations in a safe and appropriate manner.

### 3.3 Feasibility Studies in respect of the Longonjo Project

On 15 November 2019, the Group released the results of a PFS in respect of the Longonjo Project which sets out a detailed design for mine construction at the project. The PFS is based on open pit mining and two-phase development of a 2 million tonnes per year processing plant and associated infrastructure, producing on average 56,000 tonnes per year of NdPr concentrate for export (containing around 4,200 tonnes per annum contained NdPr) with operating costs of US\$1,323 per tonne (approximately A\$1,919).

The PFS supports a sustainable operation with initial capital costs of approximately A\$190 million including mine development, process plant and infrastructure, with a 15 per cent. cost growth allowance and an estimated 14 month period for construction and commissioning and strong cashflows from the first year of production. The Company expects that subject to an affirmative development decision made by the Company and receipt of appropriate funding, the Longonjo Project can be put in production in less than 18 months.

Table 3.3.1 below sets out the Board's forecast of the project economics for the Longonjo Project from the start of the capital investment to the end of the initial indicated resource period ending nine years subsequent. The forecasts have been prepared on a 100 per cent. basis and are extracted from the PFS as announced to the market in 15 November 2019 and prepared by Wood Group.

|             | <b>Gross Revenue</b> | <b>EBITDA</b> | <b>Pre-tax IRR</b> | <b>Payback</b> |
|-------------|----------------------|---------------|--------------------|----------------|
|             | US\$ million         | US\$ million  | %                  | Months         |
| <b>High</b> | 2,733                | 2,068         | 129%               | 11             |
| <b>Base</b> | 1,984                | 1,319         | 101%               | 13             |
| <b>Low</b>  | 1,448                | 782           | 64%                | 17             |

**Table 3.3.1 – Longonjo Project Economics**

*Based on a 100 per cent. project basis as at November 2019. Assuming (i) a nine year mine life; (ii) average grade of NdPr of 0.61%; (iii) average strip ratio for waste to feed of 0.1:1; (iv) average*



concentrate production of 55,900 tpa dry; (v) average contained NdPr in concentrate of 4,200 tpa; (vi) the costs reviewed by Wood Group for the purposes of the PFS; and (vii) the financial criteria assumptions in table 3.3.2 below.

| Criteria          | Assumption                                                                                                                          |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| Evaluation Date   | From start of capital investment                                                                                                    |
| Working Capital   | 60 debtor days (inc. product transport)<br>30 creditor days                                                                         |
| Concentrate Price | 3,821 \$/t in year 1 (Base Case) based on Roskill Information Services Limited NdPr price forecast (Q3 2019) and company assessment |

**Table 3.3.2 – Financial Criteria**

The Directors had forecast that on the basis of the preparation and the principal assumptions set out in Table 3.3.1. and Table 3.3.2 above, the underlying EBITDA of the Longonjo Project, in which the Group has an 84 per cent. interest for the initial nine year life of mine review period, will not be less than US\$782 million (approximately A\$1,135 million) on a 100 per cent. basis (the “**Profit Forecast**”).

However, since the publication of the PFS in November 2019, the Company has been investigating the economic feasibility of integrating downstream processing of concentrate into a high grade, NdPr rich, mixed rare earth carbonate to the Longonjo Project. The ongoing carbonate study is being carried out by an independent third party consultant and is expected to be assessed and reported on as part of the feasibility studies being prepared by the Group and include a review of the economics of downstream processing on the Longonjo Project. The preliminary studies carried out by the Group have indicated that the addition of downstream processing to the Longonjo Project is expected to increase the capital costs for development from approximately A\$190 million to approximately A\$297 million with the potential to produce approximately 3,200 tpa in carbonate. As part of the carbonate study the Group will conduct metallurgical test work on the concentrate produced by the Group’s pilot plant programme at the Longonjo Project to investigate optimising the hydrometallurgical processing methodology of concentrate into carbonate. The Group is currently working towards completing a detailed financial assessment study on carbonate processing at the Longonjo Project in the fourth quarter of 2020. If a decision to proceed with carbonate processing is made following the results of the studies, the Group expects that the additional capital expenditure associated with downstream processing will be incurred towards the latter stages of the construction programme at the Longonjo Project.

In light of both the updated product strategy of the Group and the increased anticipated capital expenditure for development, the Directors consider that the Profit Forecast made in respect of the Longonjo Project is no longer valid to the extent that it relates to the revised strategy of the Group. The Profit Forecast was specific to production of NdPr concentrate and did not contemplate the possibility of NdPr rich, mixed rare earth carbonate being produced at the Longonjo Project. Accordingly, the Profit Forecast does not build in the potential price of NdPr rich, mixed rare earth carbonate nor the potential increased total capital expenditure of the development of the Longonjo Project of approximately A\$297 million. The Directors therefore believe that the Profit Forecast is not a current representative of the underlying forecast results of operations of the Longonjo Project.

Subject to the results of feasibility studies and the Company being able to raise the necessary funds, the Company aims to commence main construction of the

Longonjo Project in the first quarter of 2021, with an aim to achieve first production of concentrate in mid-2022. Discussions with potential financiers have commenced and the Company is in advanced discussions for the main project financing for the Longonjo Project which is subject to further due diligence by the lender and legally binding documentation being negotiated and implemented. An investment decision in respect of the Longonjo Project is expected to be made by the Board in the fourth quarter of 2020 and if the Group does not have the necessary funds by the first quarter of 2021, then the Company will consider postponing the development of the Longonjo Project until such time as the funds can be raised.

### 3.4 Mineral Resources at the Longonjo Project

The Competent Persons Report has been prepared under the direction of the Competent Person under the JORC Code (2012) using accepted industry practices and have been classified and reported in accordance with the JORC Code.

The most recent Mineral Resource estimate for the Longonjo Project at a 0.1 per cent. NdPr lower grade cut off are reported as at 15 November 2019 and comprises Indicated Mineral Resources and Inferred Mineral Resources (with approximately 31 per cent. of the contained NdPr in the higher Indicated Mineral Resource category):

226 million tonnes at 1.47% REO including 0.33% NdPr for 3,320,000 tonnes of REO including 735,000 tonnes NdPr.

*\*NdPr = neodymium+praseodymium oxide. REO = total rare earth oxides. A 0.1% NdPr cut is applied.*

At a higher grade cut-off of 0.2% NdPr the weathered zone Mineral Resource estimate is 58.8 million tonnes at 2.15% REO including 0.48% NdPr for 1,260,000 tonnes of REO including 284,000 tonnes NdPr.

Please refer to the Competent Persons Report in Appendix 2 of this document and the Competent Person's Statement in relation to the Mineral Resource estimates.

| Mineral Resource estimate category | Tonnes (million) | REO grade (%) | NdPr grade (%) | Contained REO* (Tonnes) | Contained NdPr (Tonnes) |
|------------------------------------|------------------|---------------|----------------|-------------------------|-------------------------|
| Indicated                          | 59.9             | 1.86          | 0.39           | 1,100,000               | 230,000                 |
| Inferred                           | 167              | 1.33          | 0.30           | 2,230,000               | 504,000                 |
| <b>TOTAL:</b>                      | <b>226</b>       | <b>1.47</b>   | <b>0.33</b>    | <b>3,320,000</b>        | <b>735,000</b>          |

**Table 3.4.1 – Longonjo Project Mineral Resource estimate at 0.1% NdPr lower grade cut**

*\* REO includes NdPr. Figures may not sum due to rounding.*

| Mineral Resource estimate category | Tonnes (million) | REO grade (%) | NdPr grade (%) | Contained REO (Tonnes) | Contained NdPr (Tonnes) |
|------------------------------------|------------------|---------------|----------------|------------------------|-------------------------|
| Indicated                          | 14.9             | 2.86          | 0.60           | 426,000                | 89,600                  |

|               |             |             |             |                  |                |
|---------------|-------------|-------------|-------------|------------------|----------------|
| Inferred      | 43.9        | 1.90        | 0.44        | 836,000          | 195,000        |
| <b>TOTAL:</b> | <b>58.8</b> | <b>2.15</b> | <b>0.48</b> | <b>1,260,000</b> | <b>284,000</b> |

**Table 3.4.2 – Longonjo Project weathered zone Mineral Resource estimate at 0.20% NdPr grade cut-off**

*\* REO includes NdPr. Figures may not sum due to rounding. The weathered zone Mineral Resource estimate is contained within and is a sub-set of the total Mineral Resource for Longonjo shown in table above in respect of Mineral Resource estimate at 0.1% NdPr lower grade cut.*

### 3.5 **Coola Rare Earth Mineral Project**

In November 2019, the Group acquired a 90 per cent. interest in Coola Mining LDA. On 4 May 2020, the Group announced that Coola Mining LDA. has been granted a prospection licence over a 7,456 square kilometres area located 16 kilometres from the Longonjo Project (the “**Coola Project**”). The licence was granted for an initial period of two years, and is renewable up to seven years.

There are two known carbonatites, the Coola and Monte Verde carbonatites, at the Coola Project with reported NdPr rare earth mineralisation (as per academic studies). Neither carbonatites have been commercially evaluated and a significant portion of each are believed to lie beneath shallow soil cover.

The Coola and Monte Verde carbonatites, like Longonjo, are intrusive or volcanic ring structures containing carbonatite rock and are known to be enriched in elements and minerals associated with rare earth mineralisation such as fluorite, strontium, barite, phosphorous and niobium. Previous academic work on the three carbonatites, identified rare earth enrichment from limited rock samples with the maximum values of 3.64% REO from Coola and 0.93% REO from Monte Verde, compared to the 1.41% REO returned from Longonjo in the same study (Alberti et al., 1999). The Company plans to complete initial soil, rock and geological mapping, in respect of the Coola and Monte Verde carbonatites which if successful, may assist in mapping drill targets.

The Company has also identified five alkaline intrusive complexes, with geological systems for potential heavy and other rare earths, and five strong geophysical anomalies that could reflect additional carbonatite or alkaline complexes within the licence area at the Coola Project.

There are currently no reported Mineral Reserves or Mineral Resources at the Coola Project.

Whilst no work has been commenced by the Group yet at the Coola Project site and the Company’s main focus is on completing the work current programme at the Longonjo Project, the Company plans to evaluate the prospective geological structures with confirmed rare earth mineralisation at the Coola Project over the next twenty four months and assess their potential to complement a production base at Longonjo.

Details of the prospection licence held by the Group in respect of the Coola Project are set out in section 1.9.3 of Part 2 of this document.

### 3.6 **Assets in Tanzania**

The Group holds a 100 per cent. interest in Carlton Miyabi (Tanzania) Limited which holds the Miyabi gold project in the Kahama district of the Shinyanga region

in Tanzania (the “**Miyabi Gold Project**”). The Miyabi Gold Project comprises five gold deposits and has a gold resource of 745,000 ounces of gold with at a cut-off grade of 0.5g/t. There are no reserves at the Miyabi Gold Project.

| <b>Deposit</b> | <b>Indicated</b> |             | <b>Inferred</b>  |             | <b>Total</b>      |             |                |
|----------------|------------------|-------------|------------------|-------------|-------------------|-------------|----------------|
| Name           | Tons (t)         | Grade (g/t) | Tons (t)         | Grade (g/t) | Tons (t)          | Grade (g/t) | Gold Ounces    |
| Dalafuma       | 692,000          | 5.2         | 1,112,000        | 2.6         | 1,804,000         | 3.6         | 208,000        |
| Faida          | 3,322,000        | 1.4         | 2,248,000        | 1.2         | 5,570,000         | 1.3         | 241,000        |
| Kilimani       | 2,704,000        | 1.3         | 1,029,000        | 1.4         | 3,733,000         | 1.3         | 157,000        |
| Ngaya          | -                | -           | 1,688,000        | 1.1         | 1,688,000         | 1.1         | 58,000         |
| Shambani       | 494,000          | 1.8         | 1,585,000        | 1.0         | 2,080,000         | 1.2         | 81,000         |
| <b>TOTAL</b>   | <b>7,213,000</b> | <b>1.8</b>  | <b>7,662,000</b> | <b>1.4</b>  | <b>14,875,000</b> | <b>1.6</b>  | <b>745,000</b> |

**Table 3.6.1 – Miyabi Gold Project gold resource**

*Gold resource at the cut-off grade of 5g/t and 20g/t as the upper limit as at December 2016. Resources JORC Code (2012) compliant*

Exploration at the Miyabi Gold Project was carried out by two main operators between 1999 and 2015. The majority of work was completed prior to the Group’s involvement by Twigg Gold and led to the discovery and delineation of the Kilimani, Faida, Ngaya and Shambani deposits. When the Group acquired its interest in the Miyabi Gold Project, it commenced regional exploration work which led to the discovery of the Dalafuma deposit.

Due to historic working capital constraints of the Group, since March 2017 the Company has focussed its resources on the development of the Longonjo Project so as to concentrate on one asset and help alleviate the overall expenditure of the Group. As a consequence of this change in business outlook, the Company decided to divest its assets in Tanzania in order to generate cash for the Group to support the Longonjo Project. The assets are held for a value of A\$3,556,840 and are not considered material to the Group.

Whilst the Company does not intend to carry out any additional drilling works in respect of the Miyabi Gold Project, in order to maximise the value that the Company could potentially obtain from a sale of its interests in the project, the Group has been in the process of preparing a mining licence application. The application is based on a 10 year life of mine, treating 1.05 Mtpa of material from open pits and producing an average of 39,450 oz of gold per annum. The sole purpose of the application is to ensure that the Group’s interest in the Miyabi Gold Project can be sold as the Company is currently at an advanced stage of negotiations for such sale, completion of which is expected to be conditional upon a mining licence being granted in respect of the project, which is expected to be granted at the end of the third quarter of 2020. Should the sale of the Group’s interests in the Miyabi Gold Project not be completed for any reason, the Company does not intend to commit further expenditure to the Miyabi Gold Project or carry out any exploration activities in respect of the project and would consider relinquishing its licences if an alternative purchaser could not be identified.

Details of the licences held by the Group in respect of the Miyabi Gold Project are set out in section 2 of Part 2 of this document.

## INVESTMENTS

The Group has a 84 per cent. holding in Ozango Minerais S.A. ("**Ozango**") which is a limited company incorporated under the laws of Angola and registered with the Luanda Commercial Registry Office – Second Section of the Sole Company's Office with the number 1.360-12/120528. One of the Company's indirect wholly owned subsidiaries, Sable Minerals GmbH is the registered owner of 84 per cent. of the issued share capital of Ozango. The remaining shares are held by (i) Ferrangol P&P, S.A. (10 per cent.); (ii) Cecadim Comércio Geral, Lda. (4 per cent.); and (iii) AMAIS – Angola Mining and Agricultural Investment Systems, Lda (2 per cent.). Ozango holds the relevant permits in respect of the exploration phase and mining phase of the Longonjo Project, details of which are in section 1 of Part 2 of this document.

The Group also has a 90 per cent. holding in Coola Mining LDA. ("**Coola**") which is a limited company incorporated under the laws of Angola and registered with the Luanda Commercial Registry Office – Second Section of the Sole Company's Office with the number 50002134898. The Group holds 90 per cent. of the issued share capital of Coola through a nominee. The remaining shares are held by (i) DAEFA Prestacao de servicos e Comércio Geral LDA (5.0 per cent.) and; (ii) MAHTUR Mineracao, Agricultura, Hotelaria e Turismo LDA (5.0 per cent.) via nominees. Coola holds the relevant permit in respect of the exploration phase of the Coola Project, details of which are in section 1 of Part 2 of this document.

## PRINCIPAL MARKETS

Both the Longonjo Project and the Coola Project are located in Angola and is the principal market in which the Company operates. However neither the Longonjo Project nor the Coola Project have any operating history and accordingly the Group currently has no source of operating cash flow, has not recorded any material revenues from its operations to date, nor does it expect to generate any revenues from its operations in the short term.

## THE GROUP'S STRATEGY AND OBJECTIVES

### Facilitating a green energy revolution

From wind turbines to electric vehicles, bikes and trains to trucks, drones, industrial tools, automation, robotics and air conditioners, the electric motor is the driving force of a US\$300 billion transition from fossil fuels to a future with cleaner electrical energy. As most industries prepare to make the shift to zero-emission solutions, demand for super-strong permanent magnets essential in these motors and generators is increasing. Neodymium and praseodymium are two of the rare earth metals used to manufacture the permanent magnet components of these technologies. Electric vehicles are expected to drive an increase in demand for neodymium oxide of approximately 350 per cent. by 2025; substantially exceeding global annual production and therefore potentially leading to shortages of these magnet metals. It is also expected that the demand for permanent magnets for offshore wind projects will grow approximately 1500 per cent. over the next 20 years with 5 MW offshore wind turbines using approximately 3 tonnes of permanent magnets compared to approximately 1-2 kilograms for an electric vehicle. Moreover, offshore wind is set to become the largest source of electricity in the European Union by 2040 and both China and the European Union have indicated plans to install 250GW equivalent to approximately 50,000 5MW wind turbines requiring investment of approximately US\$1 trillion (approximately A\$1.45 trillion). Accordingly, the relatively small US\$3 billion (approximately A\$4.3 billion) NdPr business is helping drive multi-trillion dollar industries and prices of rare earth

minerals, such as NdPr, that are used in permanent magnets, are projected to increase throughout the decade.

At present, Chinese companies currently control approximately 90 per cent. of the world's magnet metal production, with Lynas Corporation Ltd's Mount Weld operation being one of the world's only significant rare earth mines outside of China. The Longonjo Project therefore offers the Company an opportunity to be part of such market for the production of super-strong permanent magnets.

Subject to funding, the Group has identified a practical path to early development that aims to position the Longonjo Project as an important supplier of NdPr raw materials in time to meet looming demand from the electrification of vehicles and modern society generally.

## 6.2 The Group's strategy for the Longonjo Project

The Company's vision is to rapidly develop the Longonjo Project, for which it has recently been granted a mining licence, into production in time to meet the increasing demand for magnet metal raw materials that is widely predicted for the electrification of vehicles, wind turbines and a growing universe of green energy applications.

For the PFS, the Company had a simple development strategy for the Longonjo Project that reduces risk and capital requirements. Taking advantage of the modern infrastructure already in place on the project's doorstep to establish early production from a free dig open pit mine and flotation processing plant, the Longonjo Project will produce a high-grade rare earth concentrate for direct sale to international customers. The Company expects that subject to an affirmative development decision made by the Company and receipt of appropriate funding, the Longonjo Project can be put in production in less than 18 months and has the potential to become the second largest upstream supplier of NdPr.

The Company is well positioned to develop the in-situ resource, building on the existing infrastructure and supportive environment in Angola, with technical expertise from Australia, and access to international investors through London capital markets. The Company aims to make a major investment in the resurgence of the Angolan mining sector, supporting the Angolan Government's diversification policy and providing valuable investment.

The successful delineation of a large Mineral Resource estimate during the past 12 months allows the Company to identify and select the most favourable mineralisation of the highest quality for development. Depending on final size, this may comprise only about 10 per cent. of the total Mineral Resource estimate but could still have the potential to support a mine life of many years.



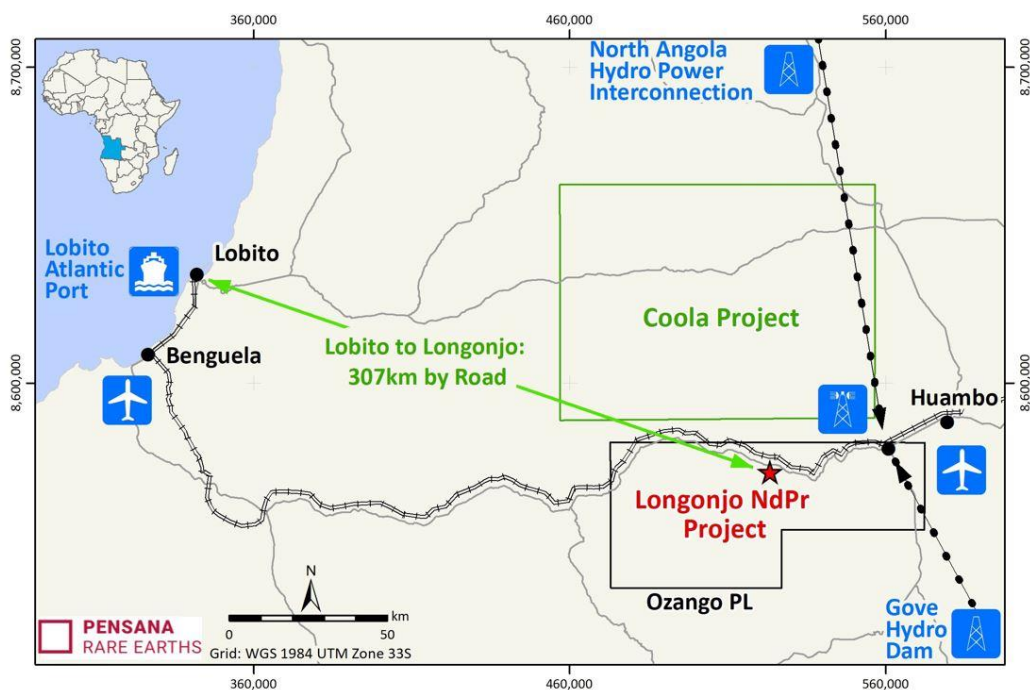
The Company has also recently carried out preliminary investigations of downstream processing of concentrate into a high grade, NdPr rich, mixed rare earth carbonate prior to export. The Directors believe that carbonates attract higher prices as they capture additional downstream processing and with the

Chinese government encouraging rare earth concentrate and carbonate imports with no import tax and VAT advantages there is the potential for the Group to access a broader range of potential customers. Preliminary discussions by the Group with potential customers and major trading houses have indicated that customers in China, Japan, Korea, Germany and the United Kingdom may be interested in importing high grade NdPr carbonate from the Company.

The ongoing carbonate study is being carried out by an independent third party consultant and is expected to be assessed as part of the Group's ongoing feasibility studies to understand the feasibility of integrating such processing to the Longonjo Project and whether it would be economically viable and advantageous to the Group if and when the Longonjo Project is developed into production.

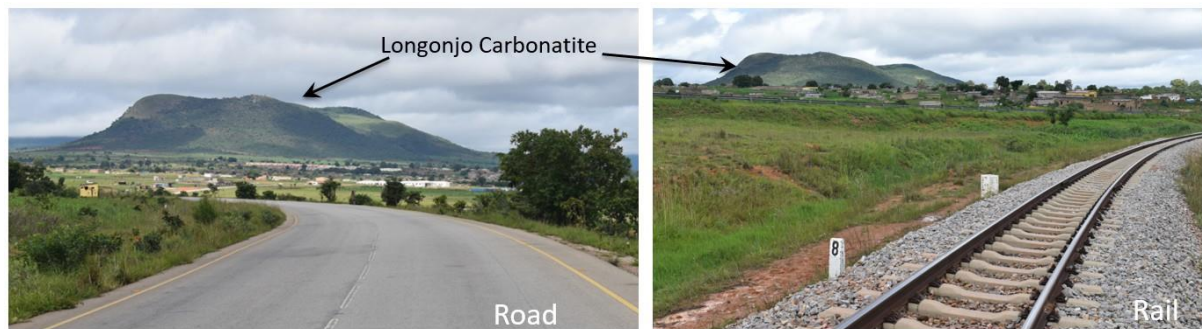
### 6.3 Infrastructure advantages

The Longonjo Project is a globally significant NdPr project in terms of its size and grade and is in a convenient location compared to many rare earth development projects. Both the Longonjo Project and the Coola Project are located close to modern road and rail links to a Atlantic port development and a recently commissioned hydro power scheme in an infrastructure rich part of Angola. Since 2008, China has invested over US\$20 billion (approximately A\$29 billion) in Angola, including US\$2 billion (approximately A\$2.9 billion) for the refurbishment of the Port of Lobito and US\$1.8 billion (approximately A\$2.6 billion) for the Benguela railway line.



*Longonjo is located adjacent to the Chinese rehabilitated Benguela railway line. This links the Longonjo Project with the Atlantic port of Lobito and on to potential customers in China. The new hydro power scheme transmission line is 45 kilometres from the Longonjo Project*

The Longonjo Project lies just 4 kilometres from the sealed national highway and the Benguela railway line that both run from the Atlantic port of Lobito, which is 307 kilometres to the west, to the provincial capital of Huambo which is 60 kilometres to the east. A power transmission line from the new Laúca hydro power scheme in the north of Angola was activated in 2019 and currently extends to Caala, 45km to the east of the Longonjo Project.



*Longonjo is located close to existing infrastructure that includes a sealed national highway and rail linking the Longonjo Project to the deep water sea port at Lobito to the west, and the provincial capital of Huambo 60km to the east.*

#### 6.4 **Environment, social and governance**

The Group has established strong relationships with Angolan government agencies and is building its environmental, social and governance credentials (“**ESG**”). An environmental and social impact assessment in respect of the Longonjo Project (“**ESIA**”) and the PFS have been run in parallel and have enabled cross-pollination on the overall project design. Running the ESIA and PFS in parallel has been particularly useful in the selection of tailings storage facilities sites and an environmental management plan: (i) inputs to plant design, elimination of environmentally sensitive reagent; and (ii) identifies opportunities for project-fed social upliftment activities and local employment in the immediate project area.

The Longonjo Project has been designed considering both the Equator Principles and Scope 1, 2 and 3 emissions under the Green House Gas protocol so that the design meets high standards for ESG from the outset. The Company also intends to comply with the International Finance Corporation Standards in respect of the Longonjo Project. Access to low carbon power from the Luaca hydro-electric dam via the national grid and local solar panel system and the use of rail rather than road transport for the concentrates, will help give the mine a low carbon footprint.

The PFS contemplates that the operation will use a closed circuit zero discharge process water circuit and a tailings storage facility designed to store benign tailings during operations which will be rehabilitated at the end of the mine life.

The Group considers that the mine will have a positive impact on the local community by providing approximately 370 jobs (for which training will be provided) and local businesses will benefit from the opportunity to provide services to the mine. Community consultations are well advanced and ongoing with baseline studies completed and the Company intends to work with local communities to build roads, enhance education and invest in healthcare facilities. A particular focus is on training young women for technical and engineering roles. Following Admission, the Board is also considering the appointment of a new director who is focussed on ESG and ensuring there is regular reporting on ESG targets in respect of the Longonjo Project. In addition, the Board will look towards aligning management incentives to the delivery of project development and linking them to ESG targets.

Following release of the PFS on 15 November 2019, the Group submitted an ESIA in respect of the Longonjo Project in the second quarter of 2020 which will enable (i) the issue of a permit to commence the construction of the mine infrastructure, processing plant and associated installations and subsequently (ii) issue of an operations permit to commence production once the construction phase is complete. The Group continues to carry out its environment impact assessment at



the Longonjo Project and if the results of the feasibility studies in respect of NdPr carbonate prove to be economically advantageous to the Group, then the ESIA that has been submitted by the Group may require updates to include carbonate processing within its scope.

## 6.5 **The Coola Project**

In addition, the grant of a prospection licence to Coola Mining LDA. in respect of the Coola Project provides the Group with a potential additional source of NdPr to explore and, subject to positive exploration findings, develop.

## 7 **REGULATORY OVERVIEW**

Whilst the Group has assets in both Angola and Tanzania, it principally operates in Angola, where the Longonjo Project and the Coola Project are located. A summary of the legal and regulatory mining regime in both Angola and Tanzania and the permits held by the Group is set out Part 2 of this document.

## 8 **KEY STRENGTHS**

The Longonjo Project is differentiated from other rare earth developments by the combination of high grade mineralisation at surface in the 'free dig' weathered zone, the favourable location of the Longonjo Project adjacent to modern infrastructure and the Company's strategy to process on site and ship a high grade concentrate, avoiding the need for additional costs associated with downstream processing. However, the Company is also in the early stages of investigating downstream processing of concentrate into a high grade NdPr carbonate to understand the feasibility of integrating such processing to the Longonjo Project and whether it would be economically viable and advantageous to the Group if and when the Longonjo Project is developed into production.

In addition, the closely located Coola Project provides the Group with a potential additional source of NdPr to explore and, subject to positive exploration findings, develop.

The Group's management team has extensive African experience and a strong project delivery track record.

The Board has a strong track record in mine financing and delivering returns to investors.

The investment and subscription in the Company by FSDEA, the Angola Sovereign Wealth Fund, also demonstrates the local support for the Longonjo Project.

## 9 **REASONS FOR THE LISTING**

The Directors consider that a listing on the main market of the London Stock Exchange in addition to the Company's current ASX listing is appropriate to enhance the Company's access to deeper and more diverse pools of equity capital and debt financing which may be more readily available in the United Kingdom and key financial centres in the EMEA region. This is part of the Group's strategy as it looks to make a construction decision on the Longonjo Project, which will require funding of approximately A\$190 million to construct to produce concentrate, which preliminary studies have indicated would increase to approximately A\$297 million should the feasibility of producing carbonates be established. The Directors have noted that the London market has a historically stronger interest in African mining projects and in particular for junior mining companies with developments projects

in Africa. Listing the Company on the London Stock Exchange provides an opportunity for investors with a London Stock Exchange focused investment mandate with an opportunity to invest in the Company.

## 10 **EMPLOYEES**

At the date of this document, the Group has 34 employees. The table below shows the geographical breakdown of employees by their main activity.

| <i><b>Country</b></i> | <i><b>Total No.<br/>of<br/>Employees</b></i> | <i><b>Management</b></i> | <i><b>Engineering</b></i> | <i><b>Accounting</b></i> | <i><b>Administrati<br/>on</b></i> |
|-----------------------|----------------------------------------------|--------------------------|---------------------------|--------------------------|-----------------------------------|
| United Kingdom        | 4                                            | 2                        |                           |                          | 2                                 |
| Australia             | 4                                            | 3                        |                           | 1                        |                                   |
| Angola                | 24                                           | 1                        | 23                        |                          |                                   |
| South Africa          | 2                                            | 2                        |                           |                          |                                   |

The average number of employees employed by the Group the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 was 24, 24 and 30 respectively.

## 11 **CURRENT TRADING AND PROSPECTS**

Since 31 December 2019, the Group completed a series of subscriptions for a total of 33,457,303 Ordinary Shares by FSDEA which has provided the Group with approximately A\$9.25 million in capital (before expenses) to prepare the Longonjo Project for an investment decision. The Group has also been awarded a mining licence the Longonjo Project. However, the advancement of the Longonjo Project has been delayed in the current financial year due to the impact of COVID-19 and as a result, a bankable feasibility study is now expected to be completed early in the fourth quarter of 2020 with a decision on the development of the Longonjo expected to be made thereafter.

## 12 **TAXATION**

Further information on United Kingdom taxation and Australian taxation with regard to the Ordinary Shares is set out in Part 7 of this document. All information in relation to taxation in this document is intended only as a general guide to the position in each of Australia and the United Kingdom. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than Australia and the United Kingdom, you should consult your own independent professional adviser immediately.

## 13 **DIVIDENDS AND DIVIDEND POLICY**

The Company does not currently pay any dividends to its Shareholders. The declaration and payment of future dividends remains at the discretion of the Board after taking into account a number of factors including, but not limited to, the Company's financial and operating results, anticipated current and future cash requirements, future opportunities and prospectus, general financial conditions, distributable reserves tests imposed by law and other factors deemed relevant.

The Board only intend to commence the payment of dividends when it becomes commercially prudent to do so, if at all.

14      **FURTHER INFORMATION**

Your attention is drawn to the remaining parts of this document which contain further information on the Group.

## **Part 2**

### **Regulatory Regime and Licence Overview**

#### **1 ANGOLA**

##### **1.1 Background**

Angola received independence from Portugal in 1975. Formal power was not handed to any movement following Portugal's departure and this led to a 27-year civil war which ended in 2002. Angola is now a presidential republic with a civil law system based on Portuguese civil law.

Angola's economy is driven by the oil sector with oil production and its supporting activities contributing approximately 50 per cent. of the gross domestic product, more than 70 per cent. of the Angolan government's revenue and more than 90 per cent. of the country's exports. Diamonds contribute an additional 5 per cent. to exports. Following the 2008 financial crisis, Angola's economic growth stalled and many construction projects stopped following the fall in government revenues and accrual of billions of arrears to foreign construction companies. A currency peg was reinstituted in April 2016 and since 2013, the central bank has consistently spent down reserves to defend the local currency, the Angolan kwanza.

However, the Angolan government actively encourages foreign investment, seeking to attract mining companies to Angola with the aim of increasing the contribution of the mining industry to the country's gross domestic product.

##### **1.2 Angolan Mining Code**

Law 31/11, of 23 September 2011 (the "**Angolan Mining Code**") governs the regime in respect of geological and mining activities in Angola. This law covers the mining of any rocks and similar resources whatsoever, along with subterranean waters present in Angolan subsoil, continental platform and other territories of the same country. Pursuant to the Angolan Constitution and the Angolan Mining Code, such resources shall be considered as property of the Angolan State.

The regime under the Angolan Mining Code varies depending on whether a mineral resource is or is not considered as strategic for the country. The law does not specify all of the minerals that are considered strategic and the Angolan government has sole discretion to determine if a mineral is considered 'strategic' for the purposes of the Angolan Mining Code. When determining if a mineral is 'strategic', the Angolan government will take into consideration the following:

- scarcity;
- dimension of international demand;
- impact over the growth of the economy;
- creation of significant employment;
- positive influence at the level of international trading;
- importance for the military; and
- importance for the high-level technologies.

Pursuant to Presidential Decree no. 231/16 of 8 December 2016 (the "**2016 Decree**"), rare earth minerals were considered strategic by the Angolan government and accordingly, the Company acknowledges that there is a possibility that the legal regime governing strategic minerals will be applicable to both the Longonjo Project and the Coola Project. However, the Group has recently been granted both a mining licence in respect of the Longonjo Project and a prospection licence in respect of the Coola Project where the Group has been given the relevant rights to carry out exploration and mining activities in connection with rare earth minerals.

Under Angolan law, prospecting and mining rights for all minerals (whether strategic or not) are granted by issuing, amongst other things, (i) prospecting, exploration and evaluation titles and (ii) mining titles. These titles may only be granted to individuals or entities (either national or foreign) that are able to evidence that they have adequate technical and financial capabilities for the intended project. Such titles may only be assigned to third parties fulfilling the same requirements subject to prior consent of the relevant authorised Angolan government body. Accordingly, from a procedural point of view there are no significant differences between a resource being considered strategic or not.

However, pursuant to the Angolan Mining Code, the Angolan Executive has the authority to approve rules governing the prospection, mining, treatment and trading rights regarding strategic minerals, including production sharing schemes and requiring such activities to be carried out exclusively by a national concessionaire. If the Angolan government determined that the prospection, mining, treatment and trading of rare earth minerals can only be carried out by the Angolan state via a national concessionaire, all mining rights over such strategic minerals would belong to the national concessionaire. There are no provisions in the Angolan Mining Code which govern the situation where mining rights have already been granted over minerals that are now considered strategic by the Angolan government. However it is likely that if the Angolan government exercised its rights to determine that the prospection, mining, treatment and trading of rare earth minerals can only be carried out by the Angolan state, this would be treated as the redemption of a mining concession where the concession is taken back by the Angolan government on public utility grounds in exchange for payment to the private investor that held the relevant rights, of a fair compensation calculated pursuant to the Angolan Mining Code. As at 30 June 2020 (being the latest practicable date prior to the date of this document), there are no legal provisions which provide that prospection, mining, treatment and trading activities regarding strategic minerals must be carried out exclusively by a national concessionaire for rare earth minerals.

The Directors consider that it is unlikely that the Angolan government will seek to redeem any mining concession granted to the Group in respect of the Longonjo Project on the basis that its mining licence has only recently been granted and the Angolan Ministry of Petroleum and Mineral Resources has been directly involved with the Longonjo Project from its early stages and is aware of its current development status. In particular, the Angolan Minister of Mineral Resources and Petroleum has indicated that the Angolan government is keen to reduce state participation and is in the process of privatising a number of state owned enterprises (including such enterprises in the minerals and petroleum sectors) as part of its efforts to attract direct foreign investment and diversify the Angolan economy.

If a determination is made by the Angolan Executive that certain mining activities should be carried out by a national concessionaire, then the mining rights previously granted to a private investor could be redeemed by the state cease on

grounds of public utility. As at 30 June 2020 (being the latest practicable date prior to the date of this document), there are no legal provisions which provide that prospection, mining, treatment and trading activities regarding strategic minerals must be carried out exclusively by a national concessionaire for rare earth minerals. In addition there are no provisions in the Angolan Mining Code which govern the situation where mining rights have already been granted over minerals that are now considered strategic by the Angolan government.

In the unlikely event that the Angolan government did exercise its rights summarised above, and as a result revoked any mining licence granted to the Group in respect of the Longonjo Project and/or the Coola Project, this would have a significant impact on the Group which is entirely dependent on these projects (with the Longonjo Project expected to be the Group's primary source of future revenue). In this event, the Group would seek compensation from the Angolan Government pursuant to Article 57 of the Angolan Mining Code. Whilst the Angolan Mining Code provides that the value of investments made by a holder of the mining rights will be considered when determining the amount of compensation due, there is a risk that the amount received may not reflect the total investments made by the Group in respect of the Longonjo Project and the Coola Project (as applicable) for the value the Group ascribes to these projects. If any mining licence was revoked, the Group would consider other business opportunities and use the corresponding compensation to invest in any suitable opportunities.

### 1.3 **Private Investment Law**

Foreign entities intending to invest in the Angolan mining industry are subject to a private investment legal regime involving the Ministry of Mineral Resources and Petroleum (the "**Ministry**") and the Agency for Private Investment and Exports ("**AIPEX**"). The Private Investment Law, as approved by Law no. 10/18, of 26 June 2018, is applicable on an ancillary basis to mining industry investments. This instrument governs all general private investment operations and establishes the applicable procedural regimes for their registration, as well as the rights attributed to private investors. It is supplemented by Regulation (Presidential Decree no. 250/18 of 30 October 2018) and by other instruments that cover matters related to the foreign exchange procedures applicable to the implementation of projects.

Pursuant to the private investment legal regime, private investors benefit from various rights including, but not limited to, the following:

- the Angolan State respects and protects an investor's property rights over the assets, which can only be expropriated by law for public utility reasons and in such cases, the Angolan State will ensure the payment of fair and timely compensation;
- professional, commercial and banking secrecy;
- the Angolan State ensures that private investors have access to Angolan courts in order to protect their interests and ensures due process of law and safety. Private investors also have access to negotiation, mediation, conciliation and arbitration in certain circumstances;
- protection of intellectual property rights;
- various real estate rights are protected by the Angolan State including the possession, use and fruition of land by private investors;
- the right to the repatriation of costs;

- public interference in private companies is forbidden; and
- private investors are granted the right to import goods for to carry out private investment projects and may export goods manufactured by them (subject to the applicable licences).

#### 1.4 **Prospecting Licences**

The prospecting phase and the mining phase demand different titles that are issued after the execution of a mining investment agreement with the Ministry and the payment of the respective mining administrative fees (which are provided on Joint Executive Decree no. 189/16, of 30 March 2016). The prospecting phase requires the issuance of a prospecting title, allowing its holder to carry out recognition, prospecting, research and assessment operations in the areas delineated therein. After the prospecting phase is concluded, and upon the submission of certain documents specified in the Angolan Mining Code and in the mining investment agreement executed by the holder of the prospecting licence (including a financial, technical and economic feasibility study) and the verification that all conditions agreed were complied, the Ministry issues a mining prospecting title, allowing its holder to explore the prospecting rights over the concession area. Mining investment agreements must contain certain mandatory elements, such as (i) identification of the holder of the rights; (ii) delimitation of the areas under prospecting; (iii) type of mineral resources included in the concession; (iv) initial prospecting period and conditions for the extension; (v) progressive decommissioning plan; (vi) prospecting plan; (vii) investment plan; (viii) securities to be provided.

Administrative fees due for the issuance of titles/permits are not expressly contemplated in the Angolan Mining Code. The applicable fees can be confirmed with the Ministry, however such information is not always easily available and therefore can differ on a case by case basis.

Whenever the investment involves the import of capital into Angola, the mining investment agreement shall be notified to AIPLEX so that the latter may issue a certificate of private investment on the basis of which the commercial banks and the central bank (Banco Nacional de Angola) will authorise the capital import.

#### 1.5 **Mining Phase**

Before proceeding to the mining phase, investors must submit a technical, economical and financial viability study and an environmental impact study to the Ministry. The granting of mining rights is assessed on a case-to-case basis, where these studies are taken into consideration.

Mining licences for exploitation or mining can be granted based on the execution of mining investment agreements, for a maximum period of 35 (thirty-five) years, which already includes the prospecting period. Upon request of the holder, these rights can be extended for ten-year periods. The issue of such title must be carried out under the terms agreed in the mining investment agreement and the title must contain some minimum requirements, such as the expiration dates, areas granted, topographic map and terms and conditions to which the holder of such rights is subject. The mining investment agreement must contain certain terms and conditions at a minimum including, but not limited to, the amount and type of securities provided, conditions of reimbursement of the investments carried out in the prospecting phase, terms upon which the minerals may be traded.

#### 1.6 **Recent developments in the Angolan mining regime**

By means of Presidential Decree 161/20, of 5 June 2020 ("**PD 161/2020**"), the President of the Republic of Angola approved the creation of the National Mineral Resources Agency ("**ANRM**") as the new public body responsible for the regulation, monitoring and promotion of the Angolan mining sector. ANRM's powers will include, amongst others: (i) negotiating and managing the mining concession contracts, representing the interests of the Angolan State; (ii) monitoring the implementation activities under the mining concession contracts; (iii) performing public certification and/or testing functions; and (iv) monitoring the quality and content of minerals.

As a result of the creation of ANRM, Ferrangol – E.P. will be dissolved and wound-up and replaced by ANRM as the regulatory entity for all minerals in Angola. All procedures currently pending with the National Directorate for Mineral Resources, Endiama E.P. and Ferrangol – E.P., including those for the granting of mineral rights, shall continue to be monitored and decided by such entities until ANRM becomes operational. The transfer of the files to ANRM is currently expected to be concluded within six months from the date of publication of PD 161/2020.

It is not clear how and when the shareholding of Ferrangol – E.P. in Ozango Minerais S.A. will be transferred to ANRM and how this will impact, if at all, the mining investment contract in respect of the Longonjo Project under which Ferrangol – E.P. is currently the National Concessionaire.

## 1.7 **General Interpretation of Angolan Mining Law**

The drafting of both Private Investment Law and the Angolan Mining Code is subject to some ambiguity. The Angolan Mining Code dates back to 2011 and has not been updated despite changes to other aspects of the Angolan legal regime that apply to mining activities and support the Angolan Mining Code. In particular, Private Investment Law has been amended (most recently in 2018) so as to reflect the changes in procedural regimes and the regulatory authority for foreign investment. The provisions of the Angolan Mining Code therefore do not completely align with the current Private Investment Law and do not reflect the current procedures for applying for licences and consents in the other aspects of the legal mining regime. In particular, the Angolan Mining Code still refers to historic versions of the Private Investment Law and previous forms of government entities and it also references licences needing to be obtained for the import of capitals under external private investment projects despite changes to the Private Investment Law in 2014 no longer requiring private investors to obtain such licences.

As at 30 June 2020 (being the latest practicable date prior to the date of this document), there is a lack of precedent as how these laws, and any ambiguity between them may be interpreted by the Ministry, AIPEX and/or the courts in practice.

## 1.8 **Taxes Payable**

The Angolan Mining Code provides that the taxes set out in the table below are required to be paid in respect of mining activities, which are applicable to all entities, either national or foreign, that carry out recognition, research, prospecting, and exploration activities in Angolan territory:



| <b>Tax</b>                             | <b>Rate</b>                                                                                                                                                                                                                                             | <b>Remarks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Income Tax / Industrial Tax</b>     | 25%                                                                                                                                                                                                                                                     | Due over the profits attributable to the exercise of activities carried out by entities to whom mining rights have been granted under the Angolan Mining Code.                                                                                                                                                                                                                                                                                                 |
| <b>Mineral Resources Tax (royalty)</b> | <p>For strategic minerals: 2%- 5%</p> <p>For precious stones and metallic minerals: 5%</p> <p>For semi-precious stones: 4%</p> <p>For non-precious metallic minerals: 3%</p> <p>For construction materials of mineral origin and other minerals: 2%</p> | <p>Due over:</p> <ul style="list-style-type: none"> <li>The value of the minerals extracted at the pithead or, when subject to treatment, over the value of concentrates.</li> <li>In case of craft mining of diamonds, over the value of the slots acquired by public trading bodies.</li> <li>In case of craft mining of other minerals, strategic or not, over value of the slots acquired by public trading bodies and other authorized buyers.</li> </ul> |
| <b>Surface Rate</b>                    | Amounts vary in accordance with the minerals at stake.                                                                                                                                                                                                  | Due in relation to the concession area, during the prospecting period (for five years). To be paid annually.                                                                                                                                                                                                                                                                                                                                                   |
| <b>Craft Rate</b>                      | Rate varies in accordance with the minerals at stake. The rates are determined based on minimum wage in force.                                                                                                                                          | Rates are different when we refer to strategic minerals and to non-strategic minerals.                                                                                                                                                                                                                                                                                                                                                                         |

## 1.9 **Licences held by the Group in Angola**

### 1.9.1 *Mining Licence in respect of the Longonjo Project*

By Presidential Despatch no 59/20, as gazetted on 21 April 2020, exclusive mining rights and project capital investment approval was granted to Ozango Minerals S.A pursuant to the Angolan Mining Code and the terms of the existing mining investment agreement entered into by Ozango. A summary of the principal terms of this agreement are set out section 1.10.1 below.

Ozango was further granted mining title certificate No. 298/05/01/T.E/ANG-MIREMPET/2020 dated 5 May 2020 for an initial period of 15 years which is renewable, subject to certain conditions, up to 35 years (the "**Longonjo Mining Licence**"). The Longonjo Mining Licence has been granted for a 21.1 square kilometres area which encompasses the Longonjo carbonatite deposit, proposed open pit mine, processing plant, tailings storage facility and all associated infrastructure at the following areas:

| <b>Vert.</b> | <b>Latitude (S)</b> |     |         | <b>Longitude (E)</b> |     |          |
|--------------|---------------------|-----|---------|----------------------|-----|----------|
| <b>A</b>     | 15°                 | 12' | 8.5782" | 12°                  | 54' | 18.3666" |

|          |     |     |          |     |     |          |
|----------|-----|-----|----------|-----|-----|----------|
| <b>B</b> | 15° | 13' | 27.2238" | 12° | 54' | 18.3024" |
| <b>C</b> | 15° | 14' | 2.1042"  | 12° | 54' | 55.0578" |
| <b>D</b> | 15° | 14' | 4.6212"  | 12° | 55' | 24.3552" |
| <b>E</b> | 15° | 15' | 13.7124" | 12° | 56' | 25.6524" |
| <b>F</b> | 15° | 14' | 59.622"  | 12° | 56' | 41.9418" |
| <b>G</b> | 15° | 13' | 8.292"   | 12° | 57' | 5.9688"  |
| <b>H</b> | 15° | 12' | 24.1266" | 12° | 56' | 42.2406" |
| <b>I</b> | 15° | 11' | 47.421"  | 12° | 56' | 5.3232"  |
| <b>J</b> | 15° | 11' | 55.161"  | 12° | 54' | 47.3502" |

In addition to being governed by the mining investment contract entered into by Ozango, the Longonjo Mining Licence is subject to the following conditions:

- (a) the anticipated project capital costs being US\$131 million (approximately A\$190 million);
- (b) Ozango is obliged to submit and provide to the National Concessionaire and the Ministry of Mineral Resources and Oil and Gas:
  - (i) a scheduled technical training plan and a social action program (approved by the Government Huambo Province and which takes into account the needs of the community located in the Longonjo Project area);
  - (ii) the economic and technical information resulting from its activity;
  - (iii) periodic reports which include a detailed description of the implementation of various environmental matters;
  - (iv) updated information (as up to November of each year) on the number of jobs created, classified by nationality and gender, as well as other jobs created in favour of population segments that benefit from differentiated social protection by the State; and
- (c) Ozango must establish a legal reserve of 5 per cent. of the invested capital for the closure of the mine and environmental replacement in compliance with the provisions of the Angolan Mining Code.

The Longonjo Mining Licence does not require mining activity to have commenced at the Longonjo Project within a certain time period after grant.

#### 1.9.2 *Prospection Permit in respect of the Longonjo Project*

Permit No. 013/03/09/T.P/ANG-MGM/2015 in respect of the prospection of non-ferrous metals, rare earths elements, rare metals and precious metals, was issued to Ozango Minerais, S.A. on 3 November 2015, for a period five years and is in force until 3 November 2020 (the "**Longonjo Prospection Permit**"). The Longonjo Prospection Permit covers the following areas:

| Vert.    | Latitude |     |     | Longitude |     |     |
|----------|----------|-----|-----|-----------|-----|-----|
| <b>A</b> | 13°      | 15' | 00" | 14°       | 45' | 00" |
| <b>B</b> | 12°      | 50' | 00" | 14°       | 45' | 00" |
| <b>C</b> | 12°      | 50' | 00" | 15°       | 40' | 00" |
| <b>D</b> | 13°      | 05' | 00" | 15°       | 40' | 00" |
| <b>E</b> | 13°      | 05' | 00" | 15°       | 15' | 00" |
| <b>F</b> | 13°      | 15' | 00" | 15°       | 15' | 00" |

The Longonjo Prospection Permit entitles Ozango to the exclusive rights to carry out recognition, prospection, research and assessment operations in the areas noted in the table above. The Longonjo Mining Licence, has been granted over certain areas covered by the Longonjo Prospection Permit.

The key terms of the Longonjo Prospection Permit are as follows:

- (a) minerals covered are non-ferrous metals, rare earths elements, rare metals and precious metals;
- (b) during the initial period of five years, Ozango must incur minimum expenses of an amount specified in the Mining Investment Contract;
- (c) during the terms of the Mining Investment Contract, Ozango must also carry out the minimum works:
  - (i) collection, ampliation and analysis of data related to the areas, geological recognition visits, remote detection works, and geological mapping works; and
  - (ii) detailed geological cartography, petrography and mineralogy studies, rocks geological sampling, as well as sludge and mineralization sampling; and
- (d) the rights granted by the Longonjo Prospection Permit are valid for five years which may be extended for successive periods of one year, up to a maximum of seven years. The holder of the exploration rights can request an extension of such rights from the Angolan Ministry until ninety days before the term of the period of such rights and the extension depends on the verification that the applicant has complied, so far, with all the legal and contractual obligations he is bound by under the current exploration rights.

Following the release of the PFS on 15 November 2019, the Group intends to carry out a number of surveys in the remainder of 2020 to establish whether certain areas covered by the Longonjo Prospection Permit should be surrendered at its current expiry date (3 November 2020).

If the Group decides to renew the Longonjo Prospection Permit, it will need to make its application at least 90 days before its current expiry. Such renewal would be for a further year and will be subject to regulatory approval and the minimum expenditure requirements of the Longonjo Prospection Permit, as set out in the relevant mining investment contract, being satisfied.

However, it would not be material to the Group if the Longonjo Prospection Permit was not renewed as the Group has been granted the Longonjo Mining Licence and submitted an ESIA in the second quarter of 2020 with a view to being issued a permit to commence the construction of the mine infrastructure, processing plant and associated installations prior to 3 November 2020.

### 1.9.3 *Prospection licence in respect of the Coola Project*

Permit No. 059/02/01/T.P/ANG-MIREMPET/2020 in respect of the prospection of non-ferrous metals, rare earths elements, rare metals and precious metals, was issued to Coola Mining LDA., on 24 March 2020, for an initial period of two years and is in force until March 2022 (the "**Coola Prospection Permit**"). The Coola Prospection Permit covers the following areas:

| Vert.    | Latitude |     |     | Longitude |     |     |
|----------|----------|-----|-----|-----------|-----|-----|
| <b>A</b> | 12°      | 46' | 26" | 14°       | 36' | 00" |
| <b>B</b> | 12°      | 06' | 00" | 14°       | 36' | 00" |
| <b>C</b> | 12°      | 06' | 00" | 15°       | 31' | 00" |
| <b>D</b> | 12°      | 46' | 00" | 15°       | 31' | 00" |

The Coola Prospection Permit entitles Coola to the exclusive rights to carry out recognition, prospection, research and assessment operations in the 7,456 square kilometre area noted in the table above.

The key terms of the Coola Permit are as follows:

- (a) minerals covered are non-ferrous metals, rare earths elements, rare metals and precious metals;
- (b) the rights granted by the Coola Prospection Permit are valid for an initial two years which may be extended for successive annual period, up to a maximum of seven years. The holder of the exploration rights can request an extension of such rights from the Angolan Ministry until ninety days before the term of the period of such rights and the extension depends on the verification that the applicant has complied, so far, with all the legal and contractual obligations he is bound by under the current exploration rights;
- (c) minimum expenditure of US\$566,000 (approximately A\$821,122) by March 2021; and
- (d) minimum expenditure of US\$614,000 (approximately A\$890,758) by March 2022.

## 1.10 **Summary of Mining Investment Agreements**

### 1.10.1 *Mining Investment Agreement in respect of the Longonjo Project*

On 30 October 2014, Ozango entered into a mining investment contact with Ferrangol, E.P. which has been approved by Angolan Ministerial Order no. 49/14, of 11 December 2014 (the "**Longonjo Mining Investment Contract**"). The Longonjo Mining Investment Contract forms the contractual relationship between

Ozango as the Mining Concessionaire and Ferrangol – E.P. as the National Concessionaire. Ferrangol – E.P. is an Angolan state concessionaire which participates in all non-diamond Angolan mining ventures. The role of the National Concessionaire is to represent the Angolan State in the regulation and supervision of the exercise of mining rights by operators. As a public company, Ferrangol – E.P. cannot directly exercise mining, treatment and trading rights.

The contract sets out the terms and conditions for the exercise of the operations of recognition, prospection, research and assessment of the deposits which take place within the contract area (as set out annex A to the Longonjo Mining Investment Contract) (the “**Contract Area**”).

The contract covers non-ferrous metals, rare earths elements, rare metals and precious metals to be prospected within the concession area during the contract period and anticipates an investment of US\$10,000,000 (approximately A\$14.5 million) with 15 employees being hired. As at 30 June 2020 (being the latest practicable date prior to the date of this document), the Group’s total expenditure in respect of the Mining Investment Contract was approximately US\$8.818 million (approximately A\$12.8 million). The Group expects to incur approximately a further US\$1.182 million (approximately A\$1.7 million) before November 2020 and therefore surpass the minimum investment amount as required under the contract.

The Longonjo Mining Investment Contract shall be valid for an initial period of 5 years, with the possibility of being extended for successive periods of one year, up to the maximum of 7 years. In exceptional circumstances, the contract can be extended for one additional year.

As Mining Concessionaire, Ozango shall be required to (i) provide a security bond of 0.5 per cent. of the investment amount to guarantee the fulfilment of the contractual obligations, as foreseen in article 62.5 of the Angolan Mining Code; (ii) pay the surface rate due for each square metre of the Contract Area, corresponding to the equivalent in national currency to US\$3.00 (approximately A\$4.35) during the first year; US\$5.00 (approximately A\$7.25) in the second year; US\$7.00 (approximately A\$10.16) in the third year, US\$12.00 (approximately A\$17.41) in the fourth year and US\$18.00 in the fifth year (approximately A\$26.11); (iii) undertake the operations foreseen in the Longonjo Mining Investment Contract and works program, therefore being subject to the fulfilment of the best practices of the mining industry in Angola; (iv) approve policies of human resources which are deemed necessary for the operations, without prejudice to the legal obligations applicable to labour requirements and the legitimate instructions given by the labour authorities in Angola, protection of the local workforce, and transfer of the competence and technology for the local staff, under the terms foreseen in the Angolan Mining Code and further applicable legislation; and (v) build, equip and safeguard the maintenance of all premises and equipment necessary for the operations etc.

The Mining Concessionaire is also required to perform the following minimum works: (i) collection, ampliation and analysis of data related to the Contract Area, geological recognition visits, remote detection works, and geological mapping works; and (ii) detailed geological cartography, petrography and mineralogy studies, rocks geological sampling, as well as sludge and mineralization sampling.

The contract can be terminated by the Angolan state in accordance with the Angolan Mining Code in certain circumstances including, but not limited to, (i) when the final report of the operations concludes that the Contract Area does not contain any deposits suitable of being economically exploited; (ii) the Mining Concessionaire has not fulfilled, without cause or justification, its obligations under

the contract for a period exceeding 180 days; and (iii) upon repeated breach of the contractual or legal provisions of the Mining Concessionaire which makes impossible to continue the contractual relationship of the parties.

#### 1.10.2 *Mining Investment Agreement in respect of the Coola Project*

Coola has entered into a mining investment contract with the Ministry of Mineral Resources and Petroleum (the "**Coola Mining Investment Contract**") which was approved on 10 June 2020.

The Coola Mining Investment Contract sets out the terms and conditions for the exercise of the operations of recognition, prospection, research and assessment of the deposits which take place within the contract area (as set out annex A to the Coola Mining Investment Contract) (the "**Coola Contract Area**").

The contract covers non-ferrous metals, rare earths elements, rare metals and precious metals to be prospected within the concession area during the contract period and anticipates an investment of US\$5,000,000 (approximately A\$7.3 million) over a period of 5 years. No significant prospection expenditure has been incurred to date by the Group.

The Coola Mining Investment Contract is valid for an initial period of 2 years, with the possibility of being extended for successive periods of one year, up to the maximum of 7 years.

As Mining Concessionaire, Coola shall be required to (i) provide a security bond of 0.5 per cent. of the investment amount to guarantee the fulfilment of the contractual obligations, as foreseen in article 62.5 of the Angolan Mining Code; (ii) pay the surface rate due for each square metre of the Coola Contract Area, corresponding to the equivalent in national currency to US\$3.00 (approximately A\$4.35) during the first year; US\$5.00 (approximately A\$7.25) in the second year; US\$7.00 (approximately A\$10.16) in the third year, US\$12.00 (approximately A\$17.41) in the fourth year and US\$18.00 in the fifth year (approximately A\$26.11); (iii) undertake the operations foreseen in the Coola Mining Investment Contract and works program, therefore being subject to the fulfilment of the best practices of the mining industry in Angola; (iv) approve policies of human resources which are deemed necessary for the operations, without prejudice to the legal obligations applicable to labour requirements and the legitimate instructions given by the labour authorities in Angola, protection of the local workforce, and transfer of the competence and technology for the local staff, under the terms foreseen in the Angolan Mining Code and further applicable legislation; and (v) build, equip and safeguard the maintenance of all premises and equipment necessary for the operations etc.

The Mining Concessionaire is also required to perform the following minimum works: (i) collection, ampliation and analysis of data related to the Contract Area, geological recognition visits, remote detection works, and geological mapping works; and (ii) detailed geological cartography, petrography and mineralogy studies, rocks geological sampling, as well as sludge and mineralization sampling.

The contract can be terminated by the Angolan state in accordance with the Angolan Mining Code in certain circumstances including, but not limited to, (i) when the final report of the operations concludes that the Contract Area does not contain any deposits suitable of being economically exploited; (ii) the Mining Concessionaire has not fulfilled, without cause or justification, its obligations under the contract for a period exceeding 180 days; and (iii) upon repeated breach of the

contractual or legal provisions of the Mining Concessionaire which makes impossible to continue the contractual relationship of the parties.

#### 1.11 **Environmental Regime in Angola**

Pursuant to the general environmental law in Angola (which is supported by a number of statutory instruments including Decree No. 51/04 on Environmental Impact Assessment and Decree No. 59/07 on Environmental Licensing), an environmental and social impact assessment ("**ESIA**") is mandatory for all undertakings which have an impact on the balance and wellbeing of the environment and society in Angola. Any activity requiring an ESIA must apply for an environmental licence and whilst the Group continues to carry out its environment impact assessment at the Longonjo Project, it submitted an ESIA in respect of the Longonjo Project to the Ministry in the second quarter of 2020 together with a mining plan, environmental and landscape recovery plan and waste management plan.

### 2 **TANZANIA**

#### 2.1 **Background**

Shortly after achieving independence from Britain in the early 1960s, Tanganyika and Zanzibar merged to form the United Republic of Tanzania in 1964. In 1995, the country held its first democratic elections since the 1970s and has since been politically stable and is generally regarded as being one of the most politically stable countries in Africa.

#### 2.2 **Mining regime in Tanzania**

The mining industry in Tanzania is regulated at the national level. The Ministry of Minerals (the "**Tanzanian Ministry**"), is the overall supervisor of the minerals and energy sector. The Commissioner for Minerals (the "**Tanzanian Commissioner**") is within the Tanzanian Ministry and is appointed by the President of Tanzania whose is responsible for policy and regulating the proper and effectual carrying out of the provisions of the Mining Act No 14 of 2010 (the "**Tanzanian Mining Act**"). There is also a Mining Commission constituted pursuant to the Tanzanian Mining Act, which replaces the previous Mining Advisory Board. The Mining Commission is empowered to (i) provide advisory functions; (ii) issue licences; (iii) regulate and monitor the mining industry and operations; and (iv) ensure orderly exploitation and exploration of minerals (as well as the utilisation of minerals). In addition, the Mining Commission has the power to resolve disputes arising from mining activities and to carry out inspections and investigations on safety issues.

The principal legislation governing the mining sector is the Tanzanian Mining Act and is supported by a number of regulations which govern the mining sector. Pursuant to the Tanzanian Mining Act and the Natural Wealth and Resources (Permanent Sovereignty) Act No. 5 of 2017, the entire property and control of all minerals on the surface or below the surface are public property vested in the President in trust for the citizens of Tanzania. The Tanzanian Mining Act makes provisions for regulation of mining activities, including prospecting, mining, processing and dealing in minerals. The Tanzanian Mining Act also makes provisions on grant, tenure, terms and conditions, renewal and termination of mineral rights, payment of various taxes, fees, duties, royalties and other applicable charges.

The principal regulatory body for the mining sector is the Tanzanian Ministry. Both the Minister for Minerals and the Tanzanian Commissioner are the recognised

licensing authorities acting individually or collectively under the Tanzanian Mining Act. The Tanzanian Commissioner has authority to appoint resident mine officers which main responsibilities are to monitor the day-to-day production process in mining projects, verify the records kept by miners and have general oversight of the transportation of minerals to government mineral warehouses.

Other relevant laws include the Income Tax Act 2004, which sets out a special regime for the mining sector; the Tanzania Investment Act, which contains provisions that guarantee profit and capital repatriation as well as access to international arbitral process; and the Explosives Act, chapter 45 of the Laws of Tanzania.

In 2017, there were amendments to the legislative framework in Tanzania. These include the enactment of the Review and Re-negotiation of Unconscionable Terms Act, 2017, Permanent Sovereignty Act, 2017 and amendments to the Tanzanian Mining Act. The key changes to the law that impact the Group are:

- (a) a 16 per cent. free carry in favour of the government of Tanzania in respect of special mining licences (with a right to increase to 50 per cent. at value to be determined with reference to tax expenditures);
- (b) the royalty payable to the government of Tanzania was increased from 4 per cent. to 6 per cent. (a 1 per cent. clearing fee was also introduced in the 2017 Finance Act);
- (c) the government of Tanzania has the option to buy if it believes goods exported are undervalued;
- (d) all minerals recovered are to be stored in a storage facility, recorded by a Mines Resident Officer and then moved to a government minerals warehouse to await disposal for home refining, authorised mineral dealers or, where permitted, export;
- (e) all minerals must be sorted and valued in the presence of the Mines Resident Officer and Revenue Official (whose report is used to determine royalties) and beneficiated in Tanzania (although export is permissible in certain circumstances); and
- (f) in procurement, preference to be given to local citizens and companies.

The Mineral Rights Regulations impose a requirement on holders of mining licences to have a minimum of 5 per cent. local shareholding. In the event that it is not practically possible to satisfy the shareholding requirements, the Minister for Minerals may vary these requirements.

### **2.3 Licences for mining activities in Tanzania**

As mentioned above, minerals in Tanzania are public property and no one may prospect for minerals or carry on mining operations except under the authority of a licence issued pursuant to the Tanzanian Mining Act.

The main types of licences provided for under the Tanzanian Mining Act are: under Division A Prospecting and Retention licences; under Division B, Special Mining Licences and Mining Licences; under Division C Primary Mining Licences and finally under Division D Processing, Smelting and Refining Licences. Part V of the Tanzanian Mining Act also provides for dealer and broker licences.



The Group currently holds Division A licences and in January 2020 submitted an application for a Mining licence. Please see section 2.4 below for further details in respect of the licences held by the Group in Tanzania.

#### *Division A – Prospecting and Retention Licences*

Pursuant to the Tanzanian Mining Act, a prospecting licence once granted provides the holder exclusivity to enter the prospecting area, prospect for minerals to which the licence applies and carry out operations and such work as necessary for that purpose, including the removal and excavation of soil and earth. It may be applied for and issued for minerals falling and the licence will state the group and type of mineral to which it applies. A prospecting licence is granted for an initial period of four years and may be extended for a further three years, after which no further extension is possible. At the end of the two aforementioned periods, the area covered by the licence reverts to the government and a prospecting licence is issued to a local mining company, which shall be designated by the Tanzanian Minister.

The holder of a prospecting licence does not have absolute exclusivity to apply for a mining licence in respect of the prospecting area. However any applications by another entity are subject to termination notice by the Mining Commission and the holder may submit an application during such notice period.

#### *Division B– Mining Licence and Special Mining Licence*

A mining licence confers on the holder the exclusive right to carry on mining operations in the mining area for minerals specified in the licence, and is granted for operations for which the capital investment is between US\$100,000 and US\$100 million (approximately A\$ 145,000 to A\$145 million). A mining licence is granted for a maximum initial period of 10 years and may be renewed once for a period not exceeding 10 years. An application for renewal should be made not later than six months prior to expiry of the licence and must be accompanied by the prescribed fee and tax clearance certificate issued by the tax authority in respect of operations to be conducted during the renewal period.

A mining licence will be considered a Special Mining Licence under the Tanzanian Mining Act if the capital investment of the project is US\$100 million (approximately A\$145 million) or more and there are various provisions in the Tanzanian Mining Act governing such licences. Special Mining Licences are for large scale mining operations.

Subject to certain exemptions in respect of Special Mining Licences, mineral rights are transferable. Once a mineral right is granted, it cannot be suspended or cancelled unless there is just cause (such as non-compliance with binding provisions of the Tanzanian Mining Act, regulations or licence conditions, failure to comply with a lawful direction given under the legislation or the regulations, and failure to comply with conditions relating to a licence). Before a licence can be cancelled or suspended, the Tanzanian Commissioner is required to issue a default notice and allow the licence holder not less than three months to remedy the default, or, if a default cannot be remedied, the licence holder must be given an opportunity to offer reasonable compensation for the default.

## **2.4 Licences held by the Group in Tanzania**

The Group holds the following Division A Prospecting licences in respect of the Miyab Gold Project in Tanzania:

| Licence Name       | Licence No.  | Expiration Date   | Area Covered          |
|--------------------|--------------|-------------------|-----------------------|
| Miyabi Dyke        | PL8933/2013  | 7 February 2022   | 18.05 km <sup>2</sup> |
| Miyabi North       | PL10908/2016 | 21 September 2024 | 18.12 km <sup>2</sup> |
| Miyabi Airport New | PL10556/2015 | 8 March 2023      | 18.60 km <sup>2</sup> |
| Mwabombo           | PL10836/2016 | 21 September 2024 | 10.23 km <sup>2</sup> |
| Kilimani           | PL11309/2019 | 27 June 2024      | 0.10 km <sup>2</sup>  |
| Dalafuma           | PL11310/2019 | 27 June 2024      | 0.10 km <sup>2</sup>  |
| Ngaya              | PL11311/2019 | 27 June 2024      | 0.10 km <sup>2</sup>  |
| Shambani           | PL11312/2019 | 29 July 2024      | 0.20 km <sup>2</sup>  |

The main terms of the prospecting licences held by the Group in Tanzania include:

- (a) commencing prospecting operations within a period of three months, or such further period as the licensing authority may allow, from the date of the grant of the licence or such other date as is stated in the licence on commencement period;
- (b) giving notice to the licensing authority of the discovery of any mineral deposit of potential commercial value;
- (c) adhering to the prospecting programme appended to the prospecting licence; and
- (d) expending on prospecting operations not less than the regulated amount prescribed.

## 2.5 Mining Licence Application

On 20 January 2020, the Group submitted an application for a Mining Licence to the Executive Secretary of the Mining Commission. The capital spend in respect of the development of the Miyabi Gold Project has been anticipated by a feasibility study in respect of the project to fall below the US\$100 million (approximately A\$145 million) threshold for a Special Mining Licence.

The application form was submitted together with a feasibility study, an employment and training plan and general corporate documents in respect of Carlton Miyabi (Tanzania) Limited (such as its articles of association, financial statements for the year ended 30 June 2019 etc.). The Group expects the adjudication process for the Mining Licence to be completed in the third quarter of 2020.

With respect to local participation requirements, the Group's local entity, Carlton Miyabi Tanzania Ltd is bound by the terms of an agreement pursuant to which GM and Company Tanzania Ltd, an entity wholly owned by a Tanzanian citizen, has an option to either subscribe for 10 per cent. of the equity capital in Carlton Miyabi Tanzania Ltd required for any exploitation of deposits or elect to receive a 1.5 per

cent. royalty or negotiate a cash payment in return for cancellation of the agreement.

## 2.6 **Environmental Regime in Tanzania**

There is a general duty for all persons residing in Tanzania to protect the environment in accordance with the applicable environmental law. Any person who engages in mining, must carry out an environmental and social impact assessment at their own cost. The Tanzanian Mining Act also requires applicants of mining licences to hold a certificate of environmental and social impact assessment studies before a mineral right can be granted. The Group holds such a certificate which was submitted together with its application for a mining licence.

An assessment of land compensation to add to the environmental impact assessments has already been completed by the Group and an application for the certificate of environmental and social impact in Tanzania is pending the completion of the proposed tailings storage facility report. This application will then be submitted to support the Group's application for a Mining Licence.

**Part 3**  
**Directors, Senior Management and Corporate Governance**

**1 DIRECTORS AND SENIOR MANAGEMENT**

1.1 The Board comprises the following people:

| Name            | Age | Position                                     |
|-----------------|-----|----------------------------------------------|
| Paul Atherley   | 64  | Non-Executive Chairman                       |
| Tim George      | 55  | Executive Director / Chief Executive Officer |
| David Hammond   | 54  | Executive Director / Chief Operation Officer |
| Mark Hohnen     | 70  | Non-Executive Director                       |
| Neil Maclachlan | 77  | Non-Executive Director                       |

The business address of each of the Directors is the registered office of the Company, 100 Pall Mall, London, England, SW1Y 5NQ.

1.2 Brief biographical details of each of the Directors are set out below:

**Paul Atherley, (aged 64)**

*Non-Executive Chairman*

Mr Atherley is a highly experienced senior resources executive with wide ranging international and capital markets experience. He graduated as mining engineer from Imperial College London and has held a number of mine management, senior executive and board positions during his career.

He is based in London and has broad experience in raising debt and equity finance for resource companies on the LSE, ASX and the Spanish stock exchanges. He served as Executive Director of the investment banking arm of HSBC Australia where he undertook a range of advisory roles in the resources sector. He has completed a number of acquisitions and financings of resources projects in Europe, China, Australia and Asia.

Mr Atherley was based in Beijing from 2005 to 2015 and developed strong connections within Chinese business, industry bodies and with senior government officials, including official in the most senior levels of China's state owned energy companies.

He was the Chairman of the British Chamber of Commerce in China, Vice Chairman of the China Britain Business Council in London and served on the European Union Energy Working Group in Beijing.

He has been a regular business commentator on China and the resources sector, hosting events in Beijing and appearing on CCTV News and China Radio International as well as BBC, CNBC and other major news channels.

Mr Atherley is a strong supporter of Women in STEM and has established a scholarship which provides funding for young women to further their education in science and engineering.

**Tim George**, BSc (Hons) Minerals Eng., (aged 55)

*Executive Director / Chief Executive Officer*

Mr George is a minerals engineer with over 30 years of experience in the mining and engineering sectors, with a broad experience in mining project development throughout Sub-Saharan Africa.

He holds an honours degree in Minerals Engineering from Leeds University and has spent over a decade in production management at several Anglo-American operations in Africa and was involved with plant design and feasibility studies in various base and precious metal projects.

Mr George has previous experience working in Angola as Chairman and CEO of Xceldiam Limited, an AIM listed diamond exploration company based in Angola which was acquired by Petra Diamonds in 2007.

**David Hammond**, (aged 54)

*Executive Director / Chief Operation Officer*

Mr Hammond has over 28 years' technical, resource definition and project development experience in Africa, Australia and South America. He was most recently the Technical Director with Peak Resources Limited for seven years where he led all exploration, resource definition and technical study teams, from the second drill hole of the deposit through to resource, reserve, scoping study, and prefeasibility phases.

Mr Hammond holds a Master of Science (M.Sc.) and a Diploma of the Imperial College (DIC) from the Royal School of Mines Imperial College London. He is a member of the Australasian Institute of Mining and Metallurgy and a competent person for JORC reporting.

**Mark Hohnen**, (aged 70)

*Non-Executive Director*

Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as being on the board of oil and coal company Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). He is also chairman of Boss Resources Limited and a director of Salt Lake Potash Limited, which are both listed on ASX.

**Neil Maclachlan**, (aged 77)

*Non-Executive Director*

Mr. Maclachlan has over 35 years' investment banking experience in Europe, South East Asia and Australia and has extensive experience in public company directorships. He currently serves as chairman and a major shareholder in Markham

Associates, a private UK partnership, which undertakes financial consultancy and direct investment activities in the junior mining sector in Europe, Australia and South East Asia.

Mr. Maclachlan was a director of Extract Resources Limited and Kalahari Minerals Plc. Both Extract Resources and Kalahari Minerals were the subject of successful takeovers for \$2.1billion and £651million respectively.

Mr Maclachlan has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and the Toronto Stock Exchange.

### 1.3 The Senior Management comprise the following people:

| Name          | Age | Position                                      |
|---------------|-----|-----------------------------------------------|
| Robert Kaplan | 45  | Company Secretary and Chief Financial Officer |

The business address of the Senior Manager is the registered office of the Company, 100 Pall Mall, London, England, SW1Y 5NQ.

### 1.4 Brief biographical details of the Senior Manager is set out below:

#### **Robert Kaplan, (aged 45)**

*Company Secretary and Chief Financial Officer*

Mr Kaplan is a Chartered Accountant with over 20 years operating experience in the African mining sector. He has a broad skill set in both the UK and sub-Saharan corporate finance together with experience in mining operations in Angola, South Africa and Tanzania.

## 2 CORPORATE GOVERNANCE

### 2.1 ASX Corporate Governance Council Principles and Recommendations

The Company is committed to implementing the best standards of corporate governance appropriate for the Company's size and scale. Whilst the UK Corporate Governance Code does not apply directly to companies with a standard listing, the Company currently complies, and following Admission will continue to comply, with the Corporate Governance Principles and Recommendations (the "**ASX Corporate Governance Recommendations**") to the extent practicable for the a company of its size and nature.

In accordance with the ASX Listing Rules, the following table sets out how the Company complies with the ASX Corporate Governance Recommendations. Where a departure from the recommendation has been identified, an explanation for this departure has been provided.

| Principle | Recommendation | Company Compliance |
|-----------|----------------|--------------------|
|-----------|----------------|--------------------|

| Principle                                                                           | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                      | Company Compliance                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PRINCIPLE 1</b><br><br><b>LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b> | <b>Recommendation 1.1</b><br><br>A listed entity should disclose: <ul style="list-style-type: none"> <li>the respective roles and responsibilities of its board and management; and</li> <li>those matters expressly reserved to the board and those delegated to management.</li> </ul>                                                                                                                            | The Company complies with this recommendation.<br><br>The responsibilities of the Board are set out in the Board Charter which can be accessed on the Company website. Any functions not reserved for the Board and not expressly reserved by the Resources Act and ASX Listing Rules are reserved for senior executives. |
|                                                                                     | <b>Recommendation 1.2</b><br><br>A listed entity should: <ul style="list-style-type: none"> <li>undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul> | The Company complies with this recommendation.                                                                                                                                                                                                                                                                            |
|                                                                                     | <b>Recommendation 1.3</b><br><br>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.                                                                                                                                                                                                                                                | The Company complies with this recommendation.                                                                                                                                                                                                                                                                            |
|                                                                                     | <b>Recommendation 1.4</b><br><br>The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.                                                                                                                                                                                                            | The Company complies with this recommendation.<br><br>The company secretary is accountable directly to the Board.                                                                                                                                                                                                         |

| Principle | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Company Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | <p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>disclose that policy or a summary of it; and</li> <li>disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> <li>the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ul> </li> </ul> | <p>The Company partly complies with this recommendation.</p> <p>A diversity policy was adopted on 14 August 2012 and a copy of the Company's Diversity policy is available on the Company's website.</p> <p>The policy does not contain measurable objectives for achieving gender diversity as the Company is not of a sufficient size or scale to justify application of such objectives.</p> <p>The Company currently employs no women and there are no women on the Board.</p> |
|           | <p><b>Recommendation 1.6:</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>The Company complies with this recommendation.</p> <p>The Chairman will undertake a periodic review in relation to the performance of each Director of the Company. The Board will also meet to discuss its performance as a whole.</p> <p>No review was undertaken during the year ended 30 June 2019.</p>                                                                                                                                                                     |



| Principle | Recommendation                                                                                                                                                                                                                                                                                                                                                                                | Company Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | <p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <ul style="list-style-type: none"> <li>• have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>• disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul> | <p>The Company complies with this recommendation.</p> <p>Arrangements put in place by the Board to monitor the performance of the Group's executives include:</p> <ul style="list-style-type: none"> <li>• a review by the Board of the achievement of performance targets set based on the organisation's objectives in accordance with its strategy;</li> <li>• comparison of executive remuneration levels to industry benchmarks; and</li> <li>• annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.</li> </ul> <p>A review was undertaken during the year ended 30 June 2019.</p> |

| Principle                                                         | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Company Compliance                                                                                                                            |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PRINCIPLE 2</b><br><br><b>STRUCTURE THE BOARD TO ADD VALUE</b> | <b>Recommendation 2.1</b><br><br>The board of a listed entity should: <ul style="list-style-type: none"> <li>have a nomination committee which: <ul style="list-style-type: none"> <li>has at least three members, a majority of whom are independent directors; and</li> <li>is chaired by an independent director, and disclose (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</li> </ul> | The Company complies with this recommendation.<br><br>The Board has established a separate remuneration and nomination committee during 2019. |
|                                                                   | <b>Recommendation 2.2</b><br><br>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | The Company complies with this recommendation                                                                                                 |

| Principle | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Company Compliance                                                                                                           |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
|           | <b>Recommendation 2.3</b><br><br>A listed entity should disclose: <ul style="list-style-type: none"> <li>the names of the directors considered by the board to be independent directors;</li> <li>if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</li> <li>the length of service of each director.</li> </ul> | The Company complies with this recommendation.                                                                               |
|           | <b>Recommendation 2.4</b><br><br>A majority of the board of a listed entity should be independent directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | The Company does not comply with this recommendation.<br><br>2 out of 5 directors of the Company are considered independent. |
|           | <b>Recommendation 2.5</b><br><br>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.                                                                                                                                                                                                                                                                                                                                                                                                                    | The Company complies with this recommendation.                                                                               |
|           | <b>Recommendation 2.6</b><br><br>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.                                                                                                                                                                                                                                                                                                                     | The Company complies with this recommendation.                                                                               |

| Principle                                                                   | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Company Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PRINCIPLE 3</b><br><br><b>ACT ETHICALLY AND RESPONSIBLY</b>              | <b>Recommendation 3.1</b><br><br>A listed entity should: <ul style="list-style-type: none"> <li>have a code of conduct for its directors, senior executives and employees; and</li> <li>disclose that code or a summary of it.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>The Company complies with this recommendation.</p> <p>The Company has a Code of Conduct which can be accessed on the Company website.</p>                                                                                                                                                                                                                                                                                                                                     |
| <b>PRINCIPLE 4</b><br><br><b>SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b> | <b>Recommendation 4.1</b><br><br>The board of a listed entity should: <ul style="list-style-type: none"> <li>have an audit committee which: <ul style="list-style-type: none"> <li>has at least three members, all of whom are non-executive directors and a majority of whom are independent directors;</li> <li>is chaired by an independent director, who is not the chair of the board, and</li> <li>disclose: (i) the charter of the committee; (ii) the relevant qualifications and experience of the members of the committee; and (iii) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</li> </ul> | <p>The Company complies with the second part of this recommendation.</p> <p>An audit committee has not been established.</p> <p>Given the composition of the Board and the size of the Company, it is felt that an audit committee is not yet warranted, however it is expected that as the Company's operations expand that an audit committee will be established.</p> <p>The current policy of the external auditor is to rotate the engagement partner every five years.</p> |

| Principle                                                               | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Company Compliance                                                                                                                                                                                                             |
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|                                                                         | <b>Recommendation 4.2</b><br><br>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. | The Company complies with this recommendation.<br><br>The Board receives assurance from the chief executive officer and the chief financial officer in the form of a declaration, prior to approving the financial statements. |
|                                                                         | <b>Recommendation 4.3</b><br><br>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.                                                                                                                                                                                                                                                                                                                                                                                                   | The Company complies with this recommendation.<br><br>The Company's external auditors attend the annual general meeting each year.                                                                                             |
| <b>PRINCIPLE 5</b><br><br><b>MAKE TIMELY AND BALANCED DISCLOSURE</b>    | <b>Recommendation 5.1</b><br><br>A listed entity should: <ul style="list-style-type: none"> <li>have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>disclose that policy or a summary of it.</li> </ul>                                                                                                                                                                                                                                                                                                                                     | The Company complies with this recommendation.<br><br>The Company has adopted a Continuous Disclosure Policy which is available on its website.                                                                                |
| <b>PRINCIPLE 6</b><br><br><b>RESPECT THE RIGHTS OF SECURITY HOLDERS</b> | <b>Recommendation 6.1</b><br><br>A listed entity should provide information about itself and its governance to investors via its website.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | The Company complies with this recommendation.<br><br>Information regarding the Company, its activities and its corporate governance is available on its website.                                                              |
|                                                                         | <b>Recommendation 6.2</b><br><br>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.                                                                                                                                                                                                                                                                                                                                                                                                                                     | The Company complies with this recommendation.<br><br>The Company has adopted a Shareholder Communication Policy which is available on its website.                                                                            |

| Principle                                                  | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Company Compliance                                                                                                                                                                                                                                        |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                            | <b>Recommendation 6.3</b><br><br>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | The Company complies with this recommendation.<br><br>The Company has adopted a Shareholder Communication Policy which is available on its website.                                                                                                       |
|                                                            | <b>Recommendation 6.4</b><br><br>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | The Company complies with this recommendation.<br><br>Shareholders are able to receive communications from, and send communications to, the entity and its security registry electronically via email or by submitting queries via the Company's website. |
| <b>PRINCIPLE 7</b><br><br><b>RECOGNISE AND MANAGE RISK</b> | <b>Recommendation 7.1</b><br><br>The board of a listed entity should: <ul style="list-style-type: none"> <li>have a committee or committees to oversee risk each of which: <ul style="list-style-type: none"> <li>has at least three members, a majority of whom are independent directors;</li> <li>is chaired by an independent director; and</li> <li>and disclose: (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>if it does not have a risk committee or committees that satisfy the recommendation above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</li> </ul> | The Company complies with the second part of this recommendation.<br><br>The Company has a Risk Management Policy outlining the processes it employs for overseeing the entity's risk management framework and is available on the Company website.       |

| Principle | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                           | Company Compliance                                                                                                                                                                                                                                                                                      |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | <b>Recommendation 7.2</b><br><br>The board or a committee of the board should: <ul style="list-style-type: none"> <li>review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li>disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>                                                                                    | The Company complies with this recommendation.<br><br>A review was not completed in 2019.                                                                                                                                                                                                               |
|           | <b>Recommendation 7.3</b><br><br>A listed entity should disclose: <ul style="list-style-type: none"> <li>if it has an internal audit function, how the function is structured and what role it performs; or</li> <li>if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul> | The Company complies with the second part of this recommendation.<br><br>The Company does not have an internal audit function. Due to the size and scale of the Company, it was agreed that effectiveness of its risk management and internal control processes should be considered by the full Board. |
|           | <b>Recommendation 7.4</b><br><br>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.                                                                                                                                                                                                       | The Company complies with this recommendation.                                                                                                                                                                                                                                                          |

| Principle                                                          | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Company Compliance                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>PRINCIPLE 8</b><br><br><b>REMUNERATE FAIRLY AND RESPONSIBLY</b> | <b>Recommendation 8.1</b><br><br>The board of a listed entity should: <ul style="list-style-type: none"> <li>• have a remuneration committee which: <ul style="list-style-type: none"> <li>• has at least three members, a majority of whom are independent directors;</li> <li>• is chaired by an independent director; and</li> <li>• and disclose: (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>• if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</li> </ul> | <p>The Company complies with this recommendation.</p> <p>The Board has established a separate remuneration and nomination committee during 2019.</p> <p>A remuneration review for executive directors and senior executives was conducted during 2019.</p> |



| Principle | Recommendation                                                                                                                                                                                                                               | Company Compliance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | <p><b>Recommendation 8.2</b></p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p> | <p>The Company complies with this recommendation.</p> <p>The Board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package that may consist of:</p> <ul style="list-style-type: none"> <li>fixed components that reflect the person's responsibilities, duties and personal performance; and</li> <li>share based payments in the form of performance rights and/or options as an incentive for performance that achieves medium term or longer term goals.</li> </ul> <p>The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.</p> <p>The aggregate amount payable to the Company's Non-Executive Directors in respect of non-executive director fees must not exceed the maximum annual amount approved by the Company's shareholders, which is currently set at £500,000 per annum.</p> |

| Principle | Recommendation                                                                                                                                                                                                                                                                                                                                                                                                           | Company Compliance                                                                                                                                                                          |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | <p><b>Recommendation 8.3</b></p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <ul style="list-style-type: none"> <li>have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</li> <li>disclose that policy or a summary of it.</li> </ul> | <p>The Company complies with this recommendation.</p> <p>The Company has established an employee incentive plan, a summary of which is set out in section 7 of Part 8 of this document.</p> |

## 2.2 Remuneration committee

The Remuneration Committee must be made up of at least three members, and currently its members are Paul Atherley, Neil Maclachlan and Mark Hohnen. The Remuneration Committee has the delegated responsibility for setting remuneration for executive directors, senior management and the chair, including pension rights and any compensation payments. The Remuneration Committee also has a role overseeing any major changes in employee benefits structures throughout the Company and/or the Group and give advice on any such changes.

The Remuneration Committee must meet at least two times a year (i.e. before completion of the half-yearly and annual accounts).

## 2.3 Audit Committee

Pursuant to the ASX Corporate Governance Recommendations, only companies in the top 300 listed on ASX are required to have an audit committee. Due to the nature and size of the Company, it does not fall within this requirement and the size and composition of the Board does not warrant the need for an audit committee. The full Board takes responsibility for safeguarding the integrity of the Company's financial reporting practices and overseeing the appointment, effectiveness and independence of external auditors. As the Company develops in the future, it will continue to reassess whether an audit committee is appropriate for the size and nature of the Company.

## 2.4 Nomination Committee

Given the size of the Company and nature of its business, the Board as a whole reviews the balance of skills, independence, knowledge and experience on the Board.

## **Part 4**

### **Operating and Financial Review**

*The following operating and financial review should be read in conjunction with the financial information set out in Part 5 of this document and the other financial information relating to the Company included elsewhere in this document. This review contains forward-looking statements based on the current expectations and assumptions about the Group's future business. Such statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in the "Risk Factors" section of this document.*

*The selected financial information discussed in this Part 4 (Operating and Financial Review) has been extracted without material adjustment from the financial information of the Pensana Australia Group (which was acquired by the Company on 4 February 2020) as at, and for the three financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the six month periods ended 31 December 2018 and 31 December 2019, which have been prepared in accordance with IFRS. The financial statements for the years ended 30 June 2017, 30 June 2018, 30 June 2019 were audited by the Pensana Australia's independent auditors, Ernst & Young. The interim consolidated financial statements for the six month periods ended 31 December 2018 and 31 December 2019 were reviewed by Pensana Australia's independent auditors, Ernst & Young.*

## **BUSINESS PERFORMANCE AND OPERATING AND FINANCIAL REVIEW**

### **1 OVERVIEW**

The principal activity of the Group during the Historical Financial Information Period was focussed on the strategy to develop the Longonjo Project in Angola, in which it has an 84 per cent. interest, to be a major and crucial supplier of raw materials for the move towards the electrification of society.

The year ended 30 June 2019 saw significant progress with a series of technical programmes successfully completed including the PFS which was released by the Group on 15 October 2019.

Technical programmes included two major drilling campaigns that lead to a significant expansion of the Longonjo Mineral Resource estimate, metallurgical flow sheet optimisation and, with the appointment of Wood Group as lead engineers, the commencement of a range of engineering studies which culminated in a PFS. Environmental and social baseline studies are also well advanced, with wet and dry season surveys completed and an application for an environmental permit for the Longonjo Project was submitted during the second quarter of 2020.

### **2 SUMMARY OF KEY FINANCIAL RISKS**

The Board and Senior Management monitor and manage the financial risk relating to the operations of the Group. The Group's historical and expected activities expose it to a variety of financial risks including exposure to market price risk, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The overall risk management program focuses on managing these risks and implementing and monitoring controls over the cash management function. Owing to the unpredictability of finance markets, the Board and Senior Management seek to minimise potential adverse effects on financial performance. There have been no

substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods to measure them.

### **Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.

### **Market price risk**

The Group is involved in the exploration for rare earths, in particular NdPr. If the Group is able to develop the Longonjo Project, revenue from any future mining associated with metal sales and the ability to raise funds through equity and debt will be largely dependent upon the commodity price for resources at the time of the transaction.

### **Interest rate risk**

The Group's cash-flow interest rate risk for assets primarily arises from cash at bank and deposits which are subject to market bank rates. There is no interest receivable or payable on the Group's trade and other receivables or payables.

### **Credit risk management**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for estimated credit losses, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. The Group's internal policy requires deposits to be held with financial institutions holding a benchmark credit rating.

### **Financial Instruments and cash deposits**

Credit risk balances with banks and financial institutions is managed by the Board and Senior Management in accordance with the Group's internal policy. The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2019 and 30 June 2018 is the carrying amounts as per the statement of financial position.

### **Foreign currency risk**

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and the holding of assets and liabilities in currencies other than the Group's measurement currency.

## **3 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES**

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of

circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

### **Significant accounting judgments**

#### *Exploration and evaluation expenditure*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment. However, to date no development decision has been made.

#### *Impairment*

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs, whether the above carry forward criteria are met. The recoverable amount of exploration and evaluation assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

Accumulated costs in respect of areas of interest are written off or a provision made in the statement of comprehensive income when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis. Provisions are made where farm-in partners are sought and there is a possibility that carried forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

### **Share-based payment transactions**

The Company provides benefits to certain key management personnel in the form of share-based payment, options and/or performance rights. The Group currently has an employee

incentive plan, which may be used to provide benefits to the Directors and Senior Management.

The cost of such equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted using an appropriate valuation model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, at the date of the granting of the options and performance rights.

That cost is recognised in employee benefits expense or capitalised to exploration and evaluation assets, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. For awards with service and non-market performance conditions expected vesting dates are based on the expiry date of the award. When both service and non-market performance conditions are satisfied prior to the expiry date of the award vesting dates are revised and the vesting expense adjusted accordingly. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

## **Foreign Currency Translation**

### *Functional and presentation currency*

The financial statements are presented in Australian dollars, which is the functional and presentation currency of Pensana Australia and its Australian subsidiaries. The functional currency of the non-Australian subsidiaries of the Group is US dollars and Euro.

### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. The gain and loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in equity or profit and loss are also recognised in equity or profit and loss respectively).

The financial results and position of the non-Australian subsidiaries of the Group whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of the non-Australian subsidiaries of the Group are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

#### 4 RESULTS OF OPERATIONS OVER PAST THREE YEARS AND SIX MONTHS

|                                                            | <u>Year ended 30 June</u>         |                                   |                                   | <u>6 months ended 31 Dec</u>        |                                     |
|------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|                                                            | <b>2019<br/>(audited)<br/>A\$</b> | <b>2018<br/>(audited)<br/>A\$</b> | <b>2017<br/>(audited)<br/>A\$</b> | <b>2019<br/>(unaudited)<br/>A\$</b> | <b>2018<br/>(unaudited)<br/>A\$</b> |
| Other income                                               | 458,203                           | 2,288                             | 3,117                             | 342                                 | 3,508                               |
| Administration expenses                                    | (1,117,960)                       | (795,198)                         | (336,911)                         | (1,622,442)                         | (579,266)                           |
| Corporate expenses                                         | (3,141,730)                       | (909,361)                         | (1,074,729)                       | (1,301,601)                         | (1,734,228)                         |
| Impairment of assets                                       | (1,613,770)                       | (110,827)                         | (7,797,899)                       | -                                   | -                                   |
| Provisions for estimated credit losses on financial assets | (478,039)                         | -                                 | -                                 | -                                   | 496,087                             |
| Foreign currency exchange (loss)/gain                      | 59,400                            | (11,892)                          | 13,823                            | (61,094)                            | 27,794                              |
| <b>Loss from operations before finance costs</b>           | <b>(5,833,896)</b>                | <b>(1,824,990)</b>                | <b>(9,192,599)</b>                | <b>(2,984,795)</b>                  | <b>(2,778,279)</b>                  |
| Finance costs                                              | -                                 | -                                 | -                                 | -                                   | -                                   |
| <b>Loss before income tax</b>                              | <b>(5,833,896)</b>                | <b>(1,824,990)</b>                | <b>(9,192,599)</b>                | <b>(2,984,795)</b>                  | <b>(2,778,279)</b>                  |
| Income tax benefit/(expense)                               | -                                 | -                                 | -                                 | -                                   | -                                   |
| <b>Total loss for the period</b>                           | <b>(5,833,896)</b>                | <b>(1,824,990)</b>                | <b>(9,192,599)</b>                | <b>(2,984,795)</b>                  | <b>(2,778,279)</b>                  |
| <b>Other comprehensive income/(loss)</b>                   | 580,787                           | 598,161                           | (331,676)                         | (119,012)                           | 704,747                             |
| <b>Total comprehensive (loss)/income for the period</b>    | <b>(5,253,109)</b>                | <b>(1,226,829)</b>                | <b>(9,524,275)</b>                | <b>(3,103,807)</b>                  | <b>(2,073,532)</b>                  |

Included in corporate expenses are share-based payments. Share-based payments will vary based on vesting periods, achievements of milestones, share price performance and the number of staff participating in the incentive scheme. A detailed summary of the share-based payments scheme can be found in Part 8 of this document.

The following discussion and analysis of the Group's results of operations and financial condition is based on the Pensana Australia Group's historical results as derived from the financial statements for the past three financial years and the six month period ended on 31 December 2019 contained in Part 5 of this document.

#### **Year ended 30 June 2017 compared to year ended 30 June 2016**

### *General overview*

During the financial year ended 30 June 2017:

- The Pensana Australia Group published its maiden JORC mineral resource estimate at Longonjo (ASX release 26 September 2017). Highlights include:
  - 11.6 Mt @ 4.30% TREO\* in the oxide material.
  - 33.2 Mt @ 1.87% TREO\* in the fresh material.
  - A combined 44.7 Mt @ 2.50% TREO\*.
- \* TREO = Sum of La<sub>2</sub>O<sub>3</sub>, CeO<sub>2</sub>, Pr<sub>6</sub>O<sub>11</sub>, Nd<sub>2</sub>O<sub>3</sub>, Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>4</sub>O<sub>7</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>.
- In November 2016, the Pensana Australia Group raised A\$800,000 through the issue of 40,000,000 fully paid ordinary shares at A\$0.02 per share. As part of the placement, the Pensana Australia Group also issued 20,000,000 unlisted options exercisable at A\$0.035 expiring 3 November 2018.
- At the Pensana Australia Group's Annual General Meeting on the 30 November 2016, 3,000,000 performance rights were approved to be issued to the directors.
- In April 2017 the Pensana Australia Group completed a rights issue which raised A\$2,260,000 and due to demand in the rights issue, the Pensana Australia Group completed a private placement of 13,381,441 ordinary shares at 2.5 Australian cents to raise a further A\$334,536 (before costs).

### *Exploration and evaluation (decreased by A\$6,403,097)*

The decrease in exploration and evaluation expenses for the year ended 30 June 2017 of A\$6,403,097 was due to an impairment of A\$7,797,899 on the Pensana Australia Group's Tanzanian assets. A\$484,268 was spent on exploration activities in Angola.

### *Administration expenses (decreased by A\$175,097)*

During the year ended 30 June 2017, the Pensana Australia Group's administration expenses decreased by A\$175,097 from A\$512,008 in the 2016 financial year to A\$336,911 which was a direct result of the cost control strategy implemented across all areas of the business.

### *Corporate expenses (increased by A\$295,224)*

The increase in corporate expenses of A\$295,224 in the financial year ended 30 June 2017 from A\$779,505 in the 2016 financial year to A\$1,074,729 was a direct result of the issue of performance rights and unlisted options that were issued during the year resulting in a valuation of A\$254,580.

### *Loss before tax (increased by A\$7,843,746)*

The Pensana Australia Group's loss before tax for the financial year ended 30 June 2017 was A\$9,192,599, an increase of A\$7,843,746 from the year ended 30 June 2016 where the loss was A\$1,348,853. This was primarily due to an impairment of \$7,797,899 on the Pensana Australia Group's Tanzanian assets.

### *Financial Position*



At 30 June 2017, the Pensana Australia Group had cash reserves of A\$1,848,248, an increase of approximately A\$459,909 from the position at 30 June 2016. This was as a result of capital raisings of \$3,398,743 and lower exploration expenditure during the 30 June 2017 year.

At 30 June 2017, the Pensana Australia Group had net assets of A\$10,462,721, a decrease of A\$5,979,831 compared with the position at 30 June 2016. This is largely attributable to the impairment of the Pensana Australia Group's Tanzanian assets.

## **Year ended 30 June 2018 compared to year ended 30 June 2017**

### *General overview*

During the financial year ended 30 June 2018:

- In November 2017, Mr David Hammond was appointed as Executive Director and Chief Operating Officer of Pensana Australia.
- On 13 May 2018, Mr Paul Atherley commenced as Chairman of Pensana Australia.
- On 25 August 2017, Mr Mark Hohnen was appointed Non-Executive Director of Pensana Australia.
- In December 2017, the Pensana Australia Group raised A\$1,500,000 through a placement to institutional and sophisticated investors.
- On 17 January 2018, Mr Neil MacLachlan was appointed Non-Executive Director of Pensana Australia.

### *Exploration and evaluation (decreased by A\$3,203,116)*

The decrease in exploration and evaluation of A\$3,203,116 to A\$5,596,961 for the financial year ended 30 June 2018 (from A\$8,800,077 in the previous financial year) was due to the Pensana Australia Group's Tanzanian assets being transferred to "assets held for sale". During 30 June 2018, A\$2,059,214 was spent on exploration activities in Angola, compared to A\$1,760,442 in the previous financial year.

### *Administration expenses (increased by A\$458,287)*

An increase in administration expenses of A\$458,287 from A\$336,911 during the 2017 financial year to A\$795,198 in the 2018 financial year was a result of the hiring of key management including Mr Atherley as Chairman and Mr David Hammond as Chief Operating Officer.

### *Corporate expense (decreased by A\$165,368)*

The decrease in corporate expenses of A\$165,368 to A\$909,361 for the financial year ended 30 June 2018 (a decrease of A\$165,368 compared to the previous financial year) was due to a decrease in share based payments expense of A\$183,257 for 30 June 2018 compared to A\$254,580 the previous year.

### *Loss before tax (decreased by A\$7,367,609)*

The Pensana Australia Group's loss before tax for the financial year ended 30 June 2018 was A\$1,824,990, a decrease of A\$7,367,609 from the previous financial year's loss before tax of A\$9,192,599. This was primarily due to the impairment of the Pensana Australia Group's Tanzanian assets during the 2017 financial year.

### *Financial Position*

At 30 June 2018, the Pensana Australia Group had cash reserves of A\$242,769, assets held for sale of A\$5,645,553 and no debt.

The Pensana Australia Group had net assets of \$10,834,647 at 30 June 2018 (30 June 2017: A\$10,462,721), an increase of approximately 3.6 per cent. compared with the previous year. This increase is consistent with the reduced cash balance and is also attributable to the proceeds from deposits for the sale of some of the Pensana Australia Group's Tanzanian assets of \$392,968.

### **Year ended 30 June 2019 compared to year ended 30 June 2018**

#### *General overview*

During the financial year ended 30 June 2019:

- On 19 February 2019, the Pensana Australia Group announced a substantial upgrade to the Mineral Resource estimate for the Longonjo Project.
- During the period, the Pensana Australia Group acquired an additional 14 per cent. equity in its Angolan subsidiary company Ozango Minerais S.A. which holds title to the Longonjo Project, for US\$500,000 (approximately A\$725,000).
- Tim George was appointed as Chief Executive Officer on 23 April 2019 of Pensana Australia.
- On 2 July 2018, the Pensana Australia Group raised A\$5.5 million through a placement by issuing 126,549,809 fully paid ordinary shares in July 2018 and 240,116,858 fully paid ordinary shares to raise in September 2018.
- On 4 June 2019, the Pensana Australia Group raised A\$5 million through a further placement by issuing 250,000,000 fully paid ordinary shares.

#### *Exploration and evaluation (increased by A\$3,573,388)*

The increase in exploration and evaluation of A\$3,573,388 to A\$9,170,349 for the financial year ended 30 June 2019 (up from A\$5,596,961 in the previous financial year) was due to the significant exploration and development activity conducted at the Longonjo Project during the 2019 financial year.

#### *Administration expenses (increased by A\$322,762)*

An increase in administration expenses of A\$322,762 from A\$795,198 during the 2018 financial year to A\$1,117,960 in the 2019 financial year was a result of the hiring of key management including Mr Tim George as Chief Executive Officer.

#### *Impairment of assets expenses (increased by A\$1,502,943)*

An increase in impairment of assets expenses of A\$1,502,943 from A\$110,827 during the 2018 financial year to A\$1,613,770 in the 2019 financial year was a result of a further impairment of the Miyabi Gold Project held in Tanzania.

#### *Corporate expense (increase of A\$2,232,369)*

The increase in corporate expenses to A\$3,141,730 for the financial year ended 30 June 2019 was due to the Pensana Australia Group's accounting policy of expensing the fair value

(determined using an appropriate pricing model) of incentive securities granted on a straight-line basis over the vesting period of the unlisted options and performance rights issued. The increase in this expense of A\$2,149,739 in the 2019 financial year compared to the year ended 30 June 2018 (A\$183,257) was a direct result of the increase in incentive securities on issue resulting in a greater expense.

*Loss before tax (increased by A\$4,008,906)*

The Pensana Australia Group's loss before tax for the financial year ended 30 June 2019 was A\$5,833,896, an increase of A\$4,008,906 from the previous financial year's loss before tax of A\$1,824,990. This was primarily due to the increase in share based payments and impairment of the Pensana Australia Group's Tanzanian assets.

*Other Income (increase of A\$455,915)*

During the year ended 30 June 2019, the Pensana Australia Group's other income was A\$458,203, an increase of A\$455,915 from the financial year ended 30 June 2018 (where other income was A\$2,288). This was primarily due to the sale of some of the Pensana Australia Group's Tanzanian assets.

*Financial Position*

At 30 June 2019, the Pensana Australia Group had cash reserves of A\$4,712,730 and asset held for sale of A\$3,556,840 and no debt.

The Pensana Australia Group had net assets of A\$16,890,293 at 30 June 2019 (30 June 2018: A\$10,834,647), an increase of 56 per cent. compared with the previous year. This increase is consistent with the higher cash balance and increased exploration and evaluation balance at 30 June 2019 compared to 30 June 2018.

## **Six months ended 31 December 2019 compared to six months ended 31 December 2018**

*General overview*

During the six months period ended 31 December 2019:

- On 15 November 2019 the results of the Preliminary Feasibility Study were reported for the Longonjo Project.
- During the period the Pensana Australia Group commenced a 7,000 metre reverse circulation infill drilling programme at Longonjo in support of the definitive feasibility study.
- Four containers carrying over 60 tonnes of near surface weathered mineralisation were loaded at the Longonjo rail siding for despatch to Perth Australia via the Benguela rail line and the Port of Lobito.
- During the period significant progress was made towards the completion of the Technical, Economic and Financial Viability Study, Environmental Impact Assessment study and the application required for the issuance of a mining licence for the Longonjo Project in compliance with the Angolan Mining Code.
- Plans to dual list the on the London Stock Exchange alongside the existing ASX listing were progressed via the planned implementation of the Scheme of Arrangement.

*Exploration and evaluation (increased by A\$406,975)*

Exploration and evaluation expenditure of A\$2,154,323 was incurred for the period ended 31 December 2019 (31 December 2018: A\$1,747,348). The increase was due to the ongoing ramp up in the exploration and development activity conducted at the Longonjo Project.

*Administration expenses (increased by A\$1,043,176)*

An increase in administration expenses of A\$1,043,176 from A\$579,266 as at 31 December 2018 to A\$1,622,422 as at 31 December 2019 was mainly due to the legal and advisory costs associated with the planned dual listing of the Company on the London Stock Exchange and ASX

*Corporate expense (decrease of A\$432,627)*

The decrease of A\$432,627 in corporate expenses to A\$1,301,601 for the period ended 31 December 2019 (31 December 2018: A\$1,734,228) was due to reduced share based and employee related benefit expenditure over the six month period as a number of performance rights vested during the six month period ended 31 December 2018.

*Loss before tax (increased by A\$206,516)*

The Pensana Australia Group's loss before tax for the period ended 31 December 2019 was A\$2,984,795, an increase of A\$206,516 from the six month ended 31 December 2018 loss before tax of A\$2,778,279. This was primarily due to the increase costs associated with the planned dual listing on the London Stock Exchange and ASX and additional employee related costs.

*Other Expenses (decrease of A\$496,087)*

During period ended 31 December 2019, the Group's other expenses was A\$ nil, a decrease of A\$496,087 on comparison to the six month period ended 31 December 2018 (where other expenses was A\$496,087). This was primarily due to the sale of some of the Pensana Australia Group's Tanzanian assets.

*Financial Position*

At 31 December 2019, the Pensana Australia Group had cash reserves of A\$1,230,365 and asset held for sale of A\$3,573,875 and no debt.

The Pensana Australia Group had net assets of A\$14,442,044 at 31 December 2019 (31 December 2018: A\$16,890,293), a decrease of 14.5 per cent. This decrease is due to the asset impairments in Tanzania and lower cash balances as a result of the ongoing exploration spend.

## **5 LIQUIDITY AND CAPITAL RESOURCES**

At 31 December 2019, the Pensana Australia Group had cash reserves of A\$1,230,365 (31 December 2018: A\$2,488,495).

Outlined below are details of the funds raised by the Pensana Australia Group from 1 July 2016 to the date of this Prospectus:

| Date | Details | Issue Price<br>(A\$) | Number of ordinary<br>shares |
|------|---------|----------------------|------------------------------|
|------|---------|----------------------|------------------------------|

|                |              |                  |             |
|----------------|--------------|------------------|-------------|
| November 2016  | Placement    | \$0.035          | 40,000,000  |
| April 2017     | Rights Issue | \$0.025          | 90,568,325  |
| April 2017     | Placement    | \$0.025          | 13,381,441  |
| December 2017  | Placement    | \$0.030          | 50,124,998  |
| July 2018      | Placement    | \$0.015          | 126,549,809 |
| September 2018 | Placement    | \$0.015          | 240,116,858 |
| June 2019      | Placement    | \$0.020          | 250,000,000 |
| March 2020     | Subscription | \$0.027          | 7,648,670   |
| June 2020      | Subscription | \$0.273-\$0.2893 | 25,808,633  |

As at the date of this Prospectus, the Group had consolidated cash balances of A\$5.9 million.

### Cash Flows

Set out below are details of the Pensana Australia Group's cash outflows for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the six month periods ended 31 December 2019 and 31 December 2018. The financial information below has been extracted without material adjustment from the Pensana Australia Group's historical financial information for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the six month periods ended 31 December 2019 and 31 December 2018 as set out in Part 5 of this document.

|                                                      | <u>Year ended 30 June</u>         |                                   |                                   | <u>6 months ended 31 Dec</u>        |                                     |
|------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|                                                      | <b>2019<br/>(audited)<br/>A\$</b> | <b>2018<br/>(audited)<br/>A\$</b> | <b>2017<br/>(audited)<br/>A\$</b> | <b>2019<br/>(unaudited)<br/>A\$</b> | <b>2018<br/>(unaudited)<br/>A\$</b> |
| Cashflows used in/provided by;                       |                                   |                                   |                                   |                                     |                                     |
| - operating activities                               | (1,753,127)                       | (1,363,455)                       | (1,074,150)                       | (1,564,718)                         | (915,208)                           |
| - investing activities                               | (3,663,471)                       | (1,663,958)                       | (1,757,325)                       | (1,917,975)                         | (2,021,957)                         |
| - financing activities                               | 9,876,776                         | 1,415,497                         | 3,289,864                         | -                                   | 5,171,698                           |
| Net increase/(decrease) in cash and cash equivalents | 4,460,178                         | (1,611,916)                       | 458,389                           | (3,482,693)                         | 2,234,533                           |
| Cash at the beginning of the period                  | 242,768                           | 1,848,248                         | 1,389,239                         | 4,712,730                           | 242,768                             |
| Effects of exchange rate changes                     | 9,784                             | 6,436                             | 620                               | 328                                 | 11,194                              |
| <b>Cash at the end of the period</b>                 | <b>4,712,730</b>                  | <b>242,768</b>                    | <b>1,848,248</b>                  | <b>1,230,365</b>                    | <b>2,488,495</b>                    |

### Cash used in operating activities

The majority of cash outflows in operating activities relate to payment to suppliers and employees. Cash used in operating activities increased to A\$1.8m in 2019, compared with A\$1.4m in 2018, as the Pensana Australia Group continued to advance the development of the Longonjo Project.

### Cash used in investing activities

Expenditure on investing activities is predominantly capitalised expenditure on exploration and evaluation at the Longonjo Project, partially offset by proceeds from deposits received for the Pensana Australia Group's Tanzanian assets, and some interest received on held cash balances. This increased to approximately A\$3.7m in 2019 compared with approximately A\$1.7m in 2018. The increase is as a result of increased exploration and development activity and A\$0.7m spent during 2019 on acquiring an additional 14 per cent. equity in Angolan subsidiary company Ozango Minerais S.A. which holds the title to the Longonjo Project.

### Cash provided in financing activities

The Pensana Australia Group's key sources of funding in the Historical Financial Information Period have included equity raisings as covered in the paragraph named 'Liquidity and capital resources' above.

### Balance Sheet

The following table summarises the Pensana Australia Group's balance sheet for the Historical Financial Information Period:

|                          | <u>Year ended 30 June</u>         |                                   |                                   | <u>6 months ended 31 Dec</u>        |                                     |
|--------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|                          | <b>2019<br/>(audited)<br/>A\$</b> | <b>2018<br/>(audited)<br/>A\$</b> | <b>2017<br/>(audited)<br/>A\$</b> | <b>2019<br/>(unaudited)<br/>A\$</b> | <b>2018<br/>(unaudited)<br/>A\$</b> |
| Current assets           | 8,347,202                         | 6,004,683                         | 1,938,151                         | 4,896,618                           | 8,142,727                           |
| Non-current assets       | 9,178,544                         | 5,602,883                         | 8,866,471                         | 11,339,086                          | 7,356,126                           |
| <b>Total assets</b>      | <b>17,525,746</b>                 | <b>11,607,566</b>                 | <b>10,804,622</b>                 | <b>16,235,704</b>                   | <b>15,498,853</b>                   |
| Current liabilities      | 635,453                           | 722,919                           | 341,901                           | 1,793,660                           | 918,080                             |
| Non-current liabilities  | -                                 | -                                 | -                                 | -                                   | -                                   |
| <b>Total liabilities</b> | <b>635,453</b>                    | <b>722,919</b>                    | <b>341,901</b>                    | <b>1,793,660</b>                    | <b>918,080</b>                      |
| <b>Net assets</b>        | <b>16,890,293</b>                 | <b>10,834,647</b>                 | <b>10,462,721</b>                 | <b>14,442,044</b>                   | <b>14,580,773</b>                   |
| Issued capital           | 50,991,922                        | 41,149,646                        | 39,734,149                        | 52,463,499                          | 46,321,345                          |
| Reserves                 | 6,847,360                         | 4,800,094                         | 4,018,675                         | 5,912,329                           | 6,152,800                           |
| Accumulated losses       | (40,948,989)                      | (35,115,093)                      | (33,290,103)                      | (43,933,784)                        | (37,893,372)                        |
| <b>Total equity</b>      | <b>16,890,293</b>                 | <b>10,834,647</b>                 | <b>10,462,721</b>                 | <b>14,442,044</b>                   | <b>14,580,773</b>                   |

### Assets

The Group's current assets comprise cash held, trade receivables and prepayments. The Tanzanian assets are held for sale. Non-current assets are primarily capitalised exploration and evaluation expenditure.

### Liabilities

The Group's liabilities consist of trade and other payables, and accrued expenses. All liabilities are non-interest bearing and are of a short-term nature.

### **Borrowings**

The Company has no borrowings and has no requirement to borrow any funds at this point in time.

### **Off balance sheet items**

The Group does not have any off-balance sheet items.

### **Contractual Obligations and Commitments**

As at 31 December 2019 the minimum exploration expenditure commitments over all of the Group's licences were A\$70,101.

### **Post Balance Sheet Events**

On 21 August 2019 Pensana Australia completed a consolidation of securities on the basis of 10 existing shares for 1 new share (10:1), which was approved by shareholders at a general meeting held on 9 August 2019. The consolidation reduced the number of shares on issue to 147,365,277, creating a more efficient capital structure.

### **Restrictions on Capital Resources**

The Company is not subject to externally imposed capital requirements.

## **6 CAPITALISATION AND INDEBTEDNESS**

### **Capitalisation**

The table below sets out the capitalisation of the Pensana Australia Group as at 31 December 2019.

| <i>Description</i>            | As at 31 December 2019<br><b>A\$</b> |
|-------------------------------|--------------------------------------|
| <b>Total current debt</b>     | -                                    |
| Guaranteed                    | -                                    |
| Secured                       | -                                    |
| Unguaranteed/Unsecured        | -                                    |
| <b>Total non-current debt</b> | -                                    |
| Guaranteed                    | -                                    |
| Secured                       | -                                    |
| Unguaranteed/Unsecured        | -                                    |
| <b>Total indebtedness</b>     | -                                    |

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**Shareholder's equity**

|                     |                   |
|---------------------|-------------------|
| Share Capital       | 52,463,499        |
| Legal Reserves      | 5,912,329         |
| Other Reserves      | -                 |
| Accumulated Losses  | (43,933,784)      |
| <b>Total equity</b> | <b>14,442,044</b> |

Save for the subscriptions by FSDEA for Ordinary Shares in March 2020 and June 2020 and the subscriptions by various creditors of the Group for Ordinary Shares, there have been no material changes to the capitalisation of the Pensana Australia Group since 31 December 2019.

**Indebtedness**

The table below sets out the indebtedness of the Group as at 30 April 2020.

| <u>Description</u>                        | As at 30 April 2020<br><b>A\$</b> |
|-------------------------------------------|-----------------------------------|
| Cash                                      | 1,149,031                         |
| Cash equivalents <sup>(1)</sup>           | 14,249                            |
| Trading securities                        | -                                 |
| <b>Liquidity</b>                          |                                   |
| <b>Current Financial receivables</b>      | <b>1,163,280</b>                  |
| Current Bank Debt                         | -                                 |
| Current Portion of Non-Current Debt       | -                                 |
| Other Current Financial Debt              | -                                 |
| <b>Net Current Financial Indebtedness</b> | <b>-</b>                          |
| Non-Current Bank Loans                    | -                                 |
| Bonds Issued                              | -                                 |
| Other Non-Current Loans                   | -                                 |
| <b>Non-Current Financial Indebtedness</b> | <b>-</b>                          |
| <b>Net Financial Indebtedness</b>         | <b>1,163,280</b>                  |

<sup>(1)</sup>Goods and services tax receivable

The Pensana Australia Group had no indirect or contingent financial indebtedness as at 30 April 2020.



## **Part 5**

### **Historical Financial Information**

Please refer to Appendix 1 of this document for the audited financial reports of the Pensana Australia Group for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and the unaudited interim consolidated financial statement for the six month period ended 31 December 2019.

Appendix 1, Part I contains the Pensana Australia Group's consolidated audited financial statement for the year ended 30 June 2017.

Appendix 1, Part II contains the Pensana Australia Group's consolidated audited financial statement for the year ended 30 June 2018.

Appendix 1, Part III contains the Pensana Australia Group's consolidated audited financial statement for the year ended 30 June 2019.

Appendix 1, Part IV contains the Pensana Australia Group's unaudited interim consolidated financial statement for the six months ended 31 December 2019.

**Part 6**  
**Competent Person's Report**

Appendix 2 contains the Competent Persons Report for the Longonjo Project.

## **Part 7 Taxation**

### **1 TAXATION**

The following statements are intended only as a general guide to certain UK tax considerations of acquiring, holding or disposing of Ordinary Shares and Australian tax considerations of acquiring, holding or disposing of Pensana CDIs (as applicable) and do not purport to be a complete analysis of all potential tax consequences in each of the United Kingdom and Australia of acquiring, holding or disposing of Ordinary Shares and/or Pensana CDIs (as applicable).

The following statements are based on tax legislation, judicial interpretation and the rulings and administrative practices of the taxation authorities in the UK and Australia, each as at the date of this Prospectus. The tax consequences relating to the Ordinary Shares and/or Pensana CDIs may therefore be different if the legislation is amended, the courts change their interpretation or the relevant revenue authority changes its practice.

**Any person who is in any doubt about their taxation position or who may be subject to tax in a jurisdiction other than the UK and Australia is strongly recommended to consult their own professional advisers.**

### **2 UNITED KINGDOM TAXATION**

The statements in this section 2 apply only to Shareholders who are resident (and, in the case of individual Shareholders, domiciled) for UK tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under tax exempt arrangements such as individual savings accounts), and who are the absolute beneficial owners of both their Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) or trustees and beneficiaries as regards shares held in trust is not considered.

#### **2.1 Taxation of Chargeable Gains**

##### **2.1.1 UK tax resident Shareholders**

###### *Disposals*

If a Shareholder sells or otherwise disposes of all or some of the Ordinary Shares, it may, depending on its circumstances and subject to any available exemption or relief, incur a liability to UK taxation on capital gains.

##### **2.1.2 Non-UK tax resident Shareholders**

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to capital gains tax on a disposal of Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, liable to corporation tax on chargeable gains, a trade in the UK through a permanent establishment) in connection with which the Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has ceased to be resident for tax purposes in the UK for a period of five years or less and who disposes of all or part of his Ordinary Shares during that period may be liable to capital gains tax on his return to the UK, subject to available exemptions or reliefs.

## 2.2 **Taxation of Dividends**

### 2.2.1 Withholding tax on dividends

The Company is not required to withhold tax when paying a dividend.

### 2.2.2 Dividends paid to UK tax resident individuals

An individual shareholder who is resident for tax purposes in the UK is entitled to a tax-free dividend allowance. This allowance exempts from tax the first £2,000 of dividend income received by such an individual in the tax year 2019-2020 and subsequent tax years. However, dividends within the allowance will count as taxable income when determining how much of the basic rate band or higher rate band has been used.

Dividend income in excess of £2,000 will be taxable at the rate of 7.5 per cent. to the extent it falls within an individual's basic rate band, 32.5 per cent. to the extent it falls within an individual's higher rate band and 38.1 per cent. to the extent it is taxed as additional rate income. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of the individual's total income.

### 2.2.3 Dividends paid to UK tax resident companies

Corporate Shareholders who are UK resident are potentially liable to corporation tax on dividends paid by a UK resident company: most dividends paid on the Ordinary Shares to UK resident corporate Shareholders are likely to fall within one or more of the classes of dividend qualifying for exemption from corporation tax (although the exemptions are not comprehensive and are also subject to anti-avoidance rules). Shareholders within the charge to corporation tax should consult their own professional advisers.

## 2.3 **UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

The statements in this paragraph 2.3 apply to any holders of Ordinary Shares irrespective of their residence, summarise the current United Kingdom stamp duty ("**stamp duty**") and stamp duty reserve tax ("**SDRT**") position and are intended as a general guide only. Certain categories of person may not be liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

No stamp duty or SDRT will arise on the issue or allotment of new Ordinary Shares by the Company. In the case of Ordinary Shares issued to a clearance service or depository receipt system, this is as a result of case law which has been accepted by HMRC.

### 2.3.1 Subsequent transfers

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. A charge to SDRT will also arise on an

unconditional agreement to transfer Ordinary Shares at the rate of 0.5 per cent. of the amount or value of the consideration payable. However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee. An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

### 2.3.2 Ordinary Shares held through CREST

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will generally arise on a transfer of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

### 2.3.3 Ordinary Shares held through clearance services or depositary receipt arrangements

Where Ordinary Shares are issued or transferred:

- (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or
- (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts,

stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the next multiple of £5 in the case of stamp duty).

This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or their nominee, as the case may be, but will, in practice, generally be borne by participants in the clearance service or depositary receipt system. Transfers within the clearance service, and transfers of depositary receipts, are then generally made free of SDRT and, provided no instrument of transfer is entered into, stamp duty. Clearance services may opt, provided certain conditions are satisfied, for the normal rate of stamp duty or SDRT (broadly 0.5 per cent. of the amount or value of consideration given) to apply to transfers of Ordinary Shares into, and to transactions within, such services instead of the higher rate of 1.5 per cent. generally applying to a transfer of Ordinary Shares into the clearance service and instead of the exemption from SDRT on transfers of Ordinary Shares whilst in the service.

Following litigation HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge when new UK shares are first issued to a depositary receipt issuer or to a clearance service on the basis that the charge is not compatible with EU law. The applicability of the 1.5 per cent. charge may also be

affected in other circumstances. Specific professional advice should be sought before paying the 1.5 per cent. charge.

### 3 **AUSTRALIAN TAXATION**

The following comments are made on the basis that the Company will not be a resident of Australia for Australian income tax purposes, such that Pensana CDI holders will own securities in a foreign company.

#### 3.1 **Taxation of dividends received**

Generally, a CDI holder will be required to include in its assessable income the gross amount of any dividends it may receive from the Company when those dividends are paid or credited to them.

On the basis that the Company will not be an Australian resident for tax purposes, it will not be able to frank dividends it pays to its shareholders. Accordingly, Pensana CDI holders will not receive any franked dividends (and will not be entitled to any franking credits in respect of such dividends) from the Company.

If a CDI holder is a company that holds at least 10 per cent. of the 'direct participation' interests in the Company, dividends received from the Company may be treated as non-assessable non-exempt income for Australian tax purposes if certain conditions are satisfied. For completeness, it is also noted that dividends received indirectly by a company through interposed trusts and partnerships may also be eligible for such treatment (i.e. non-assessable non-exempt income) if the company's 'direct participation' and 'indirect participation' interests in the Company are at least 10 per cent. and certain other conditions are satisfied.

Pensana CDI holders in these circumstances are advised to seek independent tax advice (based on their individual circumstances), regarding whether dividends received from the Company may be eligible for non-assessable non-exempt income treatment.

#### 3.2 **Future disposals of Pensana CDIs**

On a future disposal of Pensana CDIs, CDI holders may make a capital gain if the capital proceeds (in Australian Dollars) of that disposal are more than the cost base (in Australian Dollars) or a capital loss if the capital proceeds (in Australian Dollars) of that disposal are less than the reduced cost base (in Australian Dollars).

Any foreign capital proceeds (i.e. British Pounds) should be converted into Australian Dollars at the prevailing exchange rate at the time of the transaction for tax purposes.

It is noted that the capital gain or capital loss on disposal of Ordinary Shares may, in certain circumstances, be reduced by a percentage that reflects the degree to which the underlying assets of the Company are used in an 'active business' if the CDI holder is an Australian tax resident company that held a 'direct voting percentage' of 10 per cent. or more in the Company throughout a 12 month period that began no earlier than 24 months before the time of the disposal and ended no later than that time.

The rules regarding the capital gains tax exemption in Australia are complex and dependent on the facts at the time of disposal (including the manner in which Ordinary Shares are held and the underlying asset composition of the Company at that time). Pensana CDI holders in these circumstances are strongly advised to

seek independent tax advice based on their individual circumstances regarding whether capital gains or capital losses arising from disposal of their Ordinary Shares may be eligible for the Australian capital gains tax exemption treatment.

### 3.3 **Foreign income tax**

CDI holders may be entitled to obtain a non-refundable tax offset for foreign income tax paid on amounts included in their assessable income from the Pensana CDIs. This offset can reduce the Australian tax payable on the amounts included in a CDI holders assessable income, subject to an offset limit and certain other conditions being satisfied.

For completeness, it is noted that the UK generally should not levy withholding tax on dividends paid by the Company.

### 3.4 **Foreign income anti-deferral rules**

In certain (limited) circumstances, the Australian foreign income anti-deferral rules can operate to tax an Australian tax resident shareholder on the income of a foreign company even though the shareholder has received no actual distributions from the foreign company.

The principal foreign income anti-deferral rules that currently may apply to Pensana CDI Holders in respect of holding Pensana CDIs are the controlled foreign company ("CFC") rules.

While it would not be expected that the CFC rules would apply to a CDI holder that holds a non-controlling interest in a foreign company such as the Company, these rules are extremely complex and may be subject to change. Accordingly, Pensana CDI Holders are urged to monitor developments in this area closely and consult their own tax advisers as to the application of the foreign income anti-deferral rules to their holding of Pensana CDIs in their own individual circumstances.

### 3.5 **Foreign tax residents**

With reference to the disclaimer above, this part applies to foreign Shareholders.

#### 3.5.1 **Disposal of Shares**

Foreign shareholders that hold their Ordinary Shares on capital account and do not hold their Ordinary Shares at any time in carrying on a business at or through a permanent establishment in Australia should generally not be subject to Australian capital gains tax on the disposal of their Ordinary Shares unless the Ordinary Shares are an 'indirect Australian real property interest' or an option to acquire a share that is an 'indirect Australian real property interest'.

Broadly, shares would be an indirect Australian real property interest only if both of the following criteria are satisfied:

- (a) the foreign shareholder and its associates (as defined for tax purposes) together have held at least 10 per cent. of the Company at the time the shareholder disposed of its shares or for at least 12 months during the 24 months before the shareholder disposed of its shares; and
- (b) more than 50 per cent. of the market value of the Company's assets are represented by direct and certain indirect interests in real property in Australia (referred to as 'taxable Australian property').

### 3.5.2 Taxation on dividends received

Foreign Shareholders should generally not be subject to Australian income tax or withholding taxes on dividends they receive from the Company (on the basis that the Company will not be an Australian tax resident).

### 3.5.3 Future disposals of Pensana CDIs

Foreign Shareholders should generally not be subject to Australian capital gains tax on the disposal of Pensana CDIs unless the Pensana CDIs are an 'indirect Australian real property interest' (as described above) or an option to acquire a share or CDI that is an 'indirect Australian real property interest'.



## **Part 8**

### **Additional Information**

#### **1 INCORPORATION AND STATUS OF THE COMPANY**

The Company a public company limited by shares that was incorporated and registered in England and Wales on 13 September 2019 under the 2006 Act. The Company was incorporated with the name Pensana Rare Earths Plc and registered number 12206525.

The principal legislation under which the Company operates is the 2006 Act.

The Company's legal and commercial name is Pensana Rare Earths Plc.

The registered and head office of the Company is at 100 Pall Mall, London, England, SW1Y 5NQ. The telephone numbers of the Company's registered office are +44 (0)20 7321 3738 (London) and +44 (0)20 7321 3739 (London). The Company's website address is <https://pensana.co.uk/>.

The Company's legal entity identifier is 213800H4QP6T9499RU64.

The Company was admitted to the official list of ASX on 7 February 2020 and the Pensana CDIs became tradeable on ASX at 10.00 a.m. (Sydney time) on 12 February 2020. Please see paragraph 6 below for further information in respect of the Company's listing in Australia.

#### **2 SHARE CAPITAL**

##### **2.1 Issued Share Capital of the Company**

As at the date of this Prospectus the issued share capital of the Company is 188,274,665 Ordinary Shares. The Ordinary Shares have a nominal value of £0.001 and are fully paid.

The issued share capital of the Company immediately following Admission will be 188,274,665 Ordinary Shares and will be fully paid.

##### **2.2 History of share capital**

The Company was incorporated on 13 September 2019 with 50,000,000 Ordinary Shares of £0.001 each held by Pensana Australia as the initial subscriber (the "**Subscriber Shares**").

Pursuant to the Scheme, whereby the Company acquired the entire issued share capital of Pensana Australia:

- (a) Pensana Australia transferred the Subscriber Shares to CHESS Depositary Nominees Pty Limited ("**CDN**") on 30 January 2020;
- (b) the Company issued an additional 102,973,314 Ordinary Shares on 4 February 2020 to CDN as depositary nominee; and
- (c) on 4 February 2020 as consideration for the their transfer of Pensana Australia Shares to the Company, CDN issued:

- (i) 151,366,459 Pensana CDIs to the Scheme Participants; and
- (ii) 1,508,374 Pensana CDIs (approximately 0.99 per cent. of the total number of Pensana CDIs in issue) to a third party sale agent in respect of the consideration due to the Scheme Ineligible Foreign Shareholders.

On 11 March 2020, FSDEA subscribed for 7,648,670 Ordinary Shares at A\$0.27 per share, to raise gross proceeds of A\$2,065,141 million before expenses.

On 10 June 2020, FSDEA agreed to subscribe for an additional 25,808,633 Ordinary Shares to raise proceeds of approximately A\$7.25 million before expenses where were issued: (i) at A\$0.273 per share in respect of 13,278,388 Ordinary Shares; and (ii) A\$0.2893 per share in respect of 12,530,245 Ordinary Shares.

In June 2020, various third party commercial creditors of the Company subscribed for a total of 1,844,048 Ordinary Shares, for an aggregate subscription price of an amount equal to the debt owed to them by the Company. As at the date of this Prospectus, shares held by such creditors represent 0.98 per cent. of the total issued share capital of the Company.

### 2.3 Options

As at 30 June 2020 (being the latest practicable date prior to the date of this document), 2,450,000 Options are exercisable (subject to various acquisition prices, which are at least the nominal value of the Ordinary Shares, and various expiry dates). Please refer to section 7 of this Part 8 for more details on the Options.

### 2.4 Unlisted Performance Rights

As at 30 June 2020 (being the latest practicable date prior to the date of this document), 10,858,037 Performance Rights are convertible into 10,858,037 Ordinary Shares subject to certain specified performance conditions. Please refer to section 7 of this Part 8 for more details on the Performance Rights.

### 2.5 Confirmations

Save as disclosed in this Part 8:

- (a) the Company does not have in issue any securities not representing share capital;
- (b) no shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- (c) the Company does not hold any treasury shares and no Ordinary Shares are held by, or on behalf of, any member of the Group;
- (d) no Ordinary Shares have been issued otherwise than as fully paid;
- (e) no share or loan capital of the Company has, since 13 September 2019 to the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;

- (f) the Company has no outstanding convertible securities, exchangeable securities or securities with warrants;
  - (g) no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of any such company;
  - (h) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
  - (i) no shares of the Company have redemption rights.
- 2.6 The provisions of section 561(1) of the 2006 Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the 2006 Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been dis-applied.
- 2.7 There have been no public takeover bids by third parties in respect of the Company's share capital within the last financial year or in the current financial year as at 30 June 2020 (being the latest practicable date before the publication of this Prospectus).
- 2.8 The Ordinary Shares are denominated in Pounds Sterling.
- 2.9 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register.
- 2.10 **Share Authorities**

By a resolution passed on 15 May 2020 it was resolved:

- (a) the directors be generally and unconditionally authorised in accordance with section 551 of the 2006 Act to allot shares in the Company up to a maximum aggregate nominal amount of £40,155.50, such authority to expire at the conclusion of the next annual general meeting of the Company or, if earlier, fifteen months from 15 May 2020 but so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares pursuant to such an offer or agreement as if this authority had not expired;
- (b) in addition to the authority noted in 2.10(a) above, the directors be generally and unconditionally authorised in accordance with section 551 of the 2006 Act to allot shares in the Company up to an aggregate nominal value of £16,062 and at no less than A\$0.20 per share, such authority to expire on the date which is 3 months following 15 May 2020; and
- (c) that the directors be empowered, pursuant to section 570 of the 2006 Act, to allot equity securities (within the meaning of section 560) of the 2006 Act for cash pursuant to the authorities conferred by paragraph 2.10(a) and paragraph 2.10(b) as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (i) up to an aggregate nominal amount of £40,155.50 (where such authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, fifteen months from 15 May 2020 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.); and
- (ii) up to an aggregate nominal amount of £16,062 (where such authority shall expire on the date which is 3 months following 15 May 2020).

### 3 **DIRECTORS AND SENIOR MANAGEMENT**

Details of the Directors and Senior Management and their functions in the Company are set out in Part 3 of this document.

- 3.1 In addition to their directorships in the Group, the Directors and members of the Senior Management currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the Senior Management:

| <i><b>Name</b></i> | <i><b>Current appointments</b></i>                                                                                                                                                                                                                | <i><b>Past appointments</b></i>                                                                                                     |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| <b>Directors</b>   |                                                                                                                                                                                                                                                   |                                                                                                                                     |
| Paul Atherley      | Berkeley Exploration Limited<br>Hotspur 2019 Limited<br>Leyshon Energy Limited<br>Selection Capital Limited                                                                                                                                       | Berkeley Energia Ltd<br>China – Britain Business Council<br>Leyshon Resources Limited                                               |
| Timothy George     | Elgin Distilling Company Ltd<br>Southern Discovery Metals Limited<br>Waalford Eiendomme No 15 CC                                                                                                                                                  | Baroque Resources Ltd<br>IGE Resources AB<br>Ouboksraal Properties(Pty) Ltd<br>Stray Diamonds (Pty) Ltd<br>3 Laws Capital (Pty) Ltd |
| David Hammond      | None                                                                                                                                                                                                                                              | Peak Resources Ltd                                                                                                                  |
| Mark Hohnen        | Bacanora Chemco sa de cv<br>Bacanora Minerals Limited<br>Bacanora Lithium Ltd<br>Cedarvale Resources Limited<br>Fernan Pty Ltd<br>Gnarabup Beach Pty Ltd<br>Harley (WA) Pty Ltd<br>Kumla Pty Ltd<br>The Vies (WA) Pty Ltd<br>Tsuruya Shoji Co Ltd | Australian Insurance Exchange Ltd<br>Boss Resources Limited<br>Peak Coal Pty Ltd<br>Salt Lake Potash Limited<br>Swakop Uranium Pty  |

Tsuruya Shangyo Co Ltd  
Vynben Pty Ltd  
Vynben Custodian No.2 Pty Ltd  
Vynben Custodian Pty Ltd  
Vynben Pension Pty Ltd  
Zinnwald Lithium Ltd

|                 |      |                                                                         |
|-----------------|------|-------------------------------------------------------------------------|
| Neil Maclachlan | None | Jinchuan Group International Resources Co Ltd<br>Oklo Resources Limited |
|-----------------|------|-------------------------------------------------------------------------|

#### Senior Management

|               |                                               |                                                                                                                                                                                                                  |
|---------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robert Kaplan | Geokap Mining & Consulting Services (Pty) Ltd | Ealing Management Services (Pty) Ltd<br>Premier Rose Management Services (Pty) Ltd<br>Petra Diamonds Jersey Treasury Limited (alternate director)<br>Petra Diamonds Netherlands Treasury BV (alternate director) |
|---------------|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

3.2 As at 30 June 2020 (being the latest practicable date prior to the date of this document), the interests (all of which unless stated, are beneficial) or are interests of a person connected with the Directors or Senior Management were as follows:

| <i><b>Director/Senior Management</b></i> | <i><b>Number of Ordinary Shares</b></i> | <i><b>Percentage of issued share capital as at the Latest Practicable Date <sup>(3)</sup></b></i> | <i><b>Percentage of issued share capital following Admission</b></i> |
|------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| <b>Directors</b>                         |                                         |                                                                                                   |                                                                      |
| Paul Atherley                            | 9,069,861 <sup>(1)</sup>                | 4.82%                                                                                             | 4.82%                                                                |
| Timothy George                           | -                                       | -                                                                                                 | -                                                                    |
| David Hammond                            | 2,046,000                               | 1.09%                                                                                             | 1.09%                                                                |
| Mark Hohnen                              | 4,336,193 <sup>(2)</sup>                | 2.30%                                                                                             | 2.30%                                                                |
| Neil Maclachlan                          | 2,417,385                               | 1.28%                                                                                             | 1.28%                                                                |
| <b>Senior Management</b>                 |                                         |                                                                                                   |                                                                      |
| Robert Kaplan                            | -                                       | -                                                                                                 | -                                                                    |

#### Notes:

<sup>(1)</sup> Held through Selection Capital Limited.

<sup>(2)</sup> Held through Vynben Pty Limited.

<sup>(3)</sup> Adjusted to include the subscription by QG Africa Mining L.P. of 16,508,633 Ordinary Shares on 1 July 2020.

| <i>Director/Senior Management</i> | <i>Options</i> | <i>Performance Rights</i> |
|-----------------------------------|----------------|---------------------------|
| <b>Directors</b>                  |                |                           |
| Paul Atherley                     | -              | 3,858,037                 |
| Timothy George                    | -              | 2,500,000                 |
| David Hammond                     | -              | 1,000,000                 |
| Mark Hohnen                       | -              | -                         |
| Neil Maclachlan                   | -              | -                         |
| <b>Senior Management</b>          |                |                           |
| Robert Kaplan                     | -              | 2,000,000                 |

3.3 None of the Directors or members of the Senior Management has at any time within the last five years:

- (a) had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
- (b) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (c) been a director or senior manager of a company which has been put into receivership, compulsory liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors; or
- (d) been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order.

3.4 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

3.5 Save as disclosed, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director or member of the Senior Management was selected.

3.6 There are no restrictions agreed by any Director or member of the Senior Management on the disposal within a certain period of time of their holdings in the Company's securities.

3.7 No Director has any conflict of interest between duties to the Company and his private interests or other duties.

#### 4 **INTERESTS OF MAJOR SHAREHOLDERS**

- 4.1 As at 30 June 2020 (being the latest practicable date prior to the date of this document), the Company is aware of the following persons who, in addition to the Directors and Senior Management set out in paragraph 3.2 above, directly or indirectly, were interested in 3 per cent. or more of the Company's capital or voting rights:

| <i><b>Name</b></i>                       | <i><b>Before Admission<sup>(1)</sup></b></i> |                                           | <i><b>Following Admission</b></i>       |                                           |
|------------------------------------------|----------------------------------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|
|                                          | <i><b>Number of Ordinary Shares</b></i>      | <i><b>Percentage of voting rights</b></i> | <i><b>Number of Ordinary Shares</b></i> | <i><b>Percentage of voting rights</b></i> |
| QG Africa Mining L.P. <sup>(1)</sup>     | 33,457,303                                   | 17.77%                                    | 33,457,303                              | 17.77%                                    |
| National Nominees Limited                | 15,836,181                                   | 8.41%                                     | 15,636,181                              | 8.41%                                     |
| JP Morgan Nominees Australia Pty Limited | 6,371,759                                    | 3.38%                                     | 6,371,759                               | 3.38%                                     |
| Mr Richard Arthur Lockwood               | 6,168,300                                    | 3.28%                                     | 6,168,300                               | 3.28%                                     |

<sup>(1)</sup> Adjusted to include the subscription by QG Africa Mining L.P. of 16,508,633 Ordinary Shares on 1 July 2020.

- 4.2 Save as disclosed in paragraphs 3.2 and 4.1 above, the Company is not aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 4.3 The persons including the Directors and members of the Senior Management, referred to in paragraphs 3.2 and 4.1, do not have voting rights that differ from those of other Shareholders.

## 5 **ARTICLES OF ASSOCIATION**

The Articles were adopted on 13 September 2019 and subsequently amended on 29 November 2019. The Company's objects are not restricted by its Articles, accordingly, pursuant to section 31(1) of the 2006 Act, the Company's objects are unrestricted. The liability of the members is limited to the amount, if any, unpaid on the Ordinary Shares respectively held by them. The Articles contain provisions to the following effect.

### 5.1 **Voting rights**

Subject to the rights or restrictions referred to in paragraph 5.3 below and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one

vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

## **5.2 Rights attached to shares**

Any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide.

## **5.3 Restrictions on voting**

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

A member of the Company shall not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 793 of the 2006 Act within 14 days. The restrictions will continue for the period specified by the board provided that such period shall end not later than seven days after the earliest of (i) due compliance to the satisfaction of the board with the section 793 notice; or (ii) receipt by the Company of notice that the shareholding has been sold to a third party pursuant to an arm's length transfer.

## **5.4 Dividends**

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit. The directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of an Ordinary Share shall bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid instead of cash in respect of all or part of a dividend (a "scrip dividend"). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 793 of the 2006 Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its directors may fix a date as the record date for a dividend and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and cease to remain owing by the Company.

## **5.5 Return of capital**

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as



between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member shall be compelled to accept any assets on which there is any liability.

## **5.6 Variation of rights**

All or any of the rights attaching to a class of shares in the Company may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of the class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).

## **5.7 Transfer of shares**

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes (as defined in the Articles) or in any other manner approved by the board. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or approved by the board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the board.

The directors have a discretion to refuse to register a transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is duly stamped or duly certified or otherwise shown to the satisfaction of the board to be exempt from stamp duty and is deposited at the office of the Company or such other place as the board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of share as in favour of no more than four transferees. The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 793 of the 2006 Act and which represent at least 0.25 per cent. of the issued shares of their class, and in respect of which the required information has not been received by the Company within 14 days after service of the notice.

Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully paid shares.

## **5.8 Alteration of capital and purchase of own shares**

The Company may alter its share capital in accordance with the provisions in any manner permitted by the Statutes.

## **5.9 General meetings**

### **5.9.1 *Annual general meetings***

The board shall convene and the Company shall hold annual general meetings in accordance with the requirements of the Statutes.

5.9.2 *Convening of general meetings*

All meetings other than annual general meetings shall be called general meetings. The board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened by the board on the requisition of members pursuant to the provisions of the Statutes or, in default, may be convened by such requisitions, as provided by the Statutes. The board shall comply with the provisions of the Statutes regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

5.9.3 *Orderly conduct of meetings*

The board may both prior to and during any general meeting make any arrangements and impose any requirement or restriction which they consider appropriate to ensure the security and orderly conduct of a general meeting, including, without limitation, requirements for evidence of identity to be produced by those attending, the searching of their personal property and the restriction of items that may be taken into the meeting place. The board is entitled to refuse entry to a person who refuses to comply with these requirements or restrictions.

5.9.4 *Notice of general meetings*

Subject to the provisions of the Statutes, an annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as is prescribed under the Statutes for the type of meeting concerned.

The notice shall specify the date, time and place of the meeting, means, or all different means, of attendance and participation and the general nature of the business to be transacted.

Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the shares which they hold, are not entitled to receive such notices from the Company, and also to the auditors (or, if more than one, each of them) and to each director.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote at that meeting instead of him and that a proxy need not be a member of the Company.

5.9.5 *Quorum*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting.

Except as otherwise provided by the Articles two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or by proxy or a duly authorised representative of a corporation which is a member shall be a quorum. If within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed

for the commencement of the meeting a quorum is not present, or if during the meeting, a quorum ceases to be present, the meeting, if convened by or on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to such other day (not being less than ten clear days after the original meeting) and at such other time and place, as the chairman of the meeting may decide. If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting or if during the meeting a quorum ceases to be present, the adjourned meeting shall be dissolved.

5.9.6 *Chairman*

At each general meeting, the chairman of the board or, if he is absent or unwilling, the deputy chairman shall preside as chairman at every general meeting. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor the deputy chairman is present within five minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor the deputy chairman is willing to act as chairman, the directors present shall choose one of their number to act, or if one director only is present he shall preside as chairman of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman of the meeting.

5.9.7 *Directors entitled to attend and speak*

Each director shall be entitled to attend and speak at any general meeting of the Company and at any separate general meeting of the holders of any class of shares of the Company.

5.9.8 *Adjournment*

With the consent of any meeting at which a quorum is present the chairman of the meeting may (and if so directed by the meeting shall) adjourn the meeting either sine die or to another time or place.

In addition, the chairman of the meeting may at any time without the consent of the meeting adjourn the meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place if, in his opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment some members may be unable to be present at the adjourned meeting.

5.9.9 *Method of voting and demand for poll*

At a general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting; or
- (b) any two directors; or
- (c) not less than five members present in person or by proxy having the right to vote on the resolution; or
- (d) a member or members present in person or by proxy representing in aggregate not less than 10 per cent. of the total voting rights of all the

members having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares); or

- (e) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares),

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

#### 5.9.10 *Taking a poll*

If a poll is demanded (and the demand is not withdrawn), it shall be taken at such time (either at the meeting at which the poll is demanded or within 30 days after the meeting), at such place and in such manner as the chairman of the meeting shall direct and he may appoint scrutineers (who need not be members).

#### 5.9.11 *Proxies*

A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member.

#### 5.9.12 *Form of proxy*

An appointment of a proxy shall be in writing in:

- (a) hard copy in any usual form or in any other form which the board may approve, signed by the appointor, or his agent duly authorised in writing, or, if the appointor is a corporation, shall either be executed under its common seal or be signed by some agent or officer authorised to sign it; or
- (b) electronic form.

#### 5.9.13 *Deposit of proxy*

The appointment of a proxy shall:

- (a) in the case of an appointment in hard copy form, be delivered by hand or by post to the office or such other place within the UK as may be specified by or on behalf of the Company for that purpose in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting; or
- (b) in the case of an appointment in electronic form, be received at an address specified (or is deemed by a provision in the 2006 Act to have been specified) by or on behalf of the Company for the purpose of receiving documents or information in electronic form in, the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting or in any invitation to appoint a proxy issued by or on behalf of the Company in relation to the meeting or on a website that is

maintained by or on behalf of the Company and identifies the Company, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting; or

- (c) in the case of a poll which is taken more than 48 hours after it was demanded, be delivered or received as aforesaid not less than 24 hours before the time appointed for the taking of the poll; or
- (d) in the case of a poll which is not taken at the meeting at which it is demanded but is taken not more than 48 hours after it was demanded, be delivered in hard copy form at the meeting at which the poll was demanded to the chairman, or to the secretary or to any director.

The board may at its discretion determine that in calculating the periods mentioned above, no account shall be taken of any part of a day that is not a working day, as defined in the Statutes.

In relation to any shares which are held in uncertificated form, the board may from time to time permit appointments of a proxy to be made by electronic means in the form of an uncertificated proxy instruction.

An appointment of a proxy relating to more than one meeting (including any adjournment thereof) having once been so received for the purposes of any meeting shall not be required to be received again for the purposes of any subsequent meeting to which it relates.

#### 5.9.14 *Notice of revocation of proxy*

Notice of the revocation of the appointment of a proxy may be given in any lawful manner which complies with the regulations (if any) made by the directors to govern the revocation of a proxy.

### 5.10 **Directors**

#### 5.10.1 *Number*

Unless otherwise determined by ordinary resolution of the Company, the directors (other than alternate directors) shall not be less than two or more than eight in number.

#### 5.10.2 *Appointment of directors*

Subject to the provisions of the Articles, any person who is willing to act to be a director, either to fill a vacancy or as an additional director, may be appointed by:

- (a) the Company by ordinary resolution; or
- (b) the board,

but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any director so appointed shall retire at the next annual general meeting and shall then be eligible for re-appointment.

No person (other than a director retiring in accordance with the Articles) shall be appointed or re-appointed a director at any general meeting unless:

- (c) he is recommended by the board; or
- (d) not less than seven nor more than 42 clear days before the date appointed for the meeting notice in writing by a member qualified to vote at the meeting (other than the person to be proposed) has been given to the Company of the intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of his willingness to be appointed or re-appointed and the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors.

#### 5.10.3 *Remuneration*

The directors (other than any director who for the time being holds an executive office of employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as determined by the directors. The aggregate of the fees shall not exceed £500,000 per annum (or such larger sum as the Company may, by ordinary resolution determine). Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the Articles and shall accrue from day to day. The directors may be paid all reasonable travelling, hotel and other expenses properly incurred in and about the discharge of their duties including expenses of travelling to and from meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

#### 5.10.4 *Retirement of directors*

At every annual general meeting, one third of the directors of the Company shall retire from office by rotation. The directors to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A director who retires at an annual general meeting may be put for re-election if they are willing to continue to act.

#### 5.10.5 *Position of retiring directors*

A director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to continue to act, be re-appointed. If he is re-appointed he is treated as continuing in office throughout. If he is not re-appointed, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to re-appoint the director is put to the meeting and lost.

#### 5.10.6 *Removal of Directors*

The Company may by ordinary resolution, of which special notice has been given in accordance with the Statutes, remove any director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company.

#### 5.10.7 *Vacation of office of Director*

Without prejudice to the provisions of the Articles for retirement or removal, the office of a director shall be vacated:

- (a) if he ceases to be a director by virtue of any provision of the Statutes or is removed from office pursuant to the Articles; or
- (b) if he is prohibited by law from being a director; or
- (c) if he becomes bankrupt or he makes any arrangement or composition with his creditors generally; or
- (d) if a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
- (e) if for more than six months he is absent (whether or not an alternate director attends in his place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that his office be vacated; or
- (f) if he serves on the Company notice of his wish to resign, in which event he shall vacate office on the service of that notice on the Company or at such later time as is specified in the notice.

#### 5.10.8 *Executive Directors*

The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with the Company and on such terms as the board determine.

A director appointed to any executive office or employment shall automatically cease to hold that office if he ceases to be a director.

#### 5.10.9 *Power to appoint alternate Directors*

Each director may appoint another director or any other person who is willing to act as his alternate and may remove him from that office. The appointment as an alternate director of any person who is not himself a director shall be subject to the approval of a majority of the directors or a resolution of the board.

An alternate director shall be entitled to receive notice of all meetings of the board and of all meetings of committees of which the director appointing him is a member, to attend and vote at any such meeting at which the director appointing him is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the proceedings at the meeting the provisions of the Articles shall apply as if he were a director.

Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director, but he shall count as only one for the purpose of determining whether a quorum is present.

#### 5.10.10 *Quorum and voting requirements*

- (a) A director shall not vote on (or be counted in the quorum) in relation to any resolution of the board concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other

company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each director and in that case each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

- (b) A director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which he is interested, save:
  - (i) where the other directors resolve that the director concerned should be entitled to do so in circumstances where they are satisfied that the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
  - (ii) in any of the following circumstances:
    - (A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by the director or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
    - (B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has himself assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
    - (C) the giving to him of any other indemnity, where all other directors are also being offered indemnities on substantially the same terms;
    - (D) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
    - (E) any contract concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer the director is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
    - (F) any contract in which the director is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;



- (G) any contract concerning any other company in which the director is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise, unless the company is one in which he has a relevant interest;
  - (H) any contract relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (I) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company and/or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
  - (J) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death, or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to employees to which the fund or scheme relates; and
  - (K) any contract concerning the purchase or maintenance of insurance against any liability, for the benefit of persons including directors.
- (c) A company shall be deemed to be one in which a director has a relevant interest if and so long as he (together with persons connected with him within the meaning of sections 252 to 255 of the 2006 Act) to his knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of the 2006 Act) representing 1 per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company or if he can cause 1 per cent. or more of those voting rights to be exercised at his direction.
- (d) Where a company in which a director has a relevant interest is interested in a contract, he shall also be deemed interested in that contract.

#### 5.10.11 *Other conflicts of interest*

- (a) If a director is in any way, directly or indirectly, interested in a proposed contract with the Company or a contract that has been entered into by the Company, he must declare the nature and extent of that interest to the directors in accordance with the Statutes.
- (b) Provided he has declared his interest in accordance with paragraph 5.10.11(a), a director may:

- (i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
- (ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide, either in addition to or in lieu of any remuneration under any other provision of the Articles;
- (iii) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
- (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
- (v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

#### 5.10.12 *Conflicts of interest requiring board authorisation*

- (a) A "conflict of interest" means, in relation to any person, an interest or duty which that person has which directly or indirectly conflicts or may conflict with the interests of the Company or the duties owed by that person to the Company but excludes a conflict of interest arising in relation to a transaction or arrangement with the Company (to which the provisions of paragraph 5.10.11 above apply).
- (b) The board may, subject to the quorum and voting requirements set out in the Articles, authorise any matter which would otherwise involve a director breaching his duty under the Statutes to avoid conflicts of interest ("**Conflicts**").
- (c) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.
- (d) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of the Articles save that:
  - (i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and

- (ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.
- (e) Where the board gives authority in relation to a Conflict, or where any of the situations described in this paragraph applies in relation to a director (a **"Relevant Situation"**):
  - (i) the board may (whether at the relevant time or subsequently) (i) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (ii) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;
  - (ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;
  - (iii) the board may provide that where the relevant director obtains (otherwise than through his position as a director of the Company) information that is confidential to a third party, the director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence;
  - (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
  - (v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.
- (f) The directors may authorise a matter which may give rise to a Conflict on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors shall promptly be communicated to such person and shall apply to him on his appointment as a director.
- (g) A director shall not be regarded as having a Conflict by reason of his also being a director of or holding any other position with another Group Company and the director shall not be in breach of any duty to the Company by reason of his disclosure of any information to the other Group Company or by anything done by the other Group Company including the exploitation of any property, information or opportunity following any such disclosure to it by the director. The directors may resolve that a specified company shall no longer be treated as a Group Company for the purposes of the Articles.

#### 5.10.13 *Benefits*

Subject to the provisions of the Statutes a director shall not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise. Subject to the

interest of the director being duly declared, a contract entered into by or on behalf of the Company in which any director is in any way interested shall not be liable to be avoided; nor shall any director so interested be liable to account to the Company for any benefit resulting from the contract by reason of the director holding that office or of the fiduciary relationship established by his holding that office.

#### 5.10.14 *Powers of the board*

The business of the Company shall be managed by the board which may exercise all the powers of the Company, subject to the provisions of the Statutes and the Articles. No alteration of the Articles shall invalidate any prior act of the board which would have been valid if the alteration had not been made.

#### 5.10.15 *Borrowing powers*

Subject to the provisions of the Statutes and the Articles, the board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the Company's undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 5.10.16 *Committees*

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are directors and that no meeting of the committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

#### 5.10.17 *Quorum*

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of the Articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

#### 5.10.18 *Voting*

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote, unless he is not, in accordance with the Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

## 6 **ASX LISTING**

The Company was admitted to the official list of ASX on 7 February 2020 following the Scheme being implemented. In order for the Ordinary Shares of the Company to trade electronically on the ASX, the Company is participating in the electronic

transfer systems known as CHESS which is operated by ASX Settlement. CHESS cannot be used directly for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as the United Kingdom. Accordingly, to enable the Ordinary Shares to be cleared and settled electronically through CHESS, depositary interests called CHESS Depositary Interests, or CDIs were issued by the Company to Scheme Shareholders pursuant to the Scheme.

#### 6.1 **Voting rights of Pensana CDI Holders**

Holders of Pensana CDIs have a beneficial interest in Ordinary Shares, however the legal title is held by a depositary. Accordingly, whilst holders of Pensana CDIs have all economic benefits of holders of Ordinary Shares as they are not on the register of members of the Company, they are not entitled to attend or vote at the Company's general meetings unless they:

- (a) instruct depositary, as legal owner, to vote the Ordinary Shares underlying their Pensana CDIs in a particular manner; or
- (b) inform the Company that they wish to nominate themselves or another person to be appointed as the depositary's proxy for the purposes of attending and voting the shares underlying their Pensana CDIs at the general meeting; or
- (c) convert their Pensana CDIs into a holding of Ordinary Shares and voting these at the general meeting.

#### 6.2 **Converting Pensana CDIs to Ordinary Shares**

Holders of Pensana CDIs can convert their Pensana CDIs to Ordinary Shares by instructing the Company's share registry, Computershare Investors Pty Limited ("**Computershare**") to either:

- (a) directly in the case of Pensana CDIs on the issuer sponsored sub-register operated by the Company. Pensana CDI holders will be provided with a form entitled "CDI Cancellation: Australia to United Kingdom Share Register" for completion and return to Computershare; or
- (b) through their "sponsoring participant" (usually a broker) in the case of Pensana CDIs which are sponsored on the CHESS sub register. In this case, the sponsoring broker will arrange for completion of the relevant form and its return to Computershare.

Computershare will then arrange for the transfer of Ordinary Shares from CHESS Depositary Nominees Pty Ltd to the former Pensana CDI holder and issue to the former Pensana CDI holder a corresponding share certificate. The transferred Ordinary Shares will then be registered in the name of the previous Pensana CDI holder on the Company's register of members. Such process would normally complete the business day after Computershare receives the duly completed and valid CDI cancellation request form.

### 7 **EMPLOYEE INCENTIVE PLAN**

The Company has adopted an employee incentive plan (the "**Plan**"). The principal terms of the Plan are as follows.

#### 7.1 **Eligibility**

The eligible participants under the Plan are Directors and Employees who are declared by the Board in its sole and absolute discretion to be eligible to receive grants of Ordinary Shares, Options or Performance Rights under the Plan; or any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of Ordinary Shares, Options or Performance Rights under the Plan. For the purposes of the Plan, "**Employee**" means an employee, director or other consultant or contractor of the Company or any of its subsidiaries and "**Eligible Employees**" means Employees that the Board have declared to be eligible to receive grants of Ordinary Shares, Options or Performance Rights under the Plan. In accordance with the ASX Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan and be granted Ordinary Shares, Options or Performance Rights.

## 7.2 **Acquisition price**

The acquisition price per new Ordinary Share will not be less than the nominal value of the Ordinary Shares and shall be determined by the Board.

## 7.3 **Option terms**

- (a) The Board will determine performance criteria or vesting conditions attaching to an Option (if any). There are currently no performance criteria or vesting conditions attaching to the outstanding Options in issue.
- (b) Each vested Option will entitle the holder to one Ordinary Share on written notice to the Company and payment of the acquisition price (which shall not be less than the nominal value per Ordinary Share).
- (c) A Participant who holds Options is not entitled to notice of, or to vote or attend at a meeting of Shareholders, receive any dividends declared by the Company, or participate in any new issue of securities offered to Shareholders during the term of the Options, unless and until the Options are exercised and the participant holds Ordinary Shares under the Plan.
- (d) Options will only vest and be exercisable if any applicable performance criteria or vesting conditions have been satisfied, are deemed satisfied under the Plan rules, or are waived by the Board.
- (e) Options granted under the Plan may not be assigned, transferred or encumbered, or otherwise disposed of by a participant, unless the prior consent of the Board is obtained (and the Board may impose such conditions as it sees fit) or the assignment or transfer occurs by force of law upon the death of a participant to their legal personal representative.
- (f) If the Company makes an issue of Ordinary Shares pro rata to existing Shareholders (other than an issue in lieu of satisfaction of dividends or by way of dividend reinvestment), the acquisition price of the Option will be reduced according to the formula in ASX Listing Rule 6.22.2.
- (g) If the Company makes a bonus issue of Ordinary Shares or other securities to existing Shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment), the number of securities over which the Option is exercisable will be adjusted in accordance with ASX Listing Rule 6.22.3.

- (h) If there is any reorganisation of the issued share capital of Company the rights of the participant who holds Options will be varied to comply with the ASX Listing Rules that apply to the reorganisation at the time.
- (i) The Board will not seek official quotation of Options, but must use all reasonable endeavours to obtain the grant of quotation of Ordinary Shares or Pensana CDIs (as applicable) issued on exercise of Options.

#### 7.4 **Performance Right terms**

- (a) The Board may offer Performance Rights to an Eligible Employee at its sole discretion.
- (b) A Performance Right confers an entitlement to be provided with one Ordinary Share upon satisfaction of specified performance criteria and payment of the nominal value per Ordinary Share.
- (c) A Participant who holds Performance Rights is not entitled to notice of, or to vote or attend at a meeting of Shareholders, or receive any dividends declared by the Company, unless and until the Performance Rights are satisfied and the Participants holds Ordinary Shares under the Plan.
- (d) Unless otherwise determined by the Board, Performance Rights cannot be transferred to or vest in any person other than the Participant.
- (e) If there is any reorganisation of the issued share capital of the Company, the rights of the participant who holds Performance Rights will be varied to comply with the ASX Listing Rules that apply to the reorganisation at the time.
- (f) The Board will not seek official quotation of Performance Rights, but must use all reasonable endeavours to obtain the grant of quotation of Ordinary Shares or Pensana CDIs (as applicable) issued on exercise of Performance Rights.
- (g) The current performance right criteria attached to the outstanding Performance Rights relate to the delivery of a positive definitive feasibility study and a decision being made by the Company to proceed with financing and the development of the Longonjo Project.

#### 7.5 **Individual limit**

The Plan does not set out a maximum number of Ordinary Shares that may be made issuable to any one person or company.

#### 7.6 **Lapse and termination**

Subject to the Board's discretion, Options and Performance Rights shall automatically be cancelled for no consideration where:

- (a) the participant ceases to hold employment or office (subject to good leaver provisions); or
- (b) the Options or Performance Rights are forfeited under the terms of the offer made by the Company or, in the reasonable opinion of the Board, the participant acts fraudulently or dishonestly, or wilfully breaches his or her duties to the Company; or

- (c) the applicable performance criteria or vesting conditions are not achieved by the relevant time; or
- (d) the Board determines, in its reasonable opinion, that the applicable performance criteria or vesting conditions have not been met and cannot be met within the relevant time; or
- (e) in the case of Options, the expiry date has passed; or
- (f) in the case of Performance Rights, the Board determines that the participant has not satisfied the performance criteria; or
- (g) the Board determines that the participant has brought the Company into disrepute; or
- (h) the participant surrenders the Performance Rights or Options; or
- (i) the offer letter given to the participant by the Company provides for the cancellation of the Performance Rights or Options in any other circumstances.

## 7.7 **Change of control**

All Performance Rights which have not yet vested or lapsed will automatically and immediately vest, and a participant may exercise any or all of their Options, regardless of whether the vesting conditions have been satisfied (provided that no Option will be capable of exercise later than the expiry date), if any of the following change of control events occur:

- (a) the Company announces that its shareholders have at a court convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement (excluding a merger by way of scheme of arrangement for the purposes of a corporate restructure (including change of domicile, or any reconstruction, consolidation, sub-division, reduction or return) of the issued capital of the Company) and the court, by order, approves the scheme of arrangement;
- (b) a takeover bid is announced, has become unconditional and the person making the takeover bid has an interest in 50 per cent. or more of the issued Ordinary Shares;
- (c) any person acquires an interest in 50.1 per cent. or more of the issued Ordinary Shares by any other means; or
- (d) the Company announces that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed.

## 7.8 **Limits on share capital**

The Company must not make an offer for Ordinary Shares, Options or Performance Rights under the Plan if, immediately afterwards, the sum of:

- (a) the total number of unissued Ordinary Shares which may be acquired pursuant to the offer (for avoidance of doubt, including pursuant to Options or Performance Rights which may be applied for as part of the offer);



- (b) the total number of unissued Ordinary Shares over which Options have been granted or Performance Rights issued during the preceding three years under this Plan and any other Group employee incentive scheme; and
- (c) the total number of Ordinary Shares (not being Plan shares) issued during the preceding three years under this Plan and any other Group employee incentive scheme,

would exceed 10 per cent. of the total number of Ordinary Shares in issue at the time of the proposed issue.

The aggregate of all Options and Performance Rights outstanding as at 30 June 2020 (being the latest practicable date prior to the date of this document), will represent approximately 7.07 per cent. of the total number of Ordinary Shares in issue on Admission.

## 8 **DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

### 8.1 **Executive Directors**

Each of the Executive Directors has a letter of appointment in respect of their directorship with the Company. In addition, each Executive Director provides their services to the Group pursuant to a service contract with Pensana Australia. None of the Executive Directors are entitled to any benefit upon termination of their employment or loss office.

#### **Tim George, (Effective – 22 April 2019)**

*Executive Director / Chief Executive Officer*

Mr George entered into an employment agreement with Pensana Australia in respect of his role as Chief Executive Officer on 22 April 2019. The remuneration terms of the employment agreement comprise:

- (a) salary of A\$300,000 per annum, plus superannuation;
- (b) a short term incentive of 50 per cent. of base salary which will be reviewed annually and will be paid on achievement of near term milestones; and
- (c) long term incentives that will, if certain performance criteria are satisfied, result in the issue of up to 2,500,000 Ordinary Shares.

Mr George's employment agreement can be terminated:

- (a) by the Company or by Mr George without reason and by giving the other party three months' notice; or
- (b) by the Company for serious misconduct by Mr George.

On 5 March 2020, Mr George entered into a letter of appointment with the Company pursuant to which he was appointed a Director of the Company with effect from 13 September 2019. Such appointment can be terminated by either party giving three months' prior written notice or in accordance with the provisions of the 2006 Act or the Articles.

#### **David Hammond, (Effective 1 July 2019)**

*Executive Director / Chief Operations Officer*

Mr Hammond entered into an employment agreement with Pensana Australia in respect of his role as Chief Operations Officer on 12 November 2017. A review was completed on 28 June 2019, in which revised terms to his employment agreement became effective as at 1 July 2019. The remuneration terms of the employment agreement comprise:

- (c) salary of A\$275,000 per annum, plus superannuation;
- (d) a short term incentive of 50 per cent. of base salary which will be reviewed annually and will be paid on achievement of near term milestones; and
- (e) long term incentives that will, if certain performance criteria are satisfied, result in the issue of up to 2,000,000 Ordinary Shares.

Mr Hammond's employment can be terminated:

- (a) by the Company or by Mr Hammond without reason and by giving the other party three months' notice; or
- (b) by the Company for serious misconduct by Mr Hammond.

On 5 March 2020, Mr Hammond entered into a letter of appointment with the Company pursuant to which he was appointed a Director of the Company with effect from 5 February 2020. Such appointment can be terminated by either party giving three months' prior written notice or in accordance with the provisions of the 2006 Act or the Articles.

8.2

**Non-Executive Directors**

**Paul Atherley, (Effective – 13 May 2018)**

*Non- Executive Chairman*

Mr Atherley has entered into a letter of appointment with the Company in respect of his appointment as Non-executive Director/ Chairman. The remuneration terms of the letter of appointment comprise:

- (a) salary of A\$75,000 per annum, plus superannuation; and
- (b) incentives that will, if certain performance criteria are satisfied, result in the issue of up to 7,716,074 Ordinary Shares.

Mr Atherley's appointment can be terminated:

- (a) by the Company or by Mr Atherley without reason and by giving the other party three months' notice; or
- (b) by the Company for serious misconduct by Mr Atherley.

Pensana Australia has also entered into an agreement with Selection Capital Limited (of which Mr Atherley is a director and shareholder) in respect of consultancy services to be provided to the Group.

Each of the other non-executive Directors has a letter of appointment with the Company. Non-Executive Directors' fees are reviewed on a regular basis against

industry benchmarks. Other than compulsory payments made under the superannuation guarantee legislation or salary sacrifice agreements, there are no retirement benefits provided to Non-Executive Directors. The Non-Executive Director's fees are currently set at A\$50,000 per annum plus superannuation (if applicable). The approved aggregate limit of fees that may be paid to Non-Executive Directors is A\$400,000 per annum.

Each of the non-executive Directors is appointed for an initial term of 3 years unless terminated earlier by either the Director or the Company on three months' notice or terminated in accordance with the provisions of the 2006 Act or the Articles.

8.3 In the financial year ended 30 June 2019, the aggregate remuneration (including pension fund contributions and benefits in kind) of the Directors and Senior Management was A\$2,757,321. The aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses) of the Directors and Senior Management in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be A\$1,803,116.

8.4 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this Prospectus.

## 9 DIRECTORS' AND SENIOR MANAGEMENT REMUNERATION

9.1 Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the financial year ended 30 June 2019, the Directors and Senior Management were remunerated as set out below:

|                                  | Salary & fees | Other   | Post-Employment Benefits<br>Superannuation | Ordinary Share-based payment<br>Options rights | Total<br>& Total |
|----------------------------------|---------------|---------|--------------------------------------------|------------------------------------------------|------------------|
|                                  | A\$           | A\$     | A\$                                        | A\$                                            | A\$              |
| <b>DIRECTORS</b>                 |               |         |                                            |                                                |                  |
| <b>Paul Atherley</b>             | 75,000        | 156,660 | -                                          | 1,352,321                                      | <b>1,583,981</b> |
| <b>Timothy George</b>            | 58,717        | 39,389  | -                                          | 45,398                                         | <b>143,504</b>   |
| <b>David Hammond</b>             | 250,000       | -       | 23,750                                     | 366,445                                        | <b>640,195</b>   |
| <b>Mark Hohnen</b>               | 50,000        | -       | -                                          | -                                              | <b>50,000</b>    |
| <b>Neil Maclachlan</b>           | 50,000        | -       | -                                          | -                                              | <b>50,000</b>    |
| <b>SENIOR MANAGEMENT</b>         |               |         |                                            |                                                |                  |
| <b>Scott Mison<sup>(1)</sup></b> | 180,000       | -       | 17,100                                     | 92,541                                         | <b>289,641</b>   |

**Robert Kaplan<sup>(2)</sup>**

<sup>(1)</sup> Scott Mison resigned as company secretary and Chief Financial Officer on 6 January 2020.

<sup>(2)</sup> Robert Kaplan was appointed as company secretary and Chief Financial Officer on 6 January 2020.

## 10 THE COMPANY AND ITS SUBSIDIARIES

The Company is the holding company of the Group and has the following principal subsidiaries:

| Name                                                        | Country of registration or incorporation | Principal activity  | % Ownership |
|-------------------------------------------------------------|------------------------------------------|---------------------|-------------|
| <b>Parent entity:</b>                                       |                                          |                     |             |
| Pensana Rare Earths plc                                     | United Kingdom                           | Holding Company     |             |
| <b>Controlled entities:</b>                                 |                                          |                     |             |
| Pensana Metals Ltd (formerly Rift Valley Resources Limited) | Australia                                | Holding company     | 100         |
| Pensana Finance (Jersey) Limited                            | Jersey                                   | Shell company       | 100         |
| Carlton Resources Pty Ltd                                   | Australia                                | Holding company     | 100         |
| Carlton Miyabi Tanzania Limited <sup>(1)</sup>              | Tanzania                                 | Exploration company | 100         |
| Coola Mining LDA <sup>(2)</sup>                             | Angola                                   | Exploration company | 90          |
| Carlton Kitongo Tanzania Limited                            | Tanzania                                 | Dormant             | 100         |
| Bright Star Tanzania Limited                                | Tanzania                                 | Dormant             | 100         |
| Rift Valley Resources (Africa) Pty Ltd                      | Australia                                | Dormant             | 100         |
| Rift Valley Resources Tanzania Limited                      | Tanzania                                 | Dormant             | 100         |
| Tasman Goldfields Australia Operations Pty Ltd              | Australia                                | Holding company     | 100         |
| Sable Minerals Pty Ltd                                      | Australia                                | Holding company     | 100         |
| Sable Minerals GmbH <sup>(3)</sup>                          | Germany                                  | Holding company     | 100         |
| Sable Rare Earths GmbH                                      | Germany                                  | Holding company     | 100         |
| Ozango Minerais S.A. <sup>(4)</sup>                         | Angola                                   | Exploration company | 84          |
| Mtemi Resources Pte Ltd                                     | Singapore                                | Dormant             | 100         |
| Mtemi G Pte Ltd                                             | Singapore                                | Dormant             | 100         |
| Mtemi O Pte Ltd                                             | Singapore                                | Dormant             | 100         |
| Mtemi U Pte Ltd                                             | Singapore                                | Dormant             | 100         |
| Mtemi G (Tanzania) Ltd                                      | Tanzania                                 | Dormant             | 100         |
| Mtemi O (Tanzania) Ltd                                      | Tanzania                                 | Dormant             | 100         |
| Mtemi U (Tanzania) Ltd                                      | Tanzania                                 | Dormant             | 100         |

### Notes – other shareholders

<sup>(1)</sup> 1 share is held by an individual on trust for the benefit of Carlton Resources Pty Ltd.

<sup>(2)</sup> DAEFA Prestacao de servicos e Comércio Geral LDA (5%) and MAHTUR Mineracao, Agricultura, Hotelaria e Turismo LDA (5%) via nominees.

<sup>(3)</sup> Incorporated on an interim basis with the definitive registration for Sable Minerals GmbH expected to be finalised in third quarter of 2020.

<sup>(4)</sup> Ferrangol P&P, S.A. (10%), Cecdiam Comércio Geral, Lda. (4%) and Angola Mining and Agricultural Investment Systems, Lda. (2%).

## 11 MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

The Company is subject to the City Code as its registered office is in the UK and it is considered by the Panel to have its place of central management and control in the United Kingdom as a result of half of the board, including the chairman who has a casting vote, being resident in the United Kingdom. The Company expects that it will continue to be subject to the City Code following Admission.

#### 11.1 **Mandatory takeover bids**

The City Code applies to any offer made to Shareholders in relation to their shares in the Company. The City Code operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The City Code provides an orderly framework within which takeovers are conducted and is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

The City Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the City Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent. or more of the voting rights to make a general offer. **"Voting rights"** for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

#### 11.2 **Squeeze out**

Section 979 of the 2006 Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent., of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration available under the takeover offer.

#### 11.3 **Sell out**

Section 983 of the 2006 Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less than 90 per cent., in value of all the voting shares in the Company and carry not less than 90 per cent., of the voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 12 **THE DISCLOSURE GUIDANCE AND TRANSPARENCY RULES**

Chapter 5 of the Disclosure Guidance and Transparency Rules makes provision regarding notification of certain shareholdings and holdings of financial instruments. Where a person holds voting rights in the Company as shareholder or through direct or indirect holdings of financial instruments, then the person has an obligation to make a notification to the FCA and the Company of the percentage of voting rights held where that percentage reaches, exceeds or falls below three per cent. and each 1 per cent. thereafter up to 100 per cent.

## 13 **MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group in the two years immediately preceding the date of this document or which are expected to be entered into prior to Admission and which are, or may be, material or contain any provision under which any member of the Group has any obligation or entitlement which is, or may be, material to the Group as at the date of this document.

### 13.1 **Shareholders agreement relating to Ozango Minerais S.A.**

Sable Minerals Pty Limited (and subsequently Sable Minerals GmbH) ("**Sable**") entered into a shareholders' agreement with each of (i) Ferrangol P&P, S.A.; (ii) Cecadium Comércio Geral, Lda.; and (iii) AMAIS on 7 February 2014 in respect of Ozango Minerais S.A (the "**Ozango Shareholders Agreement**"). Each of Cecadium Comércio Geral, Lda. and AMAIS are private Angolan entities and Ferrangol P&P, S.A. is the Angolan state concessionaire which participates in all non-diamond Angolan mining ventures.

The agreement governs several corporate matters in respect of Ozango such as the rules regarding the transfer of shares in the Ozango. In particular:

- (a) shareholders cannot transfer all or part of their shares to third parties (other than affiliates) without obtaining the other shareholders' prior written consent, which must be given by a majority of 51 per cent. of the votes representing Ozango's share capital;
- (b) whenever a shareholder intends to transfer its shares to non-shareholders, either all or part of it, a pre-emption right is granted in favour of the remaining shareholders and the procedures set out in the Ozango Shareholders Agreement for notification and exercise of such right (for instance, in terms of deadlines) must be complied with;
- (c) the pre-emption rights mentioned in paragraph 13.1(b) above do not apply where a shareholder wishes to transfer all or part of its shares in favour of an affiliate. In such case, the contract / instrument governing the transfer, must contain an obligation of the transferor to re-acquire the shares if the affiliate ceases to be an affiliate for any reason whatsoever;

- (d) any transfer of shares is subject to the condition of the new shareholder to adhere to the Ozango Shareholders Agreement;
- (e) Sable has the right to appoint the managing director and two directors of Ozango;
- (f) the board of directors meets four times a year and any meetings of the directors are only quorate if at least one director nominated by Sable is present;
- (g) the managing director is responsible for the day-to-day operations and decision making and Sable is responsible for the operations and financing of Ozango's exploration activities;
- (h) project financing post-exploration is shared between Sable, Cecadim Comércio Geral, Lda. and AMAIS; and
- (i) Ferrangol P&P, S.A. has a carry free interest post-exploration.

There are currently three directors on the board of directors of Ozango; two appointed by Sable and one appointed by Ferrangol P&P. The director appointed by Ferrangol P&P is the chairman of the board and has the casting vote in the event of a deadlock on board votes. Neither Cecadim Comércio Geral, Lda. Nor AMAIS have the right to appoint directors to the board of Ozango.

### 13.2 **Shareholders' agreement relating to Coola Mining LDA.**

Sable Rare Earths GmbH ("**Sable RE**") entered into a shareholders' agreement in respect of Coola Mining LDA. with each of (i) DAEFA Prestacao de servicos e Comércio Geral LDA ("**DAEFA**") and; (ii) MAHTUR Mineracao, Agricultura, Hotelaria e Turismo LDA ("**MAHTUR**") effective from 24 March 2020 (the "**Coola Shareholders Agreement**"). Each of DAEFA and MATHUR hold 5 per cent. of the share capital in Coola through nominees and Sable RE holds the remaining 90 per cent through a nominee.

The agreement governs several corporate matters in respect of Coola such as the rules regarding the transfer of shares in the Coola. In particular:

- (a) shareholders cannot transfer all or part of their shares to third parties (other than affiliates) without obtaining the other shareholders' prior written consent, which must be given by a majority of 51 per cent. of the votes representing Coola's total issued share capital;
- (b) whenever a shareholder intends to transfer its shares to non-shareholders, either all or part of it, a pre-emption right is granted in favour of the remaining shareholders and the procedures set out in the Coola Shareholders Agreement for notification and exercise of such right (for instance, in terms of deadlines) must be complied with;
- (c) the pre-emption rights mentioned in paragraph 13.2(b) above do not apply where a shareholder wishes to transfer all or part of its shares in favour of an affiliate. In such case, the contract / instrument governing the transfer, must contain an obligation of the transferor to re-acquire the shares if the affiliate ceases to be an affiliate for any reason whatsoever;
- (d) any transfer of shares is subject to the condition of the new shareholder to adhere to the Coola Shareholders Agreement;

- (e) Sable RE has the right to appoint the managing director and two directors of Coola;
- (f) the board of directors of Coola meets four times a year and any meetings of the directors are only quorate if at least one director nominated by Sable RE is present;
- (g) the managing director is responsible for the day-to-day operations and decision making and Sable RE is responsible for the operations and financing of Coola's exploration activities; and
- (h) project financing post-exploration is shared pro-rata to the parties respective shareholdings.

There are currently three directors on the board of directors of Coola all of whom were appointed by Sable RE. Neither DAEFA nor MAHTUR have the right to appoint directors to the board of Coola.

### 13.3 **Mining Licence in respect of the Longonjo Project**

Please see section 1.9.1 of Part 2 for a summary of the mining licence of the Group in respect of the Longonjo Project.

### 13.4 **Prospection Permit in respect of the Longonjo Project**

Please see section 1.9.2 of Part 2 for a summary of the prospection permit of the Group in respect of the Longonjo Project.

### 13.5 **Prospection Permit in respect of the Coola Project**

Please see section 1.9.3 of Part 2 for a summary of the prospection permit of the Group in respect of the Coola Project.

### 13.6 **Mining Investment Contract in respect of the Longonjo Project**

Please see section 1.10.1 of Part 2 for a summary of the mining investment contract entered into by the Group in respect of its exploration permit for the Longonjo Project.

### 13.7 **Mining Investment Contract in respect of the Coola Project**

Please see section 1.10.2 of Part 2 for a summary of the mining investment contract entered into by the Group in respect of its exploration permit at the Coola Project.

### 13.8 **Licences in respect of the Miyabi Gold Project**

Please see section 2.4 of Part 2 for a summary of the prospecting licences held by the Group in respect of the Miyabi Gold Project.

### 13.9 **Subscription letters from FSDEA in respect of Ordinary Shares**

On 9 March 2020, pursuant to a subscription letter to the Company, QG Africa Mining L.P., a subsidiary of FSDEA, (the "**FSDEA Subscriber**") irrevocably agreed to subscribe for 7,648,670 Ordinary Shares at a price of 13.77p per share (A\$0.27) for an aggregate subscription price of US\$1,365,884 (approximately A\$1.9 million).



Pursuant to a further subscription letter to the Company dated 10 June 2020, the FSDEA Subscriber irrevocably agreed to subscribe for: (i) 9,300,000 Ordinary Shares at an issue price of A\$0.273 per share to be allotted and issued on or around 15 June 2020; (ii) 3,900,000 Ordinary Shares at an issue price of A\$0.273 per share to be allotted and issued on or around 30 June 2020; and (iii) such number of Ordinary Shares as is calculated by dividing the Australian dollar equivalent of US\$2,500,000 by an issue price which is the 15 day volume weighted average price of the Ordinary Shares on or before 18 June 2020 to be allotted and issued on or around 30 June 2020.

#### 13.10 **Scheme Implementation Agreement**

On 1 November 2019, Pensana Australia and the Company entered into a scheme implementation agreement (the “**Scheme Implementation Agreement**”) in connection with the Scheme. The Scheme Implementation Agreement set out the obligations of the Company and Pensana Australia in relation to the Scheme and its implementation. The Scheme Implementation Agreement could be terminated before the second court hearing in respect of the Scheme if there was either (i) a material breach of the Scheme Implementation Agreement; (ii) any of the conditions precedent to the Scheme were breached or non-fulfilled; (iii) the Supreme Court of Western Australia refuses to grant an order to convene a meeting of the shareholders of Pensana Australia or (iv) if any court, the Panel or Governmental Agency has issued any order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, or has refused to do anything necessary to permit the Scheme. The parties can also agree at any time by mutual consent to terminate the agreement.

#### 13.11 **Kitongo licence sale and purchase agreement**

Two of the subsidiaries of the Group, Rift Valley Resources Tanzania Limited and Carlton Kitongo Tanzania Limited, transferred their respective interests in six exploration licences (the “**Kitongo Licences**”) to Busolwa Mining Limited pursuant to a sale and purchase agreement dated 21 December 2017. Pursuant to the agreement, the consideration for the transfer of the Kitongo Licences was US\$510,000 (approximately A\$739,881). US\$405,000 (approximately A\$587,552) has been paid by the purchaser, and pursuant to the side letter dated 5 November 2019 the remainder of the consideration (US\$105,000 (approximately A\$152,328)) will be payable by the purchaser to the Group in fifteen monthly instalments of US\$10,000 (approximately A\$14,507) and one final instalment of US\$10,500 (approximately A\$15,232). If scheduled payments are not made, an additional US\$2,500 (approximately A\$3,626) shall be payable by Busolwa Mining Limited for every month payment is delayed.

### 14 **RELATED PARTY TRANSACTIONS**

The related party transactions are transactions (as defined in the standards adopted according to the Regulation (EC) No.1606/2002) which have been entered into by the Company or any other member of the Group during the period commencing on the period covered by the historical financial information and up-to-date of this document, whether or not they have been terminated are set out in in:

- (a) note 27 of the Pensana Australia Group’s consolidated audited financial statement for the year ended 30 June 2017;
- (b) note 28 of the Pensana Australia Group’s consolidated audited financial statement for the year ended 30 June 2018; and

- (c) note 27 of the Pensana Australia Group's consolidated audited financial statement for the year ended 30 June 2019,

set out in Appendix 1 and there are no further related party transactions (as defined in the standards adopted according to the Regulation (EC) No.1606/2002) subsequent to 30 June 2019 requiring disclosure. Each of the transactions was concluded at arm's length.

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## **WORKING CAPITAL**

### **Introduction**

The Company is of the opinion that the Group does not have sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document (the "**Working Capital Period**").

As at the date of this Prospectus, the Group has cash resources of A\$5.9 million and has incurred A\$838,900 of liabilities in connection with the Group's ongoing feasibility studies, Admission process and general working capital purposes.

The Company currently has sufficient working capital until 31 March 2021. After this point, a working capital shortfall of approximately A\$1.2 million will arise for the remainder of the Working Capital Period in respect of the Company's exploration activities and general corporate operations which increases to a working capital shortfall of approximately A\$76.2 million from 31 December 2020 if a decision is made in the fourth quarter of 2020 to proceed with the development of the Longonjo Project.

Following Admission, the Company will make use of its current cash resources to fund the costs to complete the Group's ongoing feasibility studies (A\$1.54 million), complete its carbonate study programme (A\$0.7 million), complete the environmental impact assessment in respect of the Longonjo Project (A\$0.3 million), settle the Company's listing costs in respect of Admission (A\$0.85 million), conduct preliminary exploration at the Coala Project (A\$0.83 million), commence early development at the Longonjo Project (A\$1.1 million) together with general working capital of the Group (A\$2.18 million).

Following Admission, the Company will have a working capital shortfall of approximately A\$1.2 million by 31 March 2021 for the remainder of the Working Capital Period in funding general working capital and in funding expenditure for the maintenance of the Group's prospecting licences and new mining licence in Angola, not incurred as part of the work on the Group's feasibility studies and the environmental impact assessment outlined above.

Assuming that the Company makes an affirmative development decision on the Longonjo Project in the fourth quarter of 2020, the Company will require approximately an additional A\$75 million for the remainder of the Working Capital Period from such decision being made. Accordingly, before 31 March 2021, the Company will need to raise additional capital and/or debt in order to:

- (a) continue its corporate activities at the current level of expenditure (A\$1.05 million);
- (b) fulfil the minimum expenditure requirements under the prospection licence not previously incurred (A\$0.15 million); and

- (c) commence construction works at the Longonjo Project for which A\$75.0 million has been budgeted by the Company for the remainder of the Working Capital Period.

If sufficient capital is not raised by 31 March 2021, the Company will not be able fund any construction works for the development of the Longonjo Project and may need to slow or suspend future exploration activities. If the Company does not incur approximately an additional A\$1.7 million by the end of November 2020, the Company may not be able to extend the Longonjo Prospection Permit over all or part of the current area covered, should the Company so wish. However if the Longonjo Prospection Permit is not renewed, this does not affect the validity of the Longonjo Mining Licence. In addition, if the Company does not expend the minimum amount under the Coala Prospection Permit of approximately A\$825,434 by March 2021, the Company may not be able to extend the Coala Prospection Permit should it wish to.

### **Current Work Program and Overheads**

The Group's current work program consists of the following:

- completion of the engineering and design studies for the Longonjo Project as part the Group's feasibility studies and which will require an estimated expenditure of A\$3.73 million during the Working Capital Period, all of which would be spent prior to 31 March 2021;
- updating the Mineral Resource estimate for the Longonjo Project from the results of the infill drilling programme to upgrade the early stage production area of the planned mine into the higher confidence JORC compliant Mineral Resource category, which will require estimated expenditure of A\$0.1 million during the Working Capital Period, all of which is expected to be spent prior to 31 March 2021. The infill drilling programme has been conducted to increase confidence in the mineral resources and as part of the Group's ongoing feasibility studies;
- completing the carbonate study programme in respect of the Longonjo Project which will require estimated expenditure of A\$0.7 million during the Working Capital Period, all of which is expected to be spent prior to 31 March 2021; and
- commencing an early stage exploration work programme at the Coala Project which will require estimated expenditure of A\$0.83 million during the Working Capital Period, all of which is expected to be spent prior to 31 March 2021.

The Group also has overheads and operational expenditure, including salaries, office rental, insurance, supplies, travel costs and advisers and other third-party service providers. This expenditure is in addition to the expenditure noted above for the work program and is estimated to amount to A\$4.1 million during the Working Capital Period, of which an estimated A\$3.09 million is expected to be spent prior to 31 March 2021.

It is expected that the sums incurred as part of the engineering and design studies for the Longonjo Project and Mineral Resource estimate updated following completion of the infill drilling programme, will also qualify as part of the expenditure required under the Longonjo Prospection Permit and that taken with the general corporate expenditure during the Working Capital Period, will exceed the minimum expenditure requirements of the Longonjo Prospection Permit.

## **Development of the Longonjo Project**

In May 2020, the Company was granted a mining licence in respect of the Longonjo Project and accordingly, the Company expects to make a development decision for the Longonjo Project during the fourth quarter of 2020. When making this decision regarding development, the Company will need to consider its capital position and ability to raise capital on acceptable terms.

The development scenario for the Longonjo Project projected in the PFS, assumes a plant run of mine throughput of 2.0Mtpa and a minimum mine life of nine years, requiring capital expenditure of approximately A\$190 million to construct to produce concentrate, which preliminary studies have indicated would increase to approximately A\$297 million should the feasibility of producing carbonates be established. Therefore, the expected development capital expenditure requirement may change when the Group's feasibility studies are completed, and it is not possible at this stage for the Board to predict with any accuracy what that change might be.

Of the total capital expenditure for the development of the Longonjo Project, it is estimated that approximately A\$75.0 million would need to be spent during the Working Capital Period. The principal expenditure will be on mining and site establishment, process plant construction, infrastructure, indirect project costs and corporate costs.

## **Financing Working Capital Shortfall**

The Company expects to have sufficient working capital to fund the current work programmes and general working capital of the Group until 31 March 2021, the Company anticipates that it will need to raise an additional A\$1.2 million of capital and/or debt in order to have sufficient working capital for the remainder of the Working Capital Period, which increases to approximately A\$76.2 million from 31 December 2020 if a decision to commence project development and construction of the Longonjo Project is taken in the fourth quarter of 2020.

The Group does not have any existing production and therefore does not generate revenue meaning that any finance required by the Group to develop the Longonjo Project must be raised externally.

In addition, once a formal decision to develop the Longonjo Project has been made, it is intended that the additional capital required to construct the Longonjo Project would be raised by a combination of debt and equity fundraisings.

The Directors are currently of the view that such future fundraisings can be achieved on acceptable terms, based on the following factors:

### *Equity*

Equity finance is likely to be considered to finance any working capital shortfalls of the Group and any additional equity financing is likely to be conducted to part fund the development of the Longonjo Project and around the time that a formal decision to mine is made by the Company. It is not anticipated that any equity finance, when completed, would be conditional upon the outcome of any formal decision to mine.

The Directors believe that the Company's Ordinary Shares will be attractive to ESG funds and institutional investors in London, as well as in Australia, as the London equity market has a historically strong interest in African mining projects and has

previously provided substantial equity financing for junior mining companies with development projects in Africa. The Company has conducted various marketing roadshows aimed at institutional investors in the United Kingdom and Germany and the feedback from these has been positive. The Board considers that Admission will assist with this strategy by attracting interest from investors in the United Kingdom, Europe and the Middle East, which may not be available to the Company if it remains listed solely on ASX.

Pensana Australia has previously demonstrated its ability to raise equity funding for the Longonjo Project and its other exploration projects from its investor base in Australia, for example:

- in July 2018, Pensana Australia undertook a capital raising of A\$5.5 million (before expenses) by way of a placement to sophisticated and professional investors;
- in June 2019, Pensana Australia successfully raised A\$5.0million (before expenses) by way of a placement to sophisticated and institutional investors;
- in March 2020, the Company successfully raised A\$2.04 million (before expenses) by way of a subscription for Ordinary Shares by FSDEA; and
- in June 2020, the Company raised approximately A\$7.25 million (before expenses) by way of a subscription for Ordinary Shares by FSDEA.

The Company's Shareholders may also be interested in taking up Ordinary Shares in future fundraisings to prevent dilution of their holdings, as a number of them have done in relation to past equity financings of Pensana Australia.

In addition, the strong production and economic outcomes set out in the PFS, provide the Directors with confidence in the Company's ability to raise the equity to partially fund the development of the Longonjo Project.

#### *Debt*

Debt finance would only be raised for the development of the Longonjo Project if a formal decision to mine had been made by the Company.

In any event, the Company has commenced discussions with a wide range of financiers from conventional project finance, bond finance to various forms of private equity finance. The Company has been approached by royalty streamers and other financiers and intermediaries offering to help to fund the Longonjo Project. In particular, the Company is in advanced discussions for the main project financing for the Longonjo Project which is subject to further due diligence by the lender and legally binding documentation being negotiated and implemented.

#### **Inability to raise funds**

Raising the required funding for the development of the Longonjo Project by 31 March 2021 is dependent upon, amongst other things, the completion of the Group's feasibility studies. It will also depend upon the required financing being available which will be affected by numerous factors outside of the Group's control, such as commodity prices and financial and stock market conditions.

In the event that equity finance and/or debt is not raised on terms which are acceptable to the Company, prior to 31 March 2021 the Company will consider deferring the development of the Longonjo Project.

In the event that the development of the Longonjo Project is deferred, the Company would review and manage its cash position and working capital requirements which may include equity finance and/or alternative non-equity finance. In particular, the Company's expenditure on early stage development and exploration could be reduced or even halted, although where it does this in respect of its exploration expenditure it may result in a loss of one or both of the Group's prospection licences if the minimum expenditure requirements have not been met. As regards cost reduction, at a minimum the Company reviews its cash position and working capital requirements on a weekly basis to determine its financial position and decisions on cost reductions take place as required as part of that process. The timing and means of execution of any decisions regarding cost reductions would therefore take place in the context of the Company's financial position at such time, and the results of any completed fundraisings. However, the Directors are confident in the Company's ability to effect cost reductions, as such costs are monitored on an ongoing basis.

The Directors intend, so far as is practicable, to avoid incurring material expenditure until such time as the Board has confidence that the necessary funds for the development of the Longonjo Project have been secured.

The Company may also consider the disposal of interests in its assets, including its Tanzanian assets which are held for sale and the possible disposal of a portion of the Group's interest in the Longonjo Project and its exploration assets at Longonjo or Coola as a means to raise additional finance to develop the Longonjo Project. The Company is currently at an advanced stage of negotiations for such sale of its Tanzanian assets, completion of which is expected to be conditional upon a mining licence being granted in respect of the Miyabi Gold Project, which is expected to be granted at the end of third quarter of 2020. Should the current negotiations not complete, the Company does not intend to commit further expenditure to the Miyabi Gold Project or carry out any exploration activities in respect of the project and would consider relinquishing its licences if an alternative purchaser could not be identified. The timing and terms of any other such potential disposal of an interest in the Group's other assets outside Tanzania would depend on the amount raised in any future fundraisings carried out by the Company, but the Company would seek to ensure that any such disposal of an interest in assets is completed before its working capital is depleted, where possible.

In the event that it is not possible to use any such relevant means detailed above to obtain the required additional capital before 31 March 2021, the Directors (notwithstanding any cost reductions that may have been or will be effected) do not believe that it will be possible for the Company to continue its operations independently after this date. In such circumstances, the Directors would look to a corporate solution in the event that future fundraisings and disposals of interests in assets did not succeed. The Directors believe that the value of the Group's assets would be best preserved in a corporate transaction. Any such process would occur in the business and market context of the time it took place. However, as at the date of this Prospectus, the Directors have not actively pursued such a corporate solution in relation to the Company as they do not believe that it is necessary at this stage.

If all of the above actions (future equity, alternative non-equity and/or debt fundraisings, disposals of interests in assets, or a corporate solution) were unsuccessful or could not be completed, the Company would look to restructure its

affairs under the supervision of a court appointed insolvency practitioner. The timing of this action would depend on the Board's view as to the point in time at which the Company was unable to pay its debts as they became due which could occur during the current Working Capital Period.

## 16 **PROPERTY, PLANT AND EQUIPMENT**

The Group does not have any existing or planned material tangible fixed assets.

## 17 **LITIGATION**

There are not and have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months, which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

## 18 **SIGNIFICANT CHANGE**

Other than as set out below, there has been no significant change in the financial position of the Group since 31 December 2019, being the end of the last financial period for which interim financial information for the Pensana Australia Group was published.

- (a) On 11 March 2020, FSDEA subscribed for 7,648,670 Ordinary Shares at A\$0.27 per share, to raise gross proceeds of A\$2,065,141 before expenses.
- (b) In June 2020, FSDEA subscribed for 25,808,633 Ordinary Shares, to raise gross proceeds of approximately A\$7.25 million before expenses .

## 19 **GENERAL**

- 19.1 The estimated costs and expenses relating to Admission payable by the Company are estimated to amount to approximately A\$850,000 (excluding VAT).
- 19.2 SRK Consulting (Australasia) Pty Ltd have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their report in Appendix 2 and the references to their report and to their name and have authorised the contents of Appendix 2 of this document. SRK Consulting (Australasia) Pty Ltd have no material interest in the Company.
- 19.3 SRK Consulting (Australasia) Pty Ltd have confirmed that based on their knowledge and confirmation provided by the Company, there has been no material change which has occurred since the effective date of the CPR, being 30 March 2020.
- 19.4 Ernst & Young were the statutory auditors for Pensana Australia in respect of financial years ended 30 June 2017, 30 June 2018 and 30 June 2019. The Company has appointed BDO LLP as the Group's statutory auditors for the current financial year.
- 19.5 Roskill Information Services Limited of 54 Russell Road, London SW19 1QL have given and not withdrawn their written consent to the issue of this document with the inclusion in it of Table 3.3.2 which sets out the Longonjo Project Economics and the references to the figures and to their name and have authorised the contents of Table 3.3.2 for the purposes of this document. Roskill Information Services Limited have no material interest in the Company.

- 19.6 Where third party information has been referenced in this document, the source of that third party information has been disclosed. All information in this document that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.7 Save as otherwise disclosed in this document there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 19.8 The Ordinary Shares are currently listed on ASX and traded on ASX as Pensana CDIs in accordance with the ASX Listing Rules, the ASX Settlement Rules and the Corporations Act.

20 **DOCUMENTS AVAILABLE**

Copies of the following documents will be available during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of Bryan Cave Leighton Paisner LLP at Governor's House, 5 Laurence Pountney Hill, London, EC4R 0BR from the date of this document for a period of 12 months following the date of this document:

- (a) the Articles;
- (b) the written consent referred to in paragraphs 19.2 and 19.5 of this Part 8;
- (c) the report prepared by the Competent Person set out in Appendix 2; and
- (d) this document.

Copies of the above documents are available on the Company's website <https://pensana.co.uk/>. In addition, copies of the Prospectus are available through the National Storage Mechanism website located at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

Dated: 1 July 2020



## Part 9 Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

|                                                   |                                                                                                                                                                                    |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"2006 Act"</b>                                 | means the Companies Act 2006.                                                                                                                                                      |
| <b>"2016 Decree"</b>                              | means Presidential Decree no. 231/16 of 8 December 2016.                                                                                                                           |
| <b>"Admission"</b>                                | means the admission of the Ordinary Shares, to the standard listing segment of the Official List and to trading on the Main Market of the London Stock Exchange.                   |
| <b>"AIPEX"</b>                                    | means the Angolan Agency for Private Investment and Exports.                                                                                                                       |
| <b>"Angolan Mining Code"</b>                      | means Law 31/11 of 23 September 2011.                                                                                                                                              |
| <b>"ANRM"</b>                                     | means the National Mineral Resources Agency of Angola.                                                                                                                             |
| <b>"Articles"</b>                                 | means the articles of association of the Company, a summary of which is set out in section 5 of Part 8 of this document.                                                           |
| <b>"ASX"</b>                                      | means ASX Limited (ABN 98 008 624 691) or where the context requires, the financial market operated by it known as the Australian Securities Exchange.                             |
| <b>"ASX Corporate Governance Recommendations"</b> | means the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council in March 2014.                                                        |
| <b>"ASX Listing Rules"</b>                        | means the official listing rules of the ASX.                                                                                                                                       |
| <b>"ASX Settlement"</b>                           | means ASX Settlement Pty Limited ABN 49 008 504 532.                                                                                                                               |
| <b>"certificated" or "in uncertificated form"</b> | means not in uncertificated form (that is, not in CREST or CHESS).                                                                                                                 |
| <b>"CDI"</b>                                      | means a CHESS depository interest representing a unit of beneficial ownership in a share (or other equity security) of a foreign registered entity, registered in the name of CDN. |

|                                           |                                                                                                                                                                                                                                             |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"CDN"</b>                              | means CHESSE Depository Nominees Pty Limited ACN 071 346 506.                                                                                                                                                                               |
| <b>"CHESSE"</b>                           | means the clearing house electronic sub-register system of security transfers operated by ASX Settlement.                                                                                                                                   |
| <b>"City Code"</b>                        | means the City Code on Takeovers and Mergers as amended from time to time.                                                                                                                                                                  |
| <b>"Companies Acts"</b>                   | has the meaning given to it in section 2 of the 2006 Act.                                                                                                                                                                                   |
| <b>"Company" or "Pensana"</b>             | means Pensana Rare Earths Plc, a company incorporated in England and Wales with registered number 12206525 and whose registered office is at 100 Pall Mall, London, England, SW1Y 5NQ.                                                      |
| <b>"Competent Person"</b>                 | SRK Consulting (Australasia) Pty Ltd.                                                                                                                                                                                                       |
| <b>"Contract Area"</b>                    | has the meaning given to it in section 1.10 of Part 2 of this document.                                                                                                                                                                     |
| <b>"Coola"</b>                            | Coola Mining LDA incorporated under the laws of Angola with registered number 3.852-19/190507.                                                                                                                                              |
| <b>"Coola Mining Investment Contract"</b> | means the mining investment contract entered into between Coola and the Ministry of Mineral Resources and Petroleum in respect of the Coola Project dated 3 March 2020.                                                                     |
| <b>"Coola Project"</b>                    | means the NdPr rare earth mineralisation located in Coola, Angola.                                                                                                                                                                          |
| <b>"Coola Prospection Permit"</b>         | means Permit No. 059/02/01/T.P/ANG-MIREMPET/2020 in respect of the prospection of non-ferrous metals, rare earths elements, rare metals and precious metals, issued to Coola Mining LDA., on 24 March 2020.                                 |
| <b>"Corporations Act"</b>                 | means the <i>Corporations Act 2001</i> (Cth) of Australia.                                                                                                                                                                                  |
| <b>"CREST"</b>                            | means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form. |

|                                      |                                                                                                                               |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>“CREST Regulations”</b>           | means the Uncertificated Securities Regulations 2001 (SI 2001/3755).                                                          |
| <b>“Directors” or “Board”</b>        | means the current directors of the Company whose names are set out on page 29 of this document.                               |
| <b>“DTRs”</b>                        | means the Disclosure Guidance and Transparency Rules sourcebook published by the FCA from time to time.                       |
| <b>“ESG”</b>                         | means environmental, social, governance.                                                                                      |
| <b>“ESIA”</b>                        | means an environmental and social and impact assessment.                                                                      |
| <b>“Euroclear”</b>                   | means Euroclear UK & Ireland Limited, the operator of CREST.                                                                  |
| <b>“FCA”</b>                         | means the Financial Conduct Authority of the UK.                                                                              |
| <b>“FSDEA”</b>                       | means the Angolan Sovereign Wealth Fund.                                                                                      |
| <b>“FSDEA Subscriber”</b>            | means QG Africa Mining L.P.                                                                                                   |
| <b>“FSMA”</b>                        | means Financial Services and Markets Act 2000.                                                                                |
| <b>“Group”</b>                       | means the Company and its subsidiary undertakings from time to time.                                                          |
| <b>“HMRC”</b>                        | means Her Majesty’s Revenue and Customs (which shall include its predecessors, the Inland Revenue and HM Customs and Excise). |
| <b>“IFRS”</b>                        | means International Financial Reporting Standards as issued by the International Accounting Standards Board.                  |
| <b>“Indicated Mineral Resources”</b> | has the meaning given to that term in the JORC Code.                                                                          |
| <b>“Inferred Mineral Resources”</b>  | has the meaning given to that term in the JORC Code.                                                                          |
| <b>“JORC Code”</b>                   | means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 edition.           |
| <b>“Latest Practicable Date”</b>     | means 30 June 2020.                                                                                                           |

|                                              |                                                                                                                                                                                                              |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>“London Stock Exchange”</b>               | means London Stock Exchange plc.                                                                                                                                                                             |
| <b>“Longonjo Mining Investment Contract”</b> | means the mining investment contract entered into between Ozango and Ferrangol, E.P. in respect of the Longonjo Project which has been approved by Angolan Ministerial Order no. 49/14, of 11 December 2014. |
| <b>“Longonjo Mining Licence”</b>             | means mining title certificate No. 298/05/01/T.E/ANG-MIREMPET/2020 granted to Ozango Minerais, S.A. dated 5 May 2020.                                                                                        |
| <b>“Longonjo Project”</b>                    | means the Group’s NdPr project located in Longonjo, Angola.                                                                                                                                                  |
| <b>“Longonjo Prospection Permit”</b>         | means Permit No. 013/03/09/T.P/ANG-MGM/2015 in respect of the prospection of non-ferrous metals, rare earths elements, rare metals and precious metals, issued to Ozango Minerais, S.A. on 3 November 2015.  |
| <b>“Mineral Resource”</b>                    | has the meaning given to that term in the JORC Code.                                                                                                                                                         |
| <b>“Ministry”</b>                            | means the Angolan Ministry of Mineral Resources and Petroleum.                                                                                                                                               |
| <b>“Miyabi Gold Project”</b>                 | means the Miyabi gold project in the Kahama district of the Shinyanga region in Tanzania.                                                                                                                    |
| <b>“NdPr”</b>                                | means neodymium and praseodymium.                                                                                                                                                                            |
| <b>“Official List”</b>                       | means the Official List of the FCA.                                                                                                                                                                          |
| <b>“Option”</b>                              | means an option which entitles the holder to subscribe for one Ordinary Share in accordance with the Plan.                                                                                                   |
| <b>“Ordinary Shares”</b>                     | means ordinary shares of £0.001 each in the share capital of the Company.                                                                                                                                    |
| <b>“Ozango”</b>                              | means Ozango Minerais, S.A incorporated under the laws of Angola with registered number 1.360-12/120528.                                                                                                     |
| <b>“Panel”</b>                               | means the Panel on Takeovers and Mergers.                                                                                                                                                                    |
| <b>“PD 161/2020”</b>                         | means Angolan Presidential Decree 161/2020, of 5 June 2020.                                                                                                                                                  |
| <b>“Pensana Australia”</b>                   | means Pensana Metals Limited, a company incorporated in Australia with registered number 121 985 395 and whose registered                                                                                    |

|                                           |                   |                |                                                                                                                                                                                                                                    |
|-------------------------------------------|-------------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                           |                   |                | office is at Ground Floor 10 Outram Street West Perth WA 6000.                                                                                                                                                                     |
| <b>"Pensana Australia Group"</b>          |                   |                | means Pensana Australia and its subsidiary undertakings as at the Scheme Record Date.                                                                                                                                              |
| <b>"Pensana Australia Share"</b>          |                   |                | means a fully paid ordinary share in the capital of Pensana.                                                                                                                                                                       |
| <b>"Pensana CDI"</b>                      |                   |                | means a CDI in respect of an Ordinary Share.                                                                                                                                                                                       |
| <b>"Performance Right"</b>                |                   |                | means a performance right issued under the Plan.                                                                                                                                                                                   |
| <b>"PFS"</b>                              |                   |                | means the pre-feasibility study on the Longonjo Project dated 15 November 2019.                                                                                                                                                    |
| <b>"Plan"</b>                             |                   |                | means the employee incentive plan adopted by the Company on 4 February 2020.                                                                                                                                                       |
| <b>"Prospectus"</b>                       |                   |                | means this document.                                                                                                                                                                                                               |
| <b>"Prospectus Regulation"</b>            |                   |                | means European Regulation (EU) 2017/1129.                                                                                                                                                                                          |
| <b>"Prospectus Regulation Rules"</b>      |                   |                | means the rules made pursuant to section 73A of the FSMA.                                                                                                                                                                          |
| <b>"Proved and Probable Ore Reserves"</b> |                   |                | has the meaning given to that term in the JORC Code.                                                                                                                                                                               |
| <b>"Relevant Situation"</b>               |                   |                | has the meaning given to it in section 5.10.12(e) of Part 8 of this document.                                                                                                                                                      |
| <b>"Sable"</b>                            |                   |                | means Sable Minerals Pty Limited and subsequently Sable Minerals GmbH.                                                                                                                                                             |
| <b>"Scheme"</b>                           |                   |                | means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Pensana Australia and Scheme Participants which become effective on 23 January 2020.                                                          |
| <b>"Scheme Implementation Agreement"</b>  |                   |                | means the scheme implementation agreement entered into between the Company and Pensana Australia dated 1 November 2019.                                                                                                            |
| <b>"Scheme Shareholder"</b>               | <b>Ineligible</b> | <b>Foreign</b> | means any Scheme Participant whose address in the Pensana Australia register of shareholders as at the Scheme Record Date, was in any jurisdiction other than Australia, New Zealand, the United Kingdom, Hong Kong and Singapore. |

|                                                     |                                                                                                                                                                                                                                                     |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"Scheme Participant"</b>                         | means a holder of one or more Pensana Australia Shares as at the Scheme Record Date.                                                                                                                                                                |
| <b>"Scheme Record Date"</b>                         | means 28 January 2020.                                                                                                                                                                                                                              |
| <b>"SDRT"</b>                                       | means stamp duty reserve tax.                                                                                                                                                                                                                       |
| <b>"Senior Management"</b>                          | means Robert Kaplan.                                                                                                                                                                                                                                |
| <b>"Shareholder"</b>                                | means holders of Ordinary Shares.                                                                                                                                                                                                                   |
| <b>"stamp duty"</b>                                 | has the meaning given to it in section 2.3 of Part 7 of this document.                                                                                                                                                                              |
| <b>"Statutes"</b>                                   | means the Companies Acts and every other statute, statutory instrument, regulation or order for the time being in force concerning companies registered under the Companies Acts.                                                                   |
| <b>"subsidiary undertakings"</b>                    | means as defined in section 1162 of the 2006 Act.                                                                                                                                                                                                   |
| <b>Tanzanian Mining Act</b>                         | means the Mining Act No 14 of 2010.                                                                                                                                                                                                                 |
| <b>Tanzanian Ministry</b>                           | means the Ministry of Minerals in Tanzania.                                                                                                                                                                                                         |
| <b>"UK"</b>                                         | means the United Kingdom of Great Britain and Northern Ireland.                                                                                                                                                                                     |
| <b>"UK Corporate Governance Code"</b>               | means the UK Corporate Governance Code published by the Financial Reporting Council from time to time.                                                                                                                                              |
| <b>"uncertificated" or "in uncertificated form"</b> | means Ordinary Shares recorded on the Company's share register as being held in uncertificated form in CREST or CHESS.                                                                                                                              |
| <b>"US" or "USA" or "United States"</b>             | means the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America. |
| <b>"Wood Group"</b>                                 | means Amec Foster Wheeler Australia Pty Ltd (trading as Wood Group).                                                                                                                                                                                |
| <b>"Working Capital Period"</b>                     | means the 12 month period from the date of this document.                                                                                                                                                                                           |

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

**Appendix 1**  
**Part 1**

Audited financial statements for the Pensana Australia Group for the financial year ended 30  
June 2017



## Auditor's Independence Declaration to the Directors of Rift Valley Resources Limited

As lead auditor for the audit of Rift Valley Resources Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Rift Valley Resources Limited and the entities it controlled during the financial year.



Ernst & Young



D A Hall  
Partner  
29 September 2017

# Independent Auditor's Report to the Members of Rift Valley Resources Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Rift Valley Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 3 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Carrying value of capitalised exploration and evaluation assets

### Why significant

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment when facts and circumstances indicate that exploration and evaluation expenditure for an area of interest may exceed its recoverable amount.

The determination as to whether there are any indicators to require capitalised exploration and evaluation expenditure for an area of interest to be assessed for impairment involves a number of judgments. This includes whether the Group will be able to maintain tenure, plans to undertake ongoing exploration and evaluation activities and if there is sufficient information for a decision to be made that the carrying amount of capitalised exploration and evaluation expenditure is unlikely to be recovered in full from successful development and exploitation or by sale. During the year the Group recognised an impairment charge of \$7.797 million in relation to areas of interest where indicators of impairment were identified.

Refer to Note 13 in the financial report for the capitalised mineral exploration and evaluation assets and related disclosures, including in respect of the impairment assessment.

### How our audit addressed the key audit matter

We considered the Group's assessment as to whether there were indicators present that required the exploration and evaluation asset to be tested for impairment as at 30 June 2017 and for the areas of interest that were tested for impairment we assessed the resulting impairment write-down. In doing so we:

- ▶ considered the Group's right to explore which included obtaining and assessing supporting documentation such as licence agreements;
- ▶ considered the Group's intention to carry out significant exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's board approved cash-flow forecast and enquiring with senior management and Directors as to the intentions and strategy of the Group;
- ▶ understood whether the Group had made an assessment that technical and commercial viability of extracting mineral resources had been demonstrated in considering whether it was appropriate to continue to classify the capitalised exploration and evaluation expenditure as an exploration and evaluation asset; and
- ▶ our valuation specialists assessed whether the Group's estimated recoverable value of the exploration and evaluation assets which were tested for impairment and resulted in an impairment charge, was supported by calculated resource multiples of other comparable market transactions of exploration and evaluation projects.

We also assessed the adequacy of the disclosures in Note 13 of the financial report.

## 2. Share based payments

### Why significant

In the current year the Group awarded share based payments, in the form of performance rights and share options, as detailed in Note 26. The awards vest subject to the achievement of various vesting conditions.

Due to the complex and judgmental estimates used in determining the valuation of the share based payment awards, including share price volatility and probability factors that market vesting conditions will be achieved, we considered the Group's calculation of the share based payment expense to be a key audit matter.

### How our audit addressed the key audit matter

For awards granted during the year, in performing our audit procedures we:

- ▶ assessed the Group's valuation of the performance rights and share options issued to directors during the year; and
- ▶ involved our valuation specialists to assess the assumptions used in the Group's calculation, in particular the share price of the underlying equity, volatility, dividend yield, time to maturity (expected life) and grant date.

We also assessed the adequacy of the disclosure in Note 26.

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the remuneration report

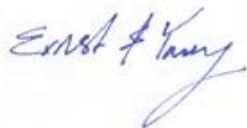
### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 24 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Rift Valley Resources Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



D Hall  
Partner  
Perth  
29 September 2017

## Directors' declaration

In accordance with a resolution of the directors of Rift Valley Resources Ltd, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3; and
- (c) Subject to the matter set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

On behalf of the Directors,



Mr. Stephen Dobson  
Executive Chairman  
Perth, 29 September 2017

# **Financial Statements**

**FOR THE YEAR ENDED 30 JUNE 2017**



# Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

|                                                                                     |      | 30 June 2017       | 30 June 2016       |
|-------------------------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                                     | Note | A\$                | A\$                |
| Interest revenue                                                                    |      | 3,117              | 3,627              |
| Exploration expenses                                                                |      | -                  | -                  |
| Administration expenses                                                             |      | (336,911)          | (512,008)          |
| Corporate expenses                                                                  |      | (1,074,729)        | (779,505)          |
| Impairment of exploration assets                                                    | 13   | (7,797,899)        | -                  |
| Doubtful debt expense                                                               | 9    | -                  | (179,088)          |
| Foreign currency exchange gain/ (loss)                                              |      | 13,823             | 118,121            |
| <b>Loss from operations before finance costs</b>                                    |      | <b>(9,192,599)</b> | <b>(1,348,853)</b> |
| Finance costs                                                                       |      | -                  | -                  |
| <b>Loss before income tax</b>                                                       |      | <b>(9,192,599)</b> | <b>(1,348,853)</b> |
| Income tax benefit                                                                  |      | -                  | -                  |
| <b>Total loss for the period</b>                                                    |      | <b>(9,192,599)</b> | <b>(1,348,853)</b> |
| <b>Other comprehensive income</b>                                                   |      |                    |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>                |      |                    |                    |
| Foreign currency translation                                                        |      | (331,676)          | 288,696            |
| <b>Total comprehensive income / (loss) for the period</b>                           |      | <b>(9,524,275)</b> | <b>(1,060,157)</b> |
| <b>Net income / (loss) for the period is attributable to:</b>                       |      |                    |                    |
| Owners of Rift Valley Resources Limited                                             |      | (9,524,275)        | (1,060,157)        |
| <b>Total comprehensive income / (loss) is attributable to:</b>                      |      |                    |                    |
| Owners of Rift Valley Resources Limited                                             |      | (9,524,275)        | (1,060,157)        |
| <b>Gain / (loss) per share attributable to owners of Rift Valley Resources Ltd:</b> |      |                    |                    |
| Basic (cents per share)                                                             | 18   | (1.52)             | (0.36)             |
| Diluted (cents per share)                                                           | 18   | (1.52)             | (0.36)             |

Notes to the financial statements are included on pages 37 to 63.

## Consolidated Statement of Financial Position as at 30 June 2017

|                                        |      | 30 June 2017      | 30 June 2016      |
|----------------------------------------|------|-------------------|-------------------|
|                                        | Note | A\$               | A\$               |
| <b>ASSETS</b>                          |      |                   |                   |
| <b>CURRENT ASSETS</b>                  |      |                   |                   |
| Cash and cash equivalents              | 8    | 1,848,248         | 1,389,239         |
| Trade and other receivables            | 9    | 9,372             | 74,753            |
| Deposits                               |      | 32,185            | 32,185            |
| Prepayments                            |      | 48,190            | 19,723            |
| Available-for-sale financial assets    | 10   | 156               | 156               |
| <b>TOTAL CURRENT ASSETS</b>            |      | <b>1,938,151</b>  | <b>1,516,056</b>  |
| <b>NON-CURRENT ASSETS</b>              |      |                   |                   |
| Receivables                            | 9    | -                 | -                 |
| Property, plant and equipment          | 12   | 66,394            | 184,613           |
| Exploration and evaluation expenditure | 13   | 8,800,077         | 15,203,174        |
| <b>TOTAL NON-CURRENT ASSETS</b>        |      | <b>8,866,471</b>  | <b>15,387,787</b> |
| <b>TOTAL ASSETS</b>                    |      | <b>10,804,622</b> | <b>16,903,843</b> |
| <b>LIABILITIES</b>                     |      |                   |                   |
| <b>CURRENT LIABILITIES</b>             |      |                   |                   |
| Trade and other payables               | 14   | 341,901           | 461,291           |
| <b>TOTAL CURRENT LIABILITIES</b>       |      | <b>341,901</b>    | <b>461,291</b>    |
| <b>TOTAL LIABILITIES</b>               |      | <b>341,901</b>    | <b>461,291</b>    |
| <b>NET ASSETS</b>                      |      | <b>10,462,721</b> | <b>16,442,552</b> |
| <b>EQUITY</b>                          |      |                   |                   |
| Issued capital                         | 15   | 39,734,149        | 36,444,284        |
| Reserves                               | 16   | 4,018,675         | 4,095,772         |
| Accumulated losses                     | 17   | (33,290,103)      | (24,097,504)      |
| <b>TOTAL EQUITY</b>                    |      | <b>10,462,721</b> | <b>16,442,552</b> |

Notes to the financial statements are included on pages 40 to 64.

## Consolidated Statement of Changes in Equity for the financial year ended 30 June 2017

|                                                      | Fully paid<br>ordinary<br>shares | Accumulated<br>Losses | Foreign<br>Currency<br>Reserve | Share<br>Based<br>Payments<br>Reserve | Available<br>for sale<br>Reserve | Total             |
|------------------------------------------------------|----------------------------------|-----------------------|--------------------------------|---------------------------------------|----------------------------------|-------------------|
|                                                      | A\$                              | A\$                   | A\$                            | A\$                                   | A\$                              | A\$               |
| Balance at 1 July 2015                               | 34,461,535                       | (22,748,651)          | 1,016,871                      | 2,597,284                             | -                                | 15,327,039        |
| Loss for the year                                    | -                                | (1,348,853)           | -                              | -                                     | -                                | (1,348,853)       |
| Other comprehensive income                           | -                                | -                     | 288,696                        | -                                     | -                                | 288,696           |
| Total comprehensive income for the year              | -                                | (1,348,853)           | 288,696                        | -                                     | -                                | (1,060,157)       |
| Transactions with owners in their capacity as owners |                                  |                       |                                |                                       |                                  |                   |
| Issue of shares                                      | 25,000                           | -                     | -                              | -                                     | -                                | 25,000            |
| Issue of shares – Mtemii acquisition                 | 480,000                          | -                     | -                              | 171,420                               | -                                | 651,420           |
| Share issue costs refund / (expense)                 | (10,000)                         | -                     | -                              | 10,000                                | -                                | -                 |
| Shares issued on vesting of Performance Rights       | 100,000                          | -                     | -                              | (100,000)                             | -                                | -                 |
| Issue of shares                                      | 1,500,000                        | -                     | -                              | -                                     | -                                | 1,500,000         |
| Cost of issue                                        | (112,250)                        | -                     | -                              | -                                     | -                                | (112,250)         |
| Share based payments                                 | -                                | -                     | -                              | 111,501                               | -                                | 111,501           |
| <b>Balance at 30 June 2016</b>                       | <b>36,444,285</b>                | <b>(24,097,504)</b>   | <b>1,305,567</b>               | <b>2,790,205</b>                      | <b>-</b>                         | <b>16,442,552</b> |
| Balance at 1 July 2016                               | 36,444,285                       | (24,097,504)          | 1,305,567                      | 2,790,205                             | -                                | 16,442,552        |
| Loss for the year                                    | -                                | (9,192,599)           | -                              | -                                     | -                                | (9,192,599)       |
| Other comprehensive income                           | -                                | -                     | (331,676)                      | -                                     | -                                | (331,676)         |
| Total comprehensive income for the year              | -                                | (9,192,599)           | (331,676)                      | -                                     | -                                | (9,524,275)       |
| Transactions with owners in their capacity as owners |                                  |                       |                                |                                       |                                  |                   |
| Issue of shares                                      | 3,398,743                        | -                     | -                              | -                                     | -                                | 3,398,743         |
| Cost of issue                                        | (108,879)                        | -                     | -                              | -                                     | -                                | (108,879)         |
| Share based payments                                 | -                                | -                     | -                              | 254,580                               | -                                | 254,580           |
| <b>Balance at 30 June 2017</b>                       | <b>39,734,149</b>                | <b>(33,290,103)</b>   | <b>973,891</b>                 | <b>3,044,785</b>                      | <b>-</b>                         | <b>10,462,721</b> |

Notes to the financial statements are included on pages 40 to 64.

## Consolidated Statement of Cash Flows for the financial year ended 30 June 2017

|                                                                                    |      | Year ended<br>30 June 2017 | Year ended<br>30 June 2016 |
|------------------------------------------------------------------------------------|------|----------------------------|----------------------------|
|                                                                                    | Note | A\$                        | A\$                        |
| <b>Cash flows from operating activities</b>                                        |      |                            |                            |
| Payments to suppliers and employees                                                | 23   | (1,074,150)                | (1,131,636)                |
| <b>Net cash used in operating activities</b>                                       |      | <b>(1,074,150)</b>         | <b>(1,131,636)</b>         |
| <b>Cash flows from investing activities</b>                                        |      |                            |                            |
| Interest received                                                                  |      | 3,117                      | 3,627                      |
| Payments for property, plant and equipment                                         |      | -                          | -                          |
| Net cash inflows on acquisition of subsidiary                                      |      | -                          | 12,217                     |
| Payments for exploration expenditure                                               |      | (1,760,442)                | (2,306,529)                |
| <b>Net cash used in investing activities</b>                                       |      | <b>(1,757,325)</b>         | <b>(2,290,685)</b>         |
| <b>Cash flows from financing activities</b>                                        |      |                            |                            |
| Proceeds from issues of equity securities                                          |      | 3,398,743                  | 1,500,000                  |
| Share issue costs                                                                  |      | (108,879)                  | (92,250)                   |
| <b>Net cash provided by financing activities</b>                                   |      | <b>3,289,864</b>           | <b>1,407,750</b>           |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                        |      | <b>458,389</b>             | <b>(2,014,571)</b>         |
| Cash and cash equivalents at the beginning of the period                           |      | 1,389,239                  | 3,331,185                  |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |      | 620                        | 72,624                     |
| <b>Cash and cash equivalents at the end of the period</b>                          | 24   | <b>1,848,248</b>           | <b>1,389,239</b>           |

Notes to the financial statements are included on pages 40 to 64.

## 1. General information

Rift Valley Resources Limited (the Company) is a for profit public Company listed on the Australian Securities Exchange (trading under the code: RVY), incorporated in Australia and operating from Perth. The Company's registered office and principal place of business is at Ground Floor, 10 Outram Street, West Perth WA 6005.

Rift Valley Resources Ltd is a gold and mineral exploration company operating in Tanzania and Angola.

## 2. New accounting standards and interpretations

### (a) Changes in accounting policies and disclosures

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

From 1 July 2016, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2015. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group:

AASB 2013-9 - Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

AASB 2015-4 - Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The application of these standards have not had a material impact on the financial statements.

### (b) Accounting standards and interpretations issued but not yet effective:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2017. These are outlined in the following table.

| Reference | Title                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Application date of standard | Impact on Group financial report                                                                                                                                                                                                                                                | Application date for Group |
|-----------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| AASB 9    | <i>Financial Instruments</i> | <p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> | 1 January 2018               | The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. | 1 July 2018                |

| Reference          | Title                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Application date of standard | Impact on Group financial report | Application date for Group |
|--------------------|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------|----------------------------|
| AASB 9 (continued) | <i>Financial Instruments</i> | <p><i>Financial assets</i></p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ol> <p><i>Financial liabilities</i></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><b>Impairment</b></p> <p><b>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</b></p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 &amp; 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p> | 1 January 2018               |                                  | 1 July 2018                |

| Reference | Title                                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Application date of standard | Impact on Group financial report                                                                                                                                                                                                                                                 | Application date for Group |
|-----------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| AASB 15   | <b>Revenue from Contracts with Customers</b> | <p>AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer<br/> (b) Step 2: Identify the performance obligations in the contract<br/> (c) Step 3: Determine the transaction price<br/> (d) Step 4: Allocate the transaction price to the performance obligations in the contract<br/> (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p> | 1 January 2018               | The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019. | 1 July 2018                |

| Reference   | Title                                                                         | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Application date of standard | Impact on Group financial report                                               | Application date for Group |
|-------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|--------------------------------------------------------------------------------|----------------------------|
| AASB 16     | Leases                                                                        | <p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> <li>Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>AASB 16 contains disclosure requirements for lessees.</li> </ul> <p>Lessor accounting</p> <ul style="list-style-type: none"> <li>AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> <li>(a) AASB 117 Leases</li> <li>(b) Interpretation 4 Determining whether an Arrangement contains a Lease</li> <li>(c) SIC-15 Operating Leases—Incentives</li> <li>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</li> </ul> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p> | 1 January 2019               | The entity is yet to undertake a detailed assessment of the impact of AASB 16. | 1 July 2019                |
| AASB 2016-5 | Classification and Measurement of Share-based Payments [Amendments to AASB 2] | <p>This standard amends to AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>Share-based payment transactions with a net settlement feature for withholding tax obligations</li> </ul> <p>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1 January 2018               | The group has not yet determined the financial impact of the change.           | 1 July 2018                |



### 3. Significant accounting policies and Going Concern

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 30 September 2017.

#### Basis of preparation and Going Concern

The financial report has been prepared on an historical cost basis, except for available-for-sale financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis with the Directors of the opinion that the Group can meet its obligations as and when they fall due.

At 30 June 2017 the Group has a net working capital surplus of \$1.596 million. The Group is reliant on being able to raise additional capital.

The Directors are currently reviewing a range of financing options. While financing is expected to be finalised within the short term to allow the Group to perform further exploration during 2017 – 2018, there is no certainty that financing will be completed as anticipated.

The Directors are confident of being able to raise the required capital, but note that financing has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Rift Valley Resources Ltd and its subsidiaries as at 30 June 2017.

Subsidiaries are all those entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is shown at note 22. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

## b) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

## c) Segment Information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

## d) Foreign Currency Translation

### *Functional and presentation currency*

The functional currency of each of the Group's operations is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries.

The functional currency of the non-Australian subsidiaries is US dollars and Euro.

### *Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. The gain and loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (ie translation differences on items whose fair value gain or loss is recognised in Equity or profit and loss are also recognised in equity or profit and loss respectively).

The financial results and position of foreign subsidiaries whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

## **e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months, and bank overdrafts.

## **f) Investment and Other Financial Assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

### *Financial assets at fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention to hold these investments to maturity. Investments intended to be held for an undefined period are not included in this classification. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation cost using the effective interest rate method. This calculation includes all fees and points paid or other premiums or discounts. For investments carried at amortised cost, gains or losses are recognised when the investments are derecognised or impaired, as well as through the amortisation process.

### *Available-for-sale financial assets*

Available-for-sale financial assets that are non-derivative that are designated available-for-sale or are not included in the above categories. After initial recognition available-for-sale investments are recognised at fair value, with gains or losses recognised in profit and loss being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

## **g) Exploration and Evaluation Expenditure**

### *Exploration and evaluation expenditure*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

*Impairment*

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met. The recoverable amount of exploration and evaluation assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

Accumulated costs in respect of areas of interest are written off or a provision made in the statement of comprehensive income when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis. Provisions are made where farm-in partners are sought and there is a possibility that carried forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

*Farm-in Arrangements*

Expenditure incurred under a farm-in arrangement is accounted for in the same way as directly incurred exploration and evaluation expenditure.

**h) Property, Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The carrying value of the plant and equipment also includes costs eligible for capitalisation. Other costs relating to plant and equipment are expensed when incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| <b>Asset</b>        | <b>Depreciation Rate</b> |
|---------------------|--------------------------|
| Motor Vehicles      | 25%                      |
| Plant and equipment | 5% - 40%                 |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

*Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**i) Impairment of Non-Financial Assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**j) Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

#### **k) Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows.

#### **l) Financial Liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising fair value of the original debt less principal payments and amortisation. The fair value of original debt is measured by discounting the balance due at the Company's estimated weighted average cost of capital.

#### **m) Share Based Payment Transactions**

##### *Equity Settled Transactions*

The Company provides benefits to certain key management personnel in the form of share-based payments and/or options. The Group currently has an Performance Rights Plan (PRP), which may be used to provide benefits to directors and senior executives.

The cost of such equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to relevant market rates for the time, commitment and responsibilities for the work performed. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, at the date of the granting of the shares and options.

#### **n) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **o) Revenue Recognition**

##### *Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

#### **p) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **q) Goods & Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or other Government authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

GST or VAT receivable from or payable to, either the Australian Taxation Office or other Government authorities has been accounted for and included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis except for the GST or VAT component of investing activities, which are disclosed as operating cash flow.

#### **r) Loss per Share (EPS)**

##### *Basic loss per share*

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

#### **s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets is capitalised into the cost of the related asset and is amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same way, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

#### 4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

##### (i) Significant accounting judgments

###### *Impairment of assets and exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related mineral title itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, proven and probable ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices, ability to finance, renewal of the exclusive prospecting licence and the issue of a mining licence. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

###### *Recoverability of Deferred Tax Assets*

Deferred tax assets are not recognised for deductible temporary differences as Directors consider that it is not probable that future taxable profits will be available to utilise those temporary differences.

##### (ii) Significant accounting estimates and assumptions

###### *Contingent Liabilities and Contingent Assets*

The Company assesses contingent liabilities and contingent assets at each reporting date and will account for them only if:

- a) they can be reliably measured;
- b) the probability that an asset or liability will eventually be recognised is greater than remote; and
- c) the items are considered material.

###### *Estimate of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. In addition the condition of the assets is assessed at least once per year and considered against the remaining useful life.

###### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with directors and others by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial model.

###### *Functional Currency*

The functional currency for the parent entity, each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

## 5. Operating Segments

### Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The executive management team reviews exploration expenditure in each segment to assess its performance and make operating decisions. All other expense and revenue items are not allocated to operating segments as they are not considered part of the core operations of the segment. The Group operates in mineral exploration in Tanzania and Angola. The accounting policies used by the Group in reporting segments internally are the same as those contained in note 3.

### Segment information provided to the Board – continuing operations

|                               | Tanzania    |            | Angola    |           | Total       |            |
|-------------------------------|-------------|------------|-----------|-----------|-------------|------------|
|                               | 2017        | 2016       | 2017      | 2016      | 2017        | 2016       |
|                               | \$          | \$         | \$        | \$        | \$          | \$         |
| Total segment revenue         | -           | -          | -         | -         | -           | -          |
| Segment expenses              | (7,797,899) | (320,235)  | (15,115)  | -         | (7,813,014) | (320,235)  |
| Impairment expense            | -           | -          | -         | -         | -           | -          |
| Total segment profit / (loss) | -           | (320,235)  | (15,115)  | -         | (15,115)    | (320,235)  |
| Total segment assets          | 5,284,440   | 12,169,804 | 3,515,637 | 3,033,369 | 8,800,077   | 15,203,173 |
| Total segment liabilities     | (55,821)    | (59,173)   | -         | -         | (55,821)    | (59,173)   |

### Other Segment Information

|                                       | 2017               | 2016               |
|---------------------------------------|--------------------|--------------------|
|                                       | \$                 | \$                 |
| Segment expense                       | (15,115)           | (320,235)          |
| Impairment expense                    | (7,797,899)        | -                  |
| Administration expenses               | (321,796)          | (191,773)          |
| Corporate expenses                    | (1,074,729)        | (779,505)          |
| Doubtful debts expense                | -                  | (179,088)          |
| Loss on disposal of assets            | -                  | -                  |
| Foreign currency exchange gain/(loss) | 13,823             | 118,121            |
| <b>Total expenses</b>                 | <b>(9,195,716)</b> | <b>(1,352,480)</b> |

### Segment assets reconcile to total assets as follows:

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Segment assets                | 8,800,077         | 15,203,174        |
| Current assets                | 1,937,995         | 1,515,900         |
| Property, plant and equipment | 66,394            | 184,613           |
| Corporate Assets              | 156               | 156               |
| <b>Total assets</b>           | <b>10,804,622</b> | <b>16,903,843</b> |
|                               | <b>2017</b>       | <b>2016</b>       |
|                               | <b>\$</b>         | <b>\$</b>         |

### Segment liabilities reconcile to total liabilities as follows:

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Segment liabilities      | (55,821)         | (59,173)         |
| Current liabilities      | (286,080)        | (402,118)        |
| <b>Total liabilities</b> | <b>(341,901)</b> | <b>(461,291)</b> |

### Segment loss reconcile to loss before tax as follows:

|                                  |                    |                    |
|----------------------------------|--------------------|--------------------|
| Segment loss                     | (15,115)           | (320,235)          |
| Interest revenue                 | 3,117              | 3,627              |
| Administration expenses          | (321,796)          | (191,773)          |
| Corporate expenses               | (1,074,729)        | (779,505)          |
| Impairment of exploration assets | (7,797,899)        | -                  |
| Doubtful debts expense           | -                  | (179,088)          |
| Foreign currency exchange        | 13,823             | 118,121            |
| <b>Loss before income tax</b>    | <b>(9,192,599)</b> | <b>(1,348,853)</b> |



## 6. Other Expenses

Loss for the year includes the following expenses:

### Operating lease rental expenses:

|                |        |        |
|----------------|--------|--------|
| Lease payments | 68,411 | 22,643 |
|----------------|--------|--------|

### Depreciation on non-current assets:

|                               |         |         |
|-------------------------------|---------|---------|
| Property, plant and equipment | 122,969 | 321,185 |
|-------------------------------|---------|---------|

### Employee Benefits

*Charged to statement of comprehensive income*

Performance rights and options granted to directors, officers and employees

230,580 111,501

Directors fees, superannuation and salaries & wages

363,117 393,786

593,697 505,287

*Capitalised to exploration and evaluation costs*

Salaries & wages and superannuation

97,200 86,572

Key management personnel remuneration disclosed in note 25 includes amounts in "Employee benefits" disclosed above.

## 7. Income Taxes

### Tax expense/(benefit) comprises:

Current tax expense/(benefit)

Total tax expense/(benefit)

| 2017 | 2016 |
|------|------|
| \$   | \$   |
| -    | -    |
| -    | -    |

The tax rate used in the reconciliation below is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

|                                                                               |             |             |
|-------------------------------------------------------------------------------|-------------|-------------|
| Loss from continuing operations                                               | (9,192,599) | (1,348,853) |
| Income tax benefit calculated at 30%                                          | (2,757,780) | (404,656)   |
| Tax effects of amounts which are not deductible in calculating taxable income | 69,174      | 27,451      |
| Tax assets not brought to account                                             | 2,688,606   | 377,205     |
| Total tax expense/(benefit)                                                   | -           | -           |

The following deferred tax assets have not been brought to account:

|                                        |           |           |
|----------------------------------------|-----------|-----------|
| Share issue costs                      | 68,982    | 67,535    |
| Unused tax losses (a)                  | 6,803,237 | 5,050,313 |
| Accruals                               | 54,702    | 68,665    |
| Exploration and evaluation expenditure | (528,133) | (600,610) |

(a) Tax loss information is an estimate of available losses.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future. Unrecognised tax losses as at 30 June 2017 aggregate \$22,677,456 (2016: \$17,013,465).

## 8. Cash and Cash Equivalents

|                          |                  |                  |
|--------------------------|------------------|------------------|
| Cash at bank and on hand | 1,848,248        | 1,389,239        |
|                          | <u>1,848,248</u> | <u>1,389,239</u> |

## 9. Trade and Other Receivables

### Current

|                                  |              |               |
|----------------------------------|--------------|---------------|
| Other debtors                    | 480,780      | 546,161       |
| Less provision for doubtful debt | (471,408)    | (471,408)     |
|                                  | <u>9,372</u> | <u>74,753</u> |

Due to uncertainties in recovering the Tanzanian VAT balance, the amount has been fully provided for in full.

## 10. Available for sale assets

### (a) Available for sale financial assets

During the 2013 financial year, the Company divested its shareholding in Tasman Goldfields NSW Pty Ltd, which held Mt Adrah tenement assets in New South Wales. The transaction resulted in the Company receiving \$62,500 cash and 625,000 fully paid ordinary shares in ASX-listed Sovereign Gold Company Ltd ("Sovereign").

|                                                | 2017<br>\$ | 2016<br>\$ |
|------------------------------------------------|------------|------------|
| Opening balance                                | 156        | 156        |
| Impairment of asset                            | -          | -          |
| Listed shares classified as available for sale | <u>156</u> | <u>156</u> |

## 11. Parent Entity Disclosure

The following details information related to the parent entity, Rift Valley Resources Ltd as at 30 June 2017. The information presented has been prepared using consistent accounting policies as presented in Note 3.

|                                                | 2017<br>\$          | 2016<br>\$        |
|------------------------------------------------|---------------------|-------------------|
| Current assets                                 | 1,834,857           | 1,405,033         |
| Non-current assets                             | -                   | 21,876,458        |
| Total assets                                   | <u>1,834,857</u>    | <u>23,281,491</u> |
| Current liabilities                            | 286,080             | 402,118           |
| Non-current liabilities – intercompany loan    | 6,207,253           | 6,207,253         |
| Total liabilities                              | <u>6,493,333</u>    | <u>6,609,371</u>  |
| Contributed equity                             | 39,734,149          | 36,444,285        |
| Accumulated losses                             | (47,437,410)        | (22,290,651)      |
| Reserves                                       | 3,044,785           | 2,518,486         |
| Total equity                                   | <u>4,658,476</u>    | <u>16,672,120</u> |
| Loss for the year                              | (25,146,759)        | (912,971)         |
| Total comprehensive gain / (loss) for the year | <u>(25,146,759)</u> | <u>(912,971)</u>  |

No guarantees have been entered into by the parent entity on behalf of subsidiaries during the period.

**12. Property, Plant and Equipment**

|                                   | <b>Motor Vehicles</b> | <b>Plant and equipment</b> | <b>Total</b>  |
|-----------------------------------|-----------------------|----------------------------|---------------|
|                                   | <b>\$</b>             | <b>at cost</b>             | <b>\$</b>     |
|                                   |                       | <b>\$</b>                  |               |
| Balance at 1 July 2016            | 325,196               | 483,432                    | 808,628       |
| Additions                         | -                     | 9,090                      | 9,090         |
| Disposals                         | -                     | -                          | -             |
| Exchange differences              | -                     | -                          | -             |
| Balance at 30 June 2017           | 325,196               | 492,522                    | 817,718       |
| Accumulated depreciation          |                       |                            |               |
| Balance at 1 July 2016            | (305,739)             | (318,276)                  | (624,015)     |
| Transfers                         | -                     | -                          | -             |
| Disposals                         | -                     | -                          | -             |
| Depreciation expense              | (19,457)              | (103,512)                  | (122,969)     |
| Exchange differences              | -                     | (4,340)                    | (4,340)       |
| Balance at 30 June 2017           | (325,196)             | (426,128)                  | (751,324)     |
| Net book value as at 30 June 2017 | -                     | <b>66,394</b>              | <b>66,394</b> |

|                                   | <b>Motor Vehicles</b> | <b>Plant and equipment</b> | <b>Total</b>   |
|-----------------------------------|-----------------------|----------------------------|----------------|
|                                   | <b>\$</b>             | <b>at cost</b>             | <b>\$</b>      |
|                                   |                       | <b>\$</b>                  |                |
| Balance at 1 July 2015            | 206,571               | 133,213                    | 339,784        |
| Additions                         | 118,625               | 350,219                    | 468,844        |
| Disposals                         | -                     | -                          | -              |
| Exchange differences              | -                     | -                          | -              |
| Balance at 30 June 2016           | 325,196               | 483,432                    | 808,628        |
| Accumulated depreciation          |                       |                            |                |
| Balance at 1 July 2015            | (180,159)             | (123,347)                  | (303,506)      |
| Transfers                         | -                     | -                          | -              |
| Disposals                         | -                     | -                          | -              |
| Depreciation expense              | (124,863)             | (196,322)                  | (321,185)      |
| Exchange differences              | (717)                 | 1,393                      | 676            |
| Balance at 30 June 2016           | (305,739)             | (318,276)                  | (624,015)      |
| Net book value as at 30 June 2016 | <b>19,457</b>         | <b>165,156</b>             | <b>184,613</b> |

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

|                      | <b>2017</b>    | <b>2016</b>    |
|----------------------|----------------|----------------|
|                      | <b>\$</b>      | <b>\$</b>      |
| Computer Equipment   | -              | -              |
| Furniture & Fittings | 103,512        | 193,254        |
| Plant and equipment  | -              | 3,068          |
| Motor vehicles       | 19,457         | 124,863        |
| Total depreciation   | <b>122,969</b> | <b>321,185</b> |

### 13. Exploration and Evaluation Expenditure

|                                                                                                 | 2017<br>\$  | 2016<br>\$ |
|-------------------------------------------------------------------------------------------------|-------------|------------|
| Gross carrying value:                                                                           |             |            |
| Balance at beginning of period                                                                  | 15,203,174  | 12,597,762 |
| Additions                                                                                       | 1,760,442   | 2,362,306  |
| Impairment                                                                                      | (7,797,899) | -          |
| Acquisition of Mtemi Resources                                                                  | -           | 7,843      |
| Foreign exchange                                                                                | (365,640)   | 235,263    |
| Balance at end of financial year                                                                | 8,800,077   | 15,203,174 |
| Accumulated depreciation/amortisation and impairment                                            |             |            |
| Balance at beginning of period                                                                  | -           | -          |
| Impairment expense                                                                              | (7,797,899) | -          |
| Balance at end of financial year                                                                | (7,797,899) | -          |
| At the end of the financial year book value net of accumulated amortisation and impairment (ii) | 8,800,077   | 15,203,174 |

- (i) During the financial year, the Consolidated Group made an assessment of the carrying value of its exploration assets. Impairment of capitalised mineral exploration and evaluation expenditure relates to assets for which the expenditure are not expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 30 June 2017 has been determined based on comparable market transactions. The fair value methodology adopted at 30 June 2017 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to the underlying resources and the valuation multiple, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

As a result of the change in legislation which will amend the legal framework governing the resources sector in Tanzania, the Board considers the impairment and cost carried forward of the Group's exploration and evaluation assets fairly reflects the situation.

- (ii) The above amounts represent capitalised costs of exploration carried forward as an asset in accordance with the accounting policy set out in note 3 (g). The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

### 14. Trade and Other Payables

|                                                | 2017<br>\$ | 2016<br>\$ |
|------------------------------------------------|------------|------------|
| Trade, other payables and accrued expenses (i) | 341,901    | 461,291    |
|                                                | 341,901    | 461,291    |

- (i) There has been no interest charged on the trade payables.

# 15. Issued Capital

| Company/Consolidated                           | 2017<br>No. | 2017<br>\$ | 2016<br>No. | 2016<br>\$ |
|------------------------------------------------|-------------|------------|-------------|------------|
| <b>Fully paid ordinary shares</b>              |             |            |             |            |
| Balance at beginning of the period             | 592,978,280 | 36,444,284 | 497,478,280 | 34,461,535 |
| Shares issued on vesting of Performance Rights | -           | -          | 2,500,000   | 100,000    |
| Issue of shares – Mtemi acquisition            | -           | -          | 32,000,000  | 480,000    |
| Issue as consideration for placement           | -           | -          | 1,000,000   | 25,000     |
| Share placement                                | -           | -          | 60,000,000  | 1,500,000  |
| Share issue costs                              | -           | -          | -           | (122,251)  |
| Share Placement                                | 40,000,000  | 800,000    | -           | -          |
| Rights Issue                                   | 90,568,325  | 2,264,308  | -           | -          |
| Shares issued on vesting of performance rights | 1,850,000   | -          | -           | -          |
| Share Placement                                | 13,381,441  | 334,436    | -           | -          |
| Share issue costs                              | -           | (108,879)  | -           | -          |
| Balance at end of financial year               | 738,778,046 | 39,734,149 | 592,978,280 | 36,444,284 |

Ordinary shares participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Management controls the capital of the Group in order to fund its operations and continue as a going concern. The Consolidated Entity does not have any externally imposed capital requirements.

|                                                               | Consolidated |            |
|---------------------------------------------------------------|--------------|------------|
|                                                               | 2017<br>\$   | 2016<br>\$ |
| 738,778,046 fully paid ordinary shares<br>(2016: 592,978,280) | 39,734,149   | 36,444,284 |
|                                                               | 39,734,149   | 36,444,284 |

# Share options on issue

The following options are on issue as at year end:

- 45,355,000 unlisted options exercisable at 6 cents and expiring 27 July 2018
- 32,500,000 unlisted options exercisable at 3.5 cents and expiring 5 May 2018
- 5,000,000 unlisted options exercisable at 4.0 cents and expiring 2 November 2019
- 5,000,000 unlisted options exercisable at 6.0 cents and expiring 2 November 2019
- 20,000,000 unlisted options exercisable at 3.5 cents and expiring 18 November 2018
- 2,000,000 unlisted options exercisable at 5.0 cents and expiring 6 April 2020

# 16. Reserves

|                                             | Consolidated |            |
|---------------------------------------------|--------------|------------|
|                                             | 2017<br>\$   | 2016<br>\$ |
| Share Option Reserve                        | 3,044,785    | 2,790,207  |
| Foreign Currency Translation Reserve        | 973,891      | 1,305,567  |
|                                             | 4,018,676    | 4,095,774  |
| <b>Foreign Currency Translation Reserve</b> |              |            |
| Balance at beginning of financial year      | 1,305,567    | 1,016,871  |
| Movements:                                  |              |            |
| Translation adjustments (i)                 | (331,676)    | 288,696    |
| Balance at end of financial year            | 973,891      | 1,305,567  |
| <b>Share Option Reserve</b>                 |              |            |
| Balance at beginning of financial year      | 2,790,205    | 2,597,284  |
| Movements:                                  |              |            |
| Issue of options – Mtemi acquisition        | -            | 171,420    |
| Issue of performance rights and options(ii) | 254,580      | 111,501    |
| Shares issue costs refund / (expense)       | -            | 10,000     |
| Vested performance rights                   | -            | (100,000)  |
| Balance at end of financial year            | 3,044,785    | 2,790,205  |

(i)Represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(ii) The Share option reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are converted to equity. Further information about share-based payments can be found in note 26 to the financial statements.

# 17. Accumulated Losses

|                                        | Consolidated |              |
|----------------------------------------|--------------|--------------|
|                                        | 2017<br>\$   | 2016<br>\$   |
| Balance at beginning of financial year | (24,097,504) | (22,748,651) |
| Net loss for the year                  | (9,192,599)  | (1,348,853)  |
| Balance at end of financial year       | (33,290,103) | (24,097,504) |

# 18. Loss per Share

|                               | 2017<br>cents per share | 2016<br>cents per share |
|-------------------------------|-------------------------|-------------------------|
| <b>Basic loss per share</b>   |                         |                         |
| From continuing operations    | 1.52                    | 0.36                    |
| Total basic loss per share    | 1.52                    | 0.36                    |
| <b>Diluted loss per share</b> |                         |                         |
| From continuing operations    | 1.52                    | 0.36                    |
| Total diluted loss per share  | 1.52                    | 0.36                    |

*Basic loss per share*

The net loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

|                                                                                                | 2017<br>\$  | 2016<br>\$  |
|------------------------------------------------------------------------------------------------|-------------|-------------|
| Net loss                                                                                       | (9,192,599) | (1,348,853) |
| Losses used in the calculation of basic loss per share from continuing operations              | (9,192,599) | (1,348,853) |
| Losses used in the calculation of diluted loss per share attributable to ordinary shareholders | (9,192,599) | (1,348,853) |

|                                                                                                                            | 2017<br>No. | 2016<br>No. |
|----------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share and diluted loss per share | 604,461,858 | 374,839,477 |
| Options                                                                                                                    | 107,855,000 | 75,355,000  |
| Performance Rights                                                                                                         | 10,000,000  | -           |

The above options and performance rights have not been included in the diluted earnings per share as they are anti dilutive in the current period, however they could potentially dilute basic earnings per share in the future

# 19. Dividends

No dividends were paid or proposed during the current or previous financial year.

# 20. Commitments for Expenditure

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

No provision has been made in the accounts for the possibility of a native title claim application. Any substantial claim may have an effect on the value of the relevant tenement. These obligations will vary from time to time, subject to statutory approval.

The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated Entity.

No provision has been made in the accounts for minimum expenditure requirements in respect of tenements.

## (i) Operating leases

The Group has entered into commercial property and equipment leases. These leases have an average life of between 5 and 12 months.

There are no restrictions placed upon the lessee by entering into these leases.

|                                                | Consolidated |        |
|------------------------------------------------|--------------|--------|
|                                                | 2017         | 2016   |
|                                                | \$           | \$     |
| Operating lease expenditure                    |              |        |
| Not longer than 1 year                         | 33,020       | 67,920 |
| Longer than 1 year and not longer than 5 years | -            | -      |
| Longer than 5 years                            | -            | -      |
|                                                | 33,020       | 67,920 |

## (ii) Exploration Commitments

Commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

|                                                | Consolidated |         |
|------------------------------------------------|--------------|---------|
|                                                | 2017         | 2016    |
|                                                | \$           | \$      |
| Exploration and evaluation expenditure         |              |         |
| Not longer than 1 year                         | 66,592       | 7,432   |
| Longer than 1 year and not longer than 5 years | 51,844       | 148,356 |
| Longer than 5 years                            | -            | -       |
|                                                | 118,436      | 155,788 |

## 21. Contingent Liabilities and Contingent Assets

Pursuant to the agreement for the acquisition of the Kitongo Gold Project the Company will be required to pay an amount of \$750,000 to the vendor on the commencement of production.

The Directors are not aware of any other contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements

## 22. Interests in Controlled Entities

| Name of entity                                 | Country of incorporation | Ownership interest |           |
|------------------------------------------------|--------------------------|--------------------|-----------|
|                                                |                          | 2017<br>%          | 2016<br>% |
| <b>Parent entity:</b>                          |                          |                    |           |
| Rift Valley Resources Limited (i)              | Australia                |                    |           |
| <b>Controlled entities:</b>                    |                          |                    |           |
| Carlton Resources Pty Ltd                      | Australia                | 100                | 100       |
| Carlton Miyabi Tanzania Limited                | Tanzania                 | 100                | 100       |
| Carlton Kitongo Tanzania Limited               | Tanzania                 | 100                | 100       |
| Bright Star Tanzania Limited                   | Tanzania                 | 100                | 100       |
| Rift Valley Resources (Africa) Pty Ltd         | Australia                | 100                | 100       |
| Rift Valley Resources Tanzania Limited         | Tanzania                 | 100                | 100       |
| Tasman Goldfields Australia Operations Pty Ltd | Australia                | 100                | 100       |
| Sable Minerals Pty Ltd                         | Australia                | 100                | 100       |
| Sable Minerals GmbH                            | Germany                  | 100                | 100       |
| Ozango Minerais S.A.                           | Angola                   | 70                 | 70        |
| Mtemi Resources Pte Ltd                        | Singapore                | 100                | 100       |
| Mtemi G Pte Ltd                                | Singapore                | 100                | 100       |
| Mtemi O Pte Ltd                                | Singapore                | 100                | 100       |
| Mtemi U Pte Ltd                                | Singapore                | 100                | 100       |
| Mtemi G (Tanzania) Ltd                         | Tanzania                 | 100                | 100       |
| Mtemi O (Tanzania) Ltd                         | Tanzania                 | 100                | 100       |
| Mtemi U (Tanzania) Ltd                         | Tanzania                 | 100                | 100       |

(i) Rift Valley Resources Ltd is the ultimate holding Company.

The parent entity and its controlled entities are not within a tax-consolidated Group.

## 23. Notes to the Consolidated Statement of Cash Flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

|                           | Consolidated |           |
|---------------------------|--------------|-----------|
|                           | 2017         | 2016      |
|                           | \$           | \$        |
| Cash and cash equivalents | 1,848,248    | 1,389,239 |

### (b) Reconciliation of profit / (loss) for the period to net cash flows from operating activities

|                                       | Consolidated |             |
|---------------------------------------|--------------|-------------|
|                                       | 2017         | 2016        |
|                                       | \$           | \$          |
| Net loss                              | (9,192,599)  | (1,348,853) |
| Add/less non cash items               |              |             |
| Interest income                       | (3,117)      | (3,627)     |
| Doubtful debt expense                 | -            | 179,088     |
| Depreciation                          | 155,873      | 321,185     |
| Share based payments                  | 254,580      | 91,503      |
| Unrealised FX (gain)/loss             | 159,102      | (118,122)   |
| Impairment of exploration assets      | 7,797,899    | -           |
| (Increase)/decrease in assets:        |              |             |
| Trade and other receivables           | 36,759       | 35,954      |
| Prepayments                           | 19,083       | (2,526)     |
| Increase/(decrease) in liabilities:   |              |             |
| Trade and other payables              | (301,730)    | (286,238)   |
| Net cash used in operating activities | (1,074,150)  | (1,131,636) |

## 24. Financial Instruments

### (a) Financial risk management objectives

The senior management and Board monitor and manage the financial risk relating to the operations of the Group. The Group's activities include exposure to market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on managing these risks and implementing and monitoring controls over the cash management function. Owing to the unpredictability of finance markets, the senior management and Board seek to minimise potential adverse effects on financial performance. There has been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods to measure them.

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 3 and 4 to the financial statements.

### (c) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in notes 16, 17 and 18 respectively. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.



**(d) Market price risk**

The Group is involved in the exploration and development of mining tenements for base metals including gold and copper. Revenue from any future mining associated with metal sales, the acquisition and disposal consideration for mining tenements and the ability to raise funds through equity and debt will be largely dependent upon the commodity price for resources at the time of the transaction.

**(e) Interest rate risk**

The Group's cash-flow interest rate risk for assets primarily arises from cash at bank and deposits which are subject to market bank rates. There is no interest receivable or payable on the Group's trade and other receivables or payables. Details of the interest rates and maturities are located in this note. The Group will be exposed to further interest rate risk if it intends to borrow funds in the future for acquisition and development.

**(f) Credit risk management**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. The Group internal policy requires deposits to be held with financial institutions holding a benchmark credit rating. At balance date cash and deposits were held with the National Australia Bank.

**(g) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- (iii) the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

**(h) Foreign currency risk**

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and the holding of assets and liabilities in currencies other than the Group's measurement currency.

At balance date, the Group had the following exposure to United States Dollars (USD) foreign currency that is not designated in cash flow hedges:

|                           | Consolidated  |                |
|---------------------------|---------------|----------------|
|                           | 2017          | 2016           |
|                           | \$            | \$             |
| <u>Financial Assets</u>   |               |                |
| Cash and cash equivalents |               |                |
| United States Dollars     | 35,777        | 349,185        |
|                           | <u>35,777</u> | <u>349,185</u> |
| Net exposure              | 35,777        | 349,185        |

A 5% change in the United States Dollar will increase or decrease net loss and accumulated losses by \$1,788 (2016: \$17,459)

### Maturity profile of financial instruments

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the Group's exposure to interest rate risk as at 30 June 2017 and as at 30 June 2016:

|                                   | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Less than<br>1 month<br>\$ | 1-3<br>months<br>\$ | 3 months<br>to 1 year<br>\$ | 1-5 years<br>\$ | 5 + years<br>\$ | Total     |
|-----------------------------------|-----------------------------------------------------------|----------------------------|---------------------|-----------------------------|-----------------|-----------------|-----------|
| <b>2017</b>                       |                                                           |                            |                     |                             |                 |                 |           |
| <u>Financial assets</u>           |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | -                          | -                   | -                           | -               | -               | -         |
| Variable interest rate instrument |                                                           | 1,848,248                  | -                   | -                           | -               | -               | 1,848,248 |
| Fixed interest rate instruments   |                                                           | -                          | 32,815              | -                           | -               | -               | 32,815    |
|                                   |                                                           | 1,848,248                  | 32,815              | -                           | -               | -               | 1,881,063 |
| <u>Financial liabilities</u>      |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | 341,901                    | -                   | -                           | -               | -               | 341,901   |
|                                   |                                                           | 341,901                    | -                   | -                           | -               | -               | 341,901   |
| <b>2016</b>                       |                                                           |                            |                     |                             |                 |                 |           |
| <u>Financial assets</u>           |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | -                          | -                   | -                           | -               | -               | -         |
| Variable interest rate instrument |                                                           | 1,389,239                  | -                   | -                           | -               | -               | 1,389,239 |
| Fixed interest rate instruments   |                                                           | -                          | 32,815              | -                           | -               | -               | 32,815    |
|                                   |                                                           | 1,389,239                  | 32,815              | -                           | -               | -               | 1,422,054 |
| <u>Financial liabilities</u>      |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | 461,291                    | -                   | -                           | -               | -               | 461,291   |
|                                   |                                                           | 461,291                    | -                   | -                           | -               | -               | 461,291   |

A 1% change in interest rates on interest bearing assets will increase or decrease net loss and accumulated losses by \$18,811 (2016: \$13,892).

### 25. Key Management Personnel Compensation

|                              | 2017<br>\$ | 2016<br>\$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 552,838    | 554,866    |
| Post-employment benefits     | 30,480     | 17,783     |
| Termination benefits         | -          | -          |
| Share-based payment          | 211,926    | 55,507     |
|                              | 795,244    | 628,156    |

Further details of the key management personnel compensation can be found in the Remuneration Report section of the Directors' Report.

## 26. Share-based Payments

During the 2017 financial year the following performance rights were issued.

| Director / KMP | Number of Rights | Vesting Conditions          | Grant date   | Expiry date      | Vesting date                      |
|----------------|------------------|-----------------------------|--------------|------------------|-----------------------------------|
| Stephen Dobson | 5,000,000        | VWAMP of \$0.06 for 90 days | 16 June 2017 | 16 June 2019     | Upon vesting conditions being met |
| Stephen Dobson | 3,000,000        | Raising at least \$5m       | 16 June 2017 | 16 December 2018 | Upon vesting conditions being met |
| Stephen Dobson | 2,000,000        | 12 months service           | 16 June 2017 | 16 June 2018     | 16 June 2018                      |

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

|                              | Performance Rights |              |              |
|------------------------------|--------------------|--------------|--------------|
|                              | Director           | Director     | Director     |
| Grant date                   | 16 June 2017       | 16 June 2017 | 16 June 2017 |
| Number of performance rights | 2,000,000          | 5,000,000    | 3,000,000    |
| Share price                  | 2.4 cents          | 2.4 cents    | 2.4 cents    |
| Exercise price               | 0 cents            | 6 cents      | 0 cents      |
| Weighted average fair value  | 2.4cents           | 0.009 cents  | 2.4 cents    |
| Total amount                 | \$48,000           | \$45,000     | \$72,000     |
| Expensed to 30 June 2017     | \$1,841            | \$45,000     | \$48,000     |

The director performance rights were approved by the board to be issued on 2 November 2016, however they were subject to shareholder approval, which were approved on 16 June 2017.

## 2016

| Name              | Number of Rights | Vesting Conditions | Grant date       | Expiry date          | Vesting date         |
|-------------------|------------------|--------------------|------------------|----------------------|----------------------|
| Graeme Clatworthy | 1,000,000        | 12 months service  | 30 November 2016 | 12 months from issue | 12 months from issue |
| Geoff Gilmour     | 1,000,000        | 12 months service  | 30 November 2016 | 12 months from issue | 12 months from issue |
| Greg Cunnold      | 1,000,000        | 12 months service  | 30 November 2016 | 12 months from issue | 12 months from issue |
| Consultants       | 850,000          | 12 months service  | 24 March 2016    | 24 March 2017        | 24 March 2017        |

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2016:

|                              | Performance Rights |                  |
|------------------------------|--------------------|------------------|
|                              | Consultants        | Directors        |
| Grant date                   | 24 March 2016      | 30 November 2016 |
| Number of performance rights | 850,000            | 3,000,000        |
| Share price                  | 3.0 cents          | 2.8 cents        |
| Exercise price               | 0 cents            | 0 cents          |
| Weighted average fair value  | 3.0 cents          | 2.8 cents        |
| Total amount                 | \$25,500           | \$84,000         |
| Expensed to 30 June 2016     | \$6,847            | \$24,164         |

The Fair value of the performance rights granted to consultants is deemed to be the fair value of the services rendered by the consultants.

## 26. Share-based Payments (continued)

### Options 2017

| Name               | Share options Number | Exercise Price | Grant date fair value | Grant date      | Expiry date     | Vesting date            |
|--------------------|----------------------|----------------|-----------------------|-----------------|-----------------|-------------------------|
| Stephen Dobson     | 5,000,000            | \$0.04         | \$0.01                | 2 November 2016 | 2 November 2019 | Vested at date of grant |
| Stephen Dobson     | 5,000,000            | \$0.06         | \$0.007               | 2 November 2016 | 2 November 2019 | Vested at date of grant |
| Corporate Advisors | 2,000,000            | \$0.05         | \$0.012               | 27 June 2017    | 6 April 2020    | Vested at date of grant |

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

|                             | Unlisted Options |                 |
|-----------------------------|------------------|-----------------|
|                             | Director         | Director        |
| Grant date                  | 2 November 2016  | 2 November 2016 |
| Number of options           | 5,000,000        | 5,000,000       |
| Share price                 | 2.8 cents        | 2.8 cents       |
| Exercise price              | 6 cents          | 4 cents         |
| Weighted average fair value | 0.7 cents        | 1.0 cents       |
| Total amount                | \$35,000         | \$50,000        |
| Expensed to 30 June 2017    | \$35,000         | \$50,000        |

### Reconciliation of options outstanding

The following reconciles outstanding share options provided as share-based payments at the beginning and end of the financial year:

|                                                  | 2017              |                                 | 2016              |                                 |
|--------------------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                                  | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of the financial year       | -                 | -                               | 3,000,000         | \$0.0                           |
| Issued or to be issued during the financial year | 12,000,000        | \$0.05                          | -                 | \$0.0                           |
| Vested during the financial year                 | 12,000,000        | \$0.05                          | -                 | -                               |
| Expired during the financial year                | -                 | -                               | (3,000,000)       | \$0.17                          |
| Balance at end of the financial year             | 12,000,000        | \$0.05                          | -                 | \$0.0                           |
| Exercisable at end of the financial year         | 12,000,000        | \$0.05                          | -                 | -                               |

## 27. Related party transactions

### Parent entity

The parent entity in the Group is Rift Valley Resources Ltd which was incorporated in Victoria Australia on 29 September 2006.

#### (a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements.

#### (b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 25 of the financial statements and details of the compensation has been provided in the remuneration report which forms part of the Directors' Report.

#### (c) Other Transactions with Key Management Personnel and Related Parties

The following amounts have been disclosed as remuneration in note 26:

- The Company paid Willowood Corporate Pty Ltd, a Company associated with Mr. G Gilmour, consultancy fees of \$100,000 during the current financial year (2016: \$180,000).

## 28. Remuneration of auditors

|                                                                                                          | Consolidated |        |
|----------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                          | 2017         | 2016   |
|                                                                                                          | \$           | \$     |
| <b>Remuneration of Ernst &amp; Young as the auditor of the parent entity</b>                             |              |        |
| Audit or review of the financial report                                                                  | 52,000       | 52,000 |
| <b>Related practice of the parent entity auditor</b>                                                     |              |        |
| Other non-audit services – taxation services                                                             | -            | -      |
| <b>Remuneration of Ernst &amp; Young as the auditor of the foreign subsidiaries</b>                      |              |        |
| An audit or review of the financial report of the entity and any other entity in the Consolidated Entity | 5,000        | -      |

## 29. Subsequent events

On 3 July 2017, 3 Bills were passed by the Tanzanian Parliament which will amend the legal framework governing the resources sector in Tanzania.

On 25 August 2017, Mr Mark Hohnen was appointed to the board as a Non-Executive Directors. Mr Geoff Gilmour resigned as Managing Director and from the Board. As a result of this, Mr Stephen Dobson moved to Executive Chairman.

No other matters or circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

**Appendix 1**  
**Part 2**

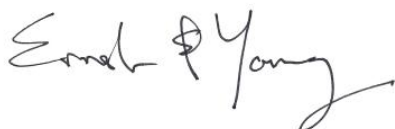
Audited financial statements for the Pensana Australia Group for the financial year ended 30  
June 2018

## Auditor's Independence Declaration to the Directors of Pensana Metals Limited

As lead auditor for the audit of Pensana Metals Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pensana Metals Limited and the entities it controlled during the financial year.



Ernst & Young



Darryn Hall  
Partner  
30 September 2018

# Independent auditor's report to the members of Pensana Metals Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Pensana Metals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 3 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters, provide the basis for our audit opinion on the accompanying financial report.

## Carrying value of capitalised exploration and evaluation assets

### Why significant

At 30 June 2018 the Group held capitalised exploration and evaluation assets of \$5,596,961.

The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to perform ongoing expenditure and whether there is sufficient information for a decision to be made that the area of interest is not commercially viable. The directors did not identify any impairment indicators.

Refer to Note 14 in the financial report for capitalised mineral exploration and evaluation asset balances and related disclosures.

### How our audit addressed the key audit matter

We considered the Group's assessment as to whether there were impairment indicators present that required the capitalised exploration and evaluation assets to be tested for impairment as at 30 June 2018.

In performing our procedures, we:

- ▶ Considered whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements;
- ▶ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast and enquiring of senior management and Directors as to their intentions and the strategy of the Group;
- ▶ Considered the Group's assessment of whether the commercial viability of extracting mineral resources had been demonstrated and whether it was appropriate to continue to classify the capitalised expenditure for the area of interest as an exploration and evaluation asset; and
- ▶ Assessed the adequacy of the disclosures in Note 14 of the financial report.

## Share based payments

### Why significant

In the current year the Group awarded share based payments, in the form of performance rights, as detailed in Note 27. The awards vest subject to the achievement of various vesting conditions.

Due to the complex and judgmental estimates used in determining the valuation of the share based payment awards, including share price volatility and probability factors that vesting conditions will be achieved, we considered the Group's calculation of the share based payment expense to be a key audit matter.

### How our audit addressed the key audit matter

For awards granted during the year, we:

- ▶ Considered the appropriateness of the Group's valuation method for the performance rights issued during the year;
- ▶ Involved our valuation specialists, to assess the assumptions used in the Group's calculation of fair value at grant date, in particular the share price of the underlying equity, volatility, dividend yield, time to maturity (expected life) and grant date; and
- ▶ Assessed the adequacy of the disclosure in Note 27 of the financial report.

## Assets held for sale

### Why significant

At 30 June 2018, as disclosed in Note 10, the Group has Assets held for sale of \$5,645,553, consisting of capitalised exploration and evaluation assets in Tanzania.

An asset is to be classified as held for sale where the carrying amount will be recovered principally through a sale transaction rather than through continuing use and the likelihood of a sale being completed within 12 months of the assets being classified as held for sale is highly probable.

Assets classified as held for sale are to be measured at the lower of their carrying amount and fair value less costs to sell.

### How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered the Group's assessment of the probability of the various transactions being completed within 12 months, which included reading sale and purchase agreements and related documents, reviewing minutes of directors' meeting and enquiring of senior management and directors as to whether it highly probable that the assets will be sold within the 12 month period;
- ▶ Considered resource multiples for comparable projects and proposed offer amounts for sale of these assets in assessing the appropriateness of the Group's measurement of fair value less costs to sell for the various tenement interests;

Due to the judgement involved in determining whether it is highly probable that the Tanzania exploration and evaluation assets will be sold within a 12 month period and the significant estimation involved in determining the fair value less cost to sell of these assets the classification of the Tanzania exploration and evaluation assets as held for sale assets is considered to be a key audit matter.

- ▶ Assessed whether the carrying amount of the capitalised exploration and evaluation assets in Tanzania, on an area of interest basis, was stated at the lower of their respective carrying amounts and the Group's estimates of their fair value less costs to sell; and
- ▶ Assessed the adequacy of disclosure in Note 10 of the financial report.

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the remuneration report

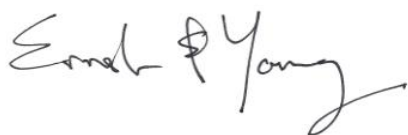
### Opinion on the remuneration report

We have audited the Remuneration Report as referenced in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Pensana Metals Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Darryn Hall  
Partner  
Perth  
30 September 2018

## Directors' declaration

In accordance with a resolution of the directors of Pensana Metals Ltd, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3; and
- (c) Subject to the matter set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Directors,



Mr. Paul Atherley  
Non- Executive Chairman  
Perth, 30 September 2018

# **Financial Statements**

**FOR THE YEAR ENDED 30 JUNE 2018**

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

|                                                                             |      | 30 June 2018       | 30 June 2017       |
|-----------------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                             | Note | A\$                | A\$                |
| Interest Income                                                             | 6    | 2,288              | 3,117              |
| Administration expenses                                                     |      | (795,198)          | (336,911)          |
| Corporate expenses                                                          |      | (909,361)          | (1,074,729)        |
| Impairment of exploration assets                                            | 14   | (110,827)          | (7,797,899)        |
| Foreign currency exchange (loss)/gain                                       |      | (11,892)           | 13,823             |
| <b>Loss from operations before finance costs</b>                            |      | <b>(1,824,990)</b> | <b>(9,192,599)</b> |
| Finance costs                                                               |      | -                  | -                  |
| <b>Loss before income tax</b>                                               |      | <b>(1,824,990)</b> | <b>(9,192,599)</b> |
| Income tax benefit/(expense)                                                | 7    | -                  | -                  |
| <b>Total loss for the period</b>                                            |      | <b>(1,824,990)</b> | <b>(9,192,599)</b> |
| <b>Other comprehensive income</b>                                           |      |                    |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>        |      |                    |                    |
| Foreign currency translation                                                |      | 598,161            | (331,676)          |
| <b>Total comprehensive (loss)/income for the period</b>                     |      | <b>(1,226,829)</b> | <b>(9,524,275)</b> |
| <b>Net (loss)/ income for the period is attributable to:</b>                |      |                    |                    |
| Owners of Pensana Metals Limited                                            |      | (1,226,829)        | (9,524,275)        |
| <b>Total comprehensive (loss)/ income is attributable to:</b>               |      |                    |                    |
| Owners of Pensana Metals Limited                                            |      | (1,226,829)        | (9,524,275)        |
| <b>(Loss)/ Gain per share attributable to owners of Pensana Metals Ltd:</b> |      |                    |                    |
| Basic (cents per share)                                                     | 19   | (0.24)             | (1.52)             |
| Diluted (cents per share)                                                   | 19   | (0.24)             | (1.52)             |

Notes to the financial statements are included on pages 36 to 60.



## Consolidated Statement of Financial Position as at 30 June 2018

|                                                      |      | 30 June 2018      | 30 June 2017      |
|------------------------------------------------------|------|-------------------|-------------------|
|                                                      | Note | A\$               | A\$               |
| <b>ASSETS</b>                                        |      |                   |                   |
| <b>CURRENT ASSETS</b>                                |      |                   |                   |
| Cash and cash equivalents                            | 8    | 242,769           | 1,848,248         |
| Trade and other receivables                          | 9    | 9,372             | 9,372             |
| Deposits                                             |      | 32,185            | 32,185            |
| Prepayments                                          |      | 74,648            | 48,190            |
| Assets held for sale                                 | 10   | 5,645,553         | -                 |
| Available-for-sale financial assets                  | 11   | 156               | 156               |
| <b>TOTAL CURRENT ASSETS</b>                          |      | <b>6,004,683</b>  | <b>1,938,151</b>  |
| <b>NON-CURRENT ASSETS</b>                            |      |                   |                   |
| Property, plant and equipment                        | 13   | 5,922             | 66,394            |
| Exploration and evaluation expenditure               | 14   | 5,596,961         | 8,800,077         |
| <b>TOTAL NON-CURRENT ASSETS</b>                      |      | <b>5,602,883</b>  | <b>8,866,471</b>  |
| <b>TOTAL ASSETS</b>                                  |      | <b>11,607,566</b> | <b>10,804,622</b> |
| <b>LIABILITIES</b>                                   |      |                   |                   |
| <b>CURRENT LIABILITIES</b>                           |      |                   |                   |
| Liabilities associated with the held for sale assets | 10   | 57,726            | -                 |
| Sundry creditors                                     | 15   | 392,968           | -                 |
| Trade and other payables                             | 15   | 322,225           | 341,901           |
| <b>TOTAL CURRENT LIABILITIES</b>                     |      | <b>722,919</b>    | <b>341,901</b>    |
| <b>TOTAL LIABILITIES</b>                             |      | <b>722,919</b>    | <b>341,901</b>    |
| <b>NET ASSETS</b>                                    |      | <b>10,834,647</b> | <b>10,462,721</b> |
| <b>EQUITY</b>                                        |      |                   |                   |
| Issued capital                                       | 16   | 41,149,646        | 39,734,149        |
| Reserves                                             | 17   | 4,800,094         | 4,018,675         |
| Accumulated losses                                   | 18   | (35,115,093)      | (33,290,103)      |
| <b>TOTAL EQUITY</b>                                  |      | <b>10,834,647</b> | <b>10,462,721</b> |

Notes to the financial statements are included on pages 36 to 60.

## Consolidated Statement of Changes in Equity for the financial year ended 30 June 2018

|                                                      | Fully paid<br>ordinary<br>shares | Accumulated<br>Losses | Foreign<br>Currency<br>Reserve | Share<br>Based<br>Payments<br>Reserve | Available<br>for sale<br>Reserve | Total             |
|------------------------------------------------------|----------------------------------|-----------------------|--------------------------------|---------------------------------------|----------------------------------|-------------------|
|                                                      | A\$                              | A\$                   | A\$                            | A\$                                   | A\$                              | A\$               |
| Balance at 1 July 2016                               | 36,444,285                       | (24,097,504)          | 1,305,567                      | 2,790,205                             | -                                | 16,442,552        |
| Loss for the year                                    | -                                | (9,192,599)           | -                              | -                                     | -                                | (9,192,599)       |
| Other comprehensive income                           | -                                | -                     | (331,676)                      | -                                     | -                                | (331,676)         |
| Total comprehensive income for the year              | -                                | (9,192,599)           | (331,676)                      | -                                     | -                                | (9,524,275)       |
| Transactions with owners in their capacity as owners |                                  |                       |                                |                                       |                                  |                   |
| Issue of shares                                      | 3,398,743                        | -                     | -                              | -                                     | -                                | 3,398,743         |
| Cost of issue                                        | (108,879)                        | -                     | -                              | -                                     | -                                | (108,879)         |
| Share based payments                                 | -                                | -                     | -                              | 254,580                               | -                                | 254,580           |
| <b>Balance at 30 June 2017</b>                       | <b>39,734,149</b>                | <b>(33,290,103)</b>   | <b>973,891</b>                 | <b>3,044,785</b>                      | <b>-</b>                         | <b>10,462,721</b> |
| Balance at 1 July 2017                               | 39,734,149                       | (33,290,103)          | 973,891                        | 3,044,785                             | -                                | 10,462,721        |
| Loss for the year                                    | -                                | (1,824,990)           | -                              | -                                     | -                                | (1,824,990)       |
| Other comprehensive income                           | -                                | -                     | 598,161                        | -                                     | -                                | 598,161           |
| Total comprehensive income for the year              | -                                | (1,824,990)           | 598,161                        | -                                     | -                                | (1,226,829)       |
| Transactions with owners in their capacity as owners |                                  |                       |                                |                                       |                                  |                   |
| Issue of shares                                      | 1,510,500                        | -                     | -                              | -                                     | -                                | 1,510,500         |
| Cost of issue                                        | (95,003)                         | -                     | -                              | -                                     | -                                | (95,003)          |
| Share based payments                                 | -                                | -                     | -                              | 183,257                               | -                                | 183,257           |
| <b>Balance at 30 June 2018</b>                       | <b>41,149,646</b>                | <b>(35,115,093)</b>   | <b>1,572,052</b>               | <b>3,228,042</b>                      | <b>-</b>                         | <b>10,834,647</b> |

Notes to the financial statements are included on pages 36 to 60.

## Consolidated Statement of Cash Flows for the financial year ended 30 June 2018

|                                                                                    |      | Year ended<br>30 June 2018 | Year ended<br>30 June 2017 |
|------------------------------------------------------------------------------------|------|----------------------------|----------------------------|
|                                                                                    | Note | A\$                        | A\$                        |
| <b>Cash flows from operating activities</b>                                        |      |                            |                            |
| Payments to suppliers and employees                                                | 24   | (1,363,455)                | (1,074,150)                |
| <b>Net cash used in operating activities</b>                                       |      | <b>(1,363,455)</b>         | <b>(1,074,150)</b>         |
| <b>Cash flows from investing activities</b>                                        |      |                            |                            |
| Interest received                                                                  |      | 2,288                      | 3,117                      |
| Proceeds from deposits for Tanzanian assets                                        |      | 392,968                    | -                          |
| Payments for exploration expenditure                                               |      | (2,059,214)                | (1,760,442)                |
| <b>Net cash used in investing activities</b>                                       |      | <b>(1,663,958)</b>         | <b>(1,757,325)</b>         |
| <b>Cash flows from financing activities</b>                                        |      |                            |                            |
| Proceeds from issues of equity securities                                          |      | 1,510,500                  | 3,398,743                  |
| Share issue costs                                                                  |      | (95,003)                   | (108,879)                  |
| <b>Net cash provided by financing activities</b>                                   |      | <b>1,415,497</b>           | <b>3,289,864</b>           |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                        |      | <b>(1,611,916)</b>         | <b>458,389</b>             |
| Cash and cash equivalents at the beginning of the period                           |      | 1,848,248                  | 1,389,239                  |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |      | 6,436                      | 620                        |
| <b>Cash and cash equivalents at the end of the period</b>                          | 24   | <b>242,768</b>             | <b>1,848,248</b>           |

Notes to the financial statements are included on pages 36 to 60.

## 1. General information

Pensana Metals Ltd (formerly Rift Valley Resources Limited) (the Company) is a for profit public Company listed on the Australian Securities Exchange (trading under the code: PM8), incorporated in Australia and operating from Perth. The Company's registered office and principal place of business is at Ground Floor, 10 Outram Street, West Perth WA 6005.

Pensana is exploring and developing its NdPr Project in Angola to determine the potential for a very large and high grade NdPr deposit that could rank amongst the world's best.

## 2. New accounting standards and interpretations

### (a) Changes in accounting policies and disclosures

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

From 1 July 2017, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2015. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group:

AASB 2013-9 - Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2015-3 - Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

AASB 2015-4 - Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The application of these standards have not had a material impact on the financial statements.

### (b) Accounting standards and interpretations issued but not yet effective:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2018. These are outlined in the following table.

| Reference | Title                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Application date of standard | Impact on Group financial report                                                                                                                  | Application date for Group |
|-----------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| AASB 9    | <i>Financial Instruments</i> | <p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement</p> <p>AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> | 1 January 2018               | The assessment is ongoing. The preliminary results to date indicate a change in disclosure with no material premeasurement change at 1 July 2018. | 1 July 2018                |

|                       |                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                   |  |             |
|-----------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--|-------------|
| AASB 9<br>(continued) | <i>Financial<br/>Instruments</i> | <p><i>Financial assets</i></p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p><i>Financial liabilities</i></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p><i>Impairment</i></p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p><i>Hedge accounting</i></p> <p>Amendments to AASB 9 (December 2009 &amp; 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p> | 1 January<br>2018 |  | 1 July 2018 |
|-----------------------|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--|-------------|

| Reference | Title                                        | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Application date of standard | Impact on Group financial report                                                                                                                                                                                                                                    | Application date for Group |
|-----------|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| AASB 15   | <b>Revenue from Contracts with Customers</b> | <p>AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer<br/> (b) Step 2: Identify the performance obligations in the contract<br/> (c) Step 3: Determine the transaction price<br/> (d) Step 4: Allocate the transaction price to the performance obligations in the contract<br/> (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p> | 1 January 2018               | Given the group's current principal activities being that of exploration and evaluation, adoption of AASB 15 is not expected to have a significant impact. The group's revenue recognition policy will be reviewed to ensure compliance with AASB 15 upon adoption. | 1 July 2018                |

| Reference   | Title                                                                                     | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Application date of standard | Impact on Group financial report                                                                                                                                                                                                                                                  | Application date for Group |
|-------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| AASB 16     | Leases                                                                                    | <p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> <li>Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>AASB 16 contains disclosure requirements for lessees.</li> </ul> <p>Lessor accounting</p> <ul style="list-style-type: none"> <li>AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> <li>(a) AASB 117 Leases</li> <li>(b) Interpretation 4 Determining whether an Arrangement contains a Lease</li> <li>(c) SIC-15 Operating Leases—Incentives</li> <li>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</li> </ul> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p> | 1 January 2019               | The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. | 1 July 2019                |
| AASB 2016-5 | Classification and Measurement of Share-based Payment Transactions [Amendments to AASB 2] | <p>This standard amends to AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>▶ The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>▶ Share-based payment transactions with a net settlement feature for withholding tax obligations</li> </ul> <p>A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 1 January 2018               | The group has not yet determined the financial impact of the change.                                                                                                                                                                                                              | 1 July 2018                |

### 3. Significant accounting policies and Going Concern

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 30 September 2018.

#### Basis of preparation and Going Concern

The financial report has been prepared on an historical cost basis, except for available-for-sale financial assets that have been measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis with the Directors of the opinion that the Group can meet its obligations as and when they fall due.

At 30 June 2018 the Group has a net current asset position of \$5.229 million, due to Tanzanian assets of \$5.630 million being classified as Assets held for sale. Subsequent to year end the Company has raised \$5.5 million (before costs). For the Group to undertake its planned exploration on the Longonjo NdPr Project in Angola and to fund ongoing working capital requirements beyond the 2019 financial year, additional capital will need to be secured.

The Directors are currently reviewing a range of financing options should the Group be unable to secure the required capital through sale of its Tanzanian assets within the 2019 financial year, as the timing of when these sales will be completed is uncertain and dependent on factors outside of the Group's control. If additional financing is required it is expected to be finalised during 2019 to allow the Group to fund its planned exploration and ongoing working capital requirements, however there is no certainty that this will be completed as anticipated.

The Directors are confident of being able to raise the required capital either through the sale of the Tanzanian assets or through financing, but note that the required capital has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern. The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Pensana Metals Ltd and its subsidiaries as at 30 June 2018.

Subsidiaries are all those entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is shown at note 22. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end. Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.



**b) Business Combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

**c) Segment Information**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

**d) Foreign Currency Translation***Functional and presentation currency*

The functional currency of each of the Group's operations is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries.

The functional currency of the non-Australian subsidiaries is US dollars and Euro.

*Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. The gain and loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (ie translation differences on items whose fair value gain or loss is recognised in Equity or profit and loss are also recognised in equity or profit and loss respectively).

The financial results and position of foreign subsidiaries whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

**e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of less than three months, and bank overdrafts.

**f) Investment and Other Financial Assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

*Financial assets at fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the period in which they arise.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention to hold these investments to maturity. Investments intended to be held for an undefined period are not included in this classification. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation cost using the effective interest rate method. This calculation includes all fees and points paid or other premiums or discounts. For investments carried at amortised cost, gains or losses are recognised when the investments are derecognised or impaired, as well as through the amortisation process.

*Available-for-sale financial assets*

Available-for-sale financial assets that are non-derivative that are designated available-for-sale or are not included in the above categories. After initial recognition available-for-sale investments are recognised at fair value, with gains or losses recognised in profit and loss being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

**g) Exploration and Evaluation Expenditure***Exploration and evaluation expenditure*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

*Impairment*

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met. The recoverable amount of exploration and evaluation assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

Accumulated costs in respect of areas of interest are written off or a provision made in the statement of comprehensive income when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis. Provisions are made where farm-in partners are sought and there is a possibility that carried forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

#### *Farm-in Arrangements*

Expenditure incurred under a farm-in arrangement is accounted for in the same way as directly incurred exploration and evaluation expenditure.

### **h) Property, Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The carrying value of the plant and equipment also includes costs eligible for capitalisation. Other costs relating to plant and equipment are expensed when incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| <b>Asset</b>        | <b>Depreciation Rate</b> |
|---------------------|--------------------------|
| Motor Vehicles      | 25%                      |
| Plant and equipment | 5% - 40%                 |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### *Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### **i) Impairment of Non-Financial Assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

### **j) Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

### **k) Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows.

## **l) Financial Liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising fair value of the original debt less principal payments and amortisation. The fair value of original debt is measured by discounting the balance due at the Company's estimated weighted average cost of capital.

## **m) Share Based Payment Transactions**

### *Equity Settled Transactions*

The Company provides benefits to certain key management personnel in the form of share-based payments and/or options. The Group currently has an Performance Rights Plan (PRP), which may be used to provide benefits to directors and senior executives.

The cost of such equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by reference to relevant market rates for the time, commitment and responsibilities for the work performed. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, at the date of the granting of the shares and options.

## **n) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **o) Revenue Recognition**

### *Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

## **p) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **q) Goods & Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or other Government authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

GST or VAT receivable from or payable to, either the Australian Taxation Office or other Government authorities has been accounted for and included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis except for the GST or VAT component of investing activities, which are disclosed as operating cash flow.

#### **r) Loss per Share (EPS)**

##### *Basic loss per share*

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

#### **s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets is capitalised into the cost of the related asset and is amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same way, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

*Impairment of assets and exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related mineral title itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, proven and probable ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices, ability to finance, renewal of the exclusive prospecting licence and the issue of a mining licence. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

*Recoverability of Deferred Tax Assets*

Deferred tax assets are not recognised for deductible temporary differences as Directors consider that it is not probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

*Contingent Liabilities and Contingent Assets*

The Company assesses contingent liabilities and contingent assets at each reporting date and will account for them only if:

- a) they can be reliably measured;
- b) the probability that an asset or liability will eventually be recognised is greater than remote; and
- c) the items are considered material.

*Estimate of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. In addition the condition of the assets is assessed at least once per year and considered against the remaining useful life.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with directors and others by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial model.

## 5. Operating Segments

### Description of segments

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified that it has one operating segment being related to the activities in Angola, on the basis that the assets in Tanzania are held for sale and operations in Australia relate to running the Corporate Head Office only.

All significant exploration and evaluation expenditure are domiciled in Angola.

| Non-current assets | 2018             | 2017             |
|--------------------|------------------|------------------|
|                    | \$               | \$               |
| Australia          | 5,922            | 12,030           |
| Angola             | 5,596,961        | 3,456,437        |
|                    | <u>5,602,883</u> | <u>3,468,467</u> |

Non-current assets for this purpose consist of plant and equipment and evaluation and evaluation assets. The assets in Tanzanian held for sale have been reclassified to current and therefore not presented above.

## 6. Revenue and Other Expenses

|                                                                             | 2018           | 2017           |
|-----------------------------------------------------------------------------|----------------|----------------|
|                                                                             | \$             | \$             |
| <b>Revenue</b>                                                              |                |                |
| Interest Revenue                                                            | 2,288          | 3,117          |
|                                                                             | <u>2,288</u>   | <u>3,117</u>   |
| Loss for the year includes the following expenses:                          |                |                |
| <b>Operating lease rental expenses:</b>                                     |                |                |
| Lease payments                                                              | 59,090         | 68,411         |
| <b>Depreciation on non-current assets:</b>                                  |                |                |
| Property, plant and equipment                                               | 60,321         | 122,969        |
| <b>Employee Benefits</b>                                                    |                |                |
| <i>Charged to statement of comprehensive income</i>                         |                |                |
| Performance rights and options granted to directors, officers and employees | 183,257        | 230,580        |
| Directors fees, superannuation and salaries & wages                         | 535,441        | 363,117        |
|                                                                             | <u>718,698</u> | <u>593,697</u> |
| <i>Capitalised to exploration and evaluation costs</i>                      |                |                |
| Salaries & wages and superannuation                                         | 30,000         | 97,200         |

Key management personnel remuneration disclosed in note 26 includes amounts in "Employee benefits" disclosed above.

## 7. Income Taxes

|                                         | 2018     | 2017     |
|-----------------------------------------|----------|----------|
|                                         | \$       | \$       |
| <b>Tax expense/(benefit) comprises:</b> |          |          |
| Current tax expense/(benefit)           | -        | -        |
| Total tax expense/(benefit)             | <u>-</u> | <u>-</u> |

The tax rate used in the reconciliation below is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

|                                                                               |             |             |
|-------------------------------------------------------------------------------|-------------|-------------|
| Loss from continuing operations                                               | (1,824,990) | (9,192,599) |
| Income tax benefit calculated at 27.5% (2017: 30%)                            | (501,872)   | (2,757,780) |
| Tax effects of amounts which are not deductible in calculating taxable income | 50,396      | 69,174      |
| Tax assets not brought to account                                             | 451,476     | 2,688,606   |
| Total tax expense/(benefit)                                                   | <u>-</u>    | <u>-</u>    |

The following deferred tax assets have not been brought to account:

|                                        |           |           |
|----------------------------------------|-----------|-----------|
| Share issue costs                      | 61,739    | 68,982    |
| Unused tax losses (a)                  | 4,277,934 | 6,803,237 |
| Accruals                               | (29,765)  | 54,702    |
| Exploration and evaluation expenditure | (566,284) | (528,133) |

(a) Tax loss information is an estimate of available losses.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future. Unrecognised tax losses as at 30 June 2018 aggregate \$15,556,122 (2017: \$22,677,456).

## 8. Cash and Cash Equivalents

|                          | 2018    | 2017      |
|--------------------------|---------|-----------|
|                          | \$      | \$        |
| Cash at bank and on hand | 242,769 | 1,848,248 |
|                          | 242,769 | 1,848,248 |

## 9. Trade and Other Receivables

|                                  |       |           |
|----------------------------------|-------|-----------|
| Other debtors                    | 9,372 | 480,780   |
| Less provision for doubtful debt | -     | (471,408) |
|                                  | 9,372 | 9,372     |

Due to uncertainties in recovering the Tanzanian VAT debtor balance, the amount has been provided based on the expected recovery.

## 10. Assets held for sale

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 30 June 2018 has been determined based on comparable market transactions. The fair value methodology adopted at 30 June 2018 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to the underlying resources and the valuation multiple and agreed transaction value from sales agreements or offers received, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

As a result of the change in legislation which will amend the legal framework governing the resources sector in Tanzania, the Board considers the impairment and cost carried forward of the Group's exploration and evaluation assets fairly reflects the situation.

In July 2017, legislation was passed by the Tanzanian Parliament which amended the legal framework governing the resources sector in Tanzania. On 31 October 2017, the Company provided an update on the negotiations on the divestment of the Tanzanian Assets.

At 30 June 2018, the Tanzanian assets are classified as held for sale.

The Major classes of assets and liabilities for Tanzania classified as held for sale as at 30 June 2018 are as follows:\



|                                                    | 30 June 2018 |
|----------------------------------------------------|--------------|
|                                                    | \$           |
| <b>Assets</b>                                      |              |
| Exploration and valuation assets                   | 5,645,553    |
| Other debtors                                      | 471,408      |
| Less provision for doubtful debt                   | (471,408)    |
| Assets held for sale                               | 5,645,553    |
| <b>Liabilities</b>                                 |              |
| Trade and other payables                           | 57,726       |
| Net assets directly associated with disposal group | 5,587,827    |

On 13 March 2018, the Company provided an update regarding the divestment of the company's Tanzanian gold exploration assets.

#### Kitongo Gold Project - Sale agreement executed

The company has executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US\$550,000. The purchaser has deposited a non-refundable US\$50,000 commitment fee as per the agreement.

The company is working with the purchaser to satisfy the remaining conditions of the sale as follows:

- Work together on all issues related to relinquishing any part of the licences grounds to the Artisanal Miners or for any other purposes
- Sign an agreement with the local artisanal miners
- Provide the buyer with all geological and geophysical data

To date the abovementioned conditions are well advanced and the company is confident that all conditions will be satisfied to enable completion.

#### Canuck Prospecting Licence – Mineral prospecting rights agreement executed

A Mineral Prospecting rights agreement has been executed by Pensna and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser has agreed to purchase the licence for a total consideration of US\$250,000 subject to the transfer of the prospecting licence to the purchaser.

The Company has received a US\$100,000 cash deposit. The remaining US\$150,000 will be transferred upon the transfer of the licence.

The cash deposit is refundable should the transfer of the prospecting license not proceed. The transfer documentation and lodgement process is currently underway.

#### Miyabi Gold Project - Update

the Company has recently received a proposal to enter into a "non-binding" and "non-exclusive" option agreement for the acquisition of the company's 100% interests in the Miyabi Gold Project. The board is currently considering the proposal.

#### 11. Available for sale assets

##### (a) Available for sale financial assets

During the 2013 financial year, the Company divested its shareholding in Tasman Goldfields NSW Pty Ltd, which held Mt Adrah tenement assets in New South Wales. The transaction resulted in the Company receiving \$62,500 cash and 625,000 fully paid ordinary shares in ASX-listed Sovereign Gold Company Ltd ("Sovereign").

|                                                | 2018 | 2017 |
|------------------------------------------------|------|------|
|                                                | \$   | \$   |
| Opening balance                                | 156  | 156  |
| Impairment of asset                            | -    | -    |
| Listed shares classified as available for sale | 156  | 156  |

## 12. Parent Entity Disclosure

The following details information related to the parent entity, Pensana Metals Ltd as at 30 June 2018. The information presented has been prepared using consistent accounting policies as presented in Note 3.

|                                                | 2018<br>\$   | 2017<br>\$   |
|------------------------------------------------|--------------|--------------|
| Current assets                                 | 139,155      | 1,834,857    |
| Non-current assets                             | -            | -            |
| Total assets                                   | 139,155      | 1,834,857    |
| Current liabilities                            | 322,224      | 286,080      |
| Non-current liabilities – intercompany loan    | 6,206,676    | 6,207,253    |
| Total liabilities                              | 6,528,900    | 6,493,333    |
| Contributed equity                             | 41,149,646   | 39,734,149   |
| Accumulated losses                             | (50,767,435) | (47,437,410) |
| Reserves                                       | 3,228,044    | 3,044,785    |
| Total equity                                   | (6,389,745)  | (4,658,476)  |
| Loss for the year                              | (3,330,025)  | (25,146,759) |
| Total comprehensive gain / (loss) for the year | (3,330,025)  | (25,146,759) |

No guarantees have been entered into by the parent entity on behalf of subsidiaries during the period.

## 13. Property, Plant and Equipment

|                                   | Motor Vehicles<br>\$ | Plant and equipment<br>at cost<br>\$ | Total<br>\$ |
|-----------------------------------|----------------------|--------------------------------------|-------------|
| Balance at 1 July 2017            | 325,196              | 492,522                              | 817,718     |
| Additions                         | -                    | -                                    | -           |
| Disposals                         | -                    | -                                    | -           |
| Exchange differences              | -                    | (151)                                | (151)       |
| Balance at 30 June 2018           | 325,196              | 492,371                              | 817,567     |
| Accumulated depreciation          |                      |                                      |             |
| Balance at 1 July 2017            | (325,196)            | (426,128)                            | (751,324)   |
| Transfers                         | -                    | -                                    | -           |
| Disposals                         | -                    | -                                    | -           |
| Depreciation expense              | -                    | (60,321)                             | (60,321)    |
| Exchange differences              | -                    | -                                    | -           |
| Balance at 30 June 2018           | (325,196)            | (486,449)                            | (811,645)   |
| Net book value as at 30 June 2018 | -                    | 5,922                                | 5,922       |

|                                   | Motor Vehicles<br>\$ | Plant and equipment<br>at cost<br>\$ | Total<br>\$ |
|-----------------------------------|----------------------|--------------------------------------|-------------|
| Balance at 1 July 2016            | 325,196              | 483,432                              | 808,628     |
| Additions                         | -                    | 9,090                                | 9,090       |
| Disposals                         | -                    | -                                    | -           |
| Exchange differences              | -                    | -                                    | -           |
| Balance at 30 June 2017           | 325,196              | 492,522                              | 817,718     |
| Accumulated depreciation          |                      |                                      |             |
| Balance at 1 July 2016            | (305,739)            | (318,276)                            | (624,015)   |
| Transfers                         | -                    | -                                    | -           |
| Disposals                         | -                    | -                                    | -           |
| Depreciation expense              | (19,457)             | (103,512)                            | (122,969)   |
| Exchange differences              | -                    | (4,340)                              | (4,340)     |
| Balance at 30 June 2017           | (325,196)            | (426,128)                            | (751,324)   |
| Net book value as at 30 June 2017 | -                    | 66,394                               | 66,394      |

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

|                      | <b>2018</b>   | <b>2017</b>    |
|----------------------|---------------|----------------|
|                      | <b>\$</b>     | <b>\$</b>      |
| Computer Equipment   | 6,107         | -              |
| Furniture & Fittings | 54,214        | 103,512        |
| Plant and equipment  | -             | -              |
| Motor vehicles       | -             | 19,457         |
| Total depreciation   | <u>60,321</u> | <u>122,969</u> |

#### **14. Exploration and Evaluation Expenditure**

|                                                                                                 | <b>2018</b>        | <b>2017</b>        |
|-------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                 | <b>\$</b>          | <b>\$</b>          |
| Carrying value:                                                                                 |                    |                    |
| Balance at beginning of period                                                                  | 8,800,077          | 15,203,174         |
| Additions                                                                                       | 2,059,214          | 1,760,442          |
| Impairment                                                                                      | (110,827)          | (7,797,899)        |
| Transfer to held for sale                                                                       | (5,645,553)        | -                  |
| Foreign exchange                                                                                | 494,050            | (365,640)          |
| Balance at end of financial year                                                                | <u>5,596,961</u>   | <u>8,800,077</u>   |
| Accumulated depreciation/amortisation and impairment                                            |                    |                    |
| Balance at beginning of period                                                                  | (7,797,899)        | -                  |
| Impairment expense                                                                              | (110,827)          | (7,797,899)        |
| Balance at end of financial year                                                                | <u>(7,908,726)</u> | <u>(7,797,899)</u> |
| At the end of the financial year book value net of accumulated amortisation and impairment (ii) | 5,596,961          | 8,800,077          |

(i) During the financial year, the Consolidated Group made an assessment of the carrying value of its exploration assets. Impairment of capitalised mineral exploration and evaluation expenditure relates to assets for which the expenditure are not expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale.

(ii) The above amounts represent capitalised costs of exploration carried forward as an asset in accordance with the accounting policy set out in note 3 (g). The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

#### **15. Trade and Other Payables**

|                                                | <b>2018</b>    | <b>2017</b>    |
|------------------------------------------------|----------------|----------------|
|                                                | <b>\$</b>      | <b>\$</b>      |
| Trade, other payables and accrued expenses (i) | 322,225        | 341,901        |
| Sundry creditors                               | 392,968        | -              |
|                                                | <u>715,192</u> | <u>341,901</u> |

(i) There has been no interest charged on the trade payables

(ii) Sundry creditors relates to a refundable deposits received for payment for the sale of the Canuck asset in Tanzania.

#### **16. Issued Capital**

|                                                | <b>2018</b>        | <b>2018</b>       | <b>2017</b>        | <b>2017</b>       |
|------------------------------------------------|--------------------|-------------------|--------------------|-------------------|
|                                                | <b>No.</b>         | <b>\$</b>         | <b>No.</b>         | <b>\$</b>         |
| <b>Company/Consolidated</b>                    |                    |                   |                    |                   |
| <b>Fully paid ordinary shares</b>              |                    |                   |                    |                   |
| Balance at beginning of the period             | 738,778,046        | 39,734,149        | 592,978,280        | 36,444,284        |
| Share Placement                                | 50,124,998         | 1,510,500         | 40,000,000         | 800,000           |
| Share issue costs                              | -                  | (95,003)          | -                  | -                 |
| Rights Issue                                   | -                  | -                 | 90,568,325         | 2,264,308         |
| Shares issued on vesting of performance rights | 3,000,000          | -                 | 1,850,000          | -                 |
| Share Placement                                | -                  | -                 | 13,381,441         | 334,436           |
| Share issue costs                              | -                  | -                 | -                  | (108,879)         |
| Balance at end of financial year               | <u>791,903,044</u> | <u>41,149,646</u> | <u>738,778,046</u> | <u>39,734,149</u> |

Ordinary shares participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Management controls the capital of the Group in order to fund its operations and continue as a going concern. The Consolidated Entity does not have any externally imposed capital requirements.

|                                                               | Consolidated |            |
|---------------------------------------------------------------|--------------|------------|
|                                                               | 2018<br>\$   | 2017<br>\$ |
| 791,903,044 fully paid ordinary shares<br>(2017: 738,778,046) | 41,149,646   | 39,734,149 |
|                                                               | 41,149,646   | 39,734,149 |

#### Share options on issue

The following options are on issue as at year end:

- 45,355,000 unlisted options exercisable at 6 cents and expiring 27 July 2018
- 5,000,000 unlisted options exercisable at 4.0 cents and expiring 2 November 2019
- 5,000,000 unlisted options exercisable at 6.0 cents and expiring 2 November 2019
- 20,000,000 unlisted options exercisable at 3.5 cents and expiring 18 November 2018
- 2,000,000 unlisted options exercisable at 5.0 cents and expiring 6 April 2020

#### 17. Reserves

|                                             | Consolidated |            |
|---------------------------------------------|--------------|------------|
|                                             | 2018<br>\$   | 2017<br>\$ |
| Share Option Reserve                        | 3,228,042    | 3,044,785  |
| Foreign Currency Translation Reserve        | 1,572,052    | 973,891    |
|                                             | 4,800,094    | 4,018,676  |
| <b>Foreign Currency Translation Reserve</b> |              |            |
| Balance at beginning of financial year      | 973,891      | 1,305,567  |
| Movements:                                  |              |            |
| Translation adjustments (i)                 | 598,161      | (331,676)  |
| Balance at end of financial year            | 1,572,052    | 973,891    |
| <b>Share Option Reserve</b>                 |              |            |
| Balance at beginning of financial year      | 3,044,785    | 2,790,205  |
| Movements:                                  |              |            |
| Issue of performance rights and options(ii) | 94,349       | 254,580    |
| Shares issue costs refund / (expense)       | -            | -          |
| Vested performance rights                   | 88,908       | -          |
| Balance at end of financial year            | 3,228,042    | 3,044,785  |

(i) Represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(ii) The Share option reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are converted to equity. Further information about share-based payments can be found in note 26 to the financial statements.

#### 18. Accumulated Losses

|                                        | Consolidated |              |
|----------------------------------------|--------------|--------------|
|                                        | 2018<br>\$   | 2017<br>\$   |
| Balance at beginning of financial year | (33,290,103) | (24,097,504) |
| Net loss for the year                  | (1,824,990)  | (9,192,599)  |
| Balance at end of financial year       | (35,115,093) | (33,290,103) |

#### 19. Loss per Share

|                               | 2018<br>cents per share | 2017<br>cents per share |
|-------------------------------|-------------------------|-------------------------|
| <b>Basic loss per share</b>   |                         |                         |
| From continuing operations    | 0.24                    | 1.52                    |
| Total basic loss per share    | 0.24                    | 1.52                    |
| <b>Diluted loss per share</b> |                         |                         |
| From continuing operations    | 0.24                    | 1.52                    |
| Total diluted loss per share  | 0.24                    | 1.52                    |

*Basic loss per share*

The net loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

|                                                                                                                            | 2018<br>\$  | 2017<br>\$  |
|----------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Net loss                                                                                                                   | (1,824,990) | (9,192,599) |
| Losses used in the calculation of basic loss per share from continuing operations                                          | (1,824,990) | (9,192,599) |
| Losses used in the calculation of diluted loss per share attributable to ordinary shareholders                             | (1,824,990) | (9,192,599) |
|                                                                                                                            | 2018<br>No. | 2017<br>No. |
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share and diluted loss per share | 764,685,579 | 604,461,858 |
| Options                                                                                                                    | 77,355,000  | 107,855,000 |
| Performance Rights                                                                                                         | 10,000,000  | 10,000,000  |

The above options and performance rights have not been included in the diluted earnings per share as they are anti dilutive in the current period, however they could potentially dilute basic earnings per share in the future

**20. Dividends**

No dividends were paid or proposed during the current or previous financial year.

**21. Commitments for Expenditure**

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

No provision has been made in the accounts for the possibility of a native title claim application. Any substantial claim may have an effect on the value of the relevant tenement. These obligations will vary from time to time, subject to statutory approval.

The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated Entity.

No provision has been made in the accounts for minimum expenditure requirements in respect of tenements.

**(i) Operating leases**

The Group has entered into commercial property lease. The lease is currently on a rolling monthly lease.

There are no restrictions placed upon the lessee by entering into these leases.

|                                                | Consolidated |            |
|------------------------------------------------|--------------|------------|
|                                                | 2018<br>\$   | 2017<br>\$ |
| <u>Operating lease expenditure</u>             |              |            |
| Not longer than 1 year                         | 7,000        | 33,020     |
| Longer than 1 year and not longer than 5 years | -            | -          |
| Longer than 5 years                            | -            | -          |
|                                                | 7,000        | 33,020     |

**(ii) Exploration Commitments**

Commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

|                                                | Consolidated |            |
|------------------------------------------------|--------------|------------|
|                                                | 2018<br>\$   | 2017<br>\$ |
| <u>Exploration and evaluation expenditure</u>  |              |            |
| Not longer than 1 year                         | 53,614       | 66,592     |
| Longer than 1 year and not longer than 5 years | -            | 51,844     |
| Longer than 5 years                            | -            | -          |
|                                                | 53,614       | 118,436    |

## 22. Contingent Liabilities and Contingent Assets

Pursuant to the agreement for the acquisition of the Kitongo Gold Project the Company will be required to pay an amount of \$750,000 to the vendor on the commencement of production. This contingent liability is associated with the held for sale assets refer to note 10.

The Directors are not aware of any other contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements.

## 23. Interests in Controlled Entities

| Name of entity                                                  | Country of incorporation | Ownership interest |        |
|-----------------------------------------------------------------|--------------------------|--------------------|--------|
|                                                                 |                          | 2018 %             | 2017 % |
| <b>Parent entity:</b>                                           |                          |                    |        |
| Pensana Metals Ltd (formerly Rift Valley Resources Limited) (i) | Australia                |                    |        |
| <b>Controlled entities:</b>                                     |                          |                    |        |
| Carlton Resources Pty Ltd                                       | Australia                | 100                | 100    |
| Carlton Miyabi Tanzania Limited                                 | Tanzania                 | 100                | 100    |
| Carlton Kitongo Tanzania Limited                                | Tanzania                 | 100                | 100    |
| Bright Star Tanzania Limited                                    | Tanzania                 | 100                | 100    |
| Rift Valley Resources (Africa) Pty Ltd                          | Australia                | 100                | 100    |
| Rift Valley Resources Tanzania Limited                          | Tanzania                 | 100                | 100    |
| Tasman Goldfields Australia Operations Pty Ltd                  | Australia                | 100                | 100    |
| Sable Minerals Pty Ltd                                          | Australia                | 100                | 100    |
| Sable Minerals GmbH                                             | Germany                  | 100                | 100    |
| Ozango Minerais S.A.                                            | Angola                   | 70                 | 70     |
| Mtemi Resources Pte Ltd                                         | Singapore                | 100                | 100    |
| Mtemi G Pte Ltd                                                 | Singapore                | 100                | 100    |
| Mtemi O Pte Ltd                                                 | Singapore                | 100                | 100    |
| Mtemi U Pte Ltd                                                 | Singapore                | 100                | 100    |
| Mtemi G (Tanzania) Ltd                                          | Tanzania                 | 100                | 100    |
| Mtemi O (Tanzania) Ltd                                          | Tanzania                 | 100                | 100    |
| Mtemi U (Tanzania) Ltd                                          | Tanzania                 | 100                | 100    |

(i) Pensana Metals Ltd (formerly Rift Valley Resources Ltd) is the ultimate holding Company.

The parent entity and its controlled entities are not within a tax-consolidated Group.

## 24. Notes to the Consolidated Statement of Cash Flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

|                           | Consolidated |           |
|---------------------------|--------------|-----------|
|                           | 2018         | 2017      |
|                           | \$           | \$        |
| Cash and cash equivalents | 242,769      | 1,848,248 |

**(b) Reconciliation of profit / (loss) for the period to net cash flows from operating activities**

|                                       | <b>Consolidated</b> |             |
|---------------------------------------|---------------------|-------------|
|                                       | <b>2018</b>         | <b>2017</b> |
|                                       | <b>\$</b>           | <b>\$</b>   |
| Net loss                              | (1,824,990)         | (9,192,599) |
| Add/less non cash items               |                     |             |
| Interest income                       | -                   | (3,711)     |
| Doubtful debt expense                 | -                   | -           |
| Depreciation                          | 60,321              | 155,873     |
| Share based payments                  | 183,257             | 254,580     |
| Unrealised FX (gain)/loss             | (162,494)           | 159,102     |
| Impairment of exploration assets      | 110,827             | 7,797,899   |
| (Increase)/decrease in assets:        |                     |             |
| Trade and other receivables           | (26,459)            | 36,759      |
| Prepayments                           | -                   | 19,083      |
| Increase/(decrease) in liabilities:   |                     |             |
| Trade and other payables              | 296,083             | (301,730)   |
| Net cash used in operating activities | (1,363,455)         | (1,074,150) |

**25. Financial Instruments**

**(a) Financial risk management objectives**

The senior management and Board monitor and manage the financial risk relating to the operations of the Group. The Group's activities include exposure to market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on managing these risks and implementing and monitoring controls over the cash management function. Owing to the unpredictability of finance markets, the senior management and Board seek to minimise potential adverse effects on financial performance. There has been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods to measure them.

**(b) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 3 and 4 to the financial statements.

**(c) Capital risk management**

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in notes 16, 17 and 18 respectively. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.

**(d) Market price risk**

The Group is involved in the exploration and development of mining tenements for base metals including gold and copper. Revenue from any future mining associated with metal sales, the acquisition and disposal consideration for mining tenements and the ability to raise funds through equity and debt will be largely dependent upon the commodity price for resources at the time of the transaction.

**(e) Interest rate risk**

The Group's cash-flow interest rate risk for assets primarily arises from cash at bank and deposits which are subject to market bank rates. There is no interest receivable or payable on the Group's trade and other receivables or payables. Details of the interest rates and maturities are located in this note. The Group will be exposed to further interest rate risk if it intends to borrow funds in the future for acquisition and development.

**(f) Credit risk management**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. The Group internal policy requires deposits to be held with financial institutions holding a benchmark credit rating. At balance date cash and deposits were held with the National Australia Bank.

**(g) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- (iii) the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

**(h) Foreign currency risk**

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and the holding of assets and liabilities in currencies other than the Group's measurement currency.

At balance date, the Group had the following exposure to United States Dollars (USD) foreign currency that is not designated in cash flow hedges:

|                           | <b>Consolidated</b> |               |
|---------------------------|---------------------|---------------|
|                           | <b>2018</b>         | <b>2017</b>   |
|                           | <b>\$</b>           | <b>\$</b>     |
| <u>Financial Assets</u>   |                     |               |
| Cash and cash equivalents |                     |               |
| United States Dollars     | 191,417             | 35,777        |
|                           | <u>191,417</u>      | <u>35,777</u> |
| Net exposure              | <u>191,417</u>      | <u>35,777</u> |

A 5% change in the United States Dollar will increase or decrease net loss and accumulated losses by \$9,571 (2016: \$17,459)

**Maturity profile of financial instruments**

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the Group's exposure to interest rate risk as at 30 June 2018 and as at 30 June 2017:

|                                   | <b>Weighted<br/>average<br/>effective<br/>interest<br/>rate<br/>%</b> | <b>Less than<br/>1 month<br/>\$</b> | <b>1-3<br/>months<br/>\$</b> | <b>3 months<br/>to 1 year<br/>\$</b> | <b>1-5 years<br/>\$</b> | <b>5 + years<br/>\$</b> | <b>Total</b>   |
|-----------------------------------|-----------------------------------------------------------------------|-------------------------------------|------------------------------|--------------------------------------|-------------------------|-------------------------|----------------|
| <b>2018</b>                       |                                                                       |                                     |                              |                                      |                         |                         |                |
| <u>Financial assets</u>           |                                                                       |                                     |                              |                                      |                         |                         |                |
| Non-interest bearing              |                                                                       | -                                   | -                            | -                                    | -                       | -                       | -              |
| Variable interest rate instrument |                                                                       | 242,769                             | -                            | -                                    | -                       | -                       | 242,769        |
| Fixed interest rate instruments   |                                                                       | -                                   | 32,815                       | -                                    | -                       | -                       | 32,815         |
|                                   |                                                                       | <u>242,769</u>                      | <u>32,815</u>                | <u>-</u>                             | <u>-</u>                | <u>-</u>                | <u>275,584</u> |
| <u>Financial liabilities</u>      |                                                                       |                                     |                              |                                      |                         |                         |                |
| Non-interest bearing              |                                                                       | 379,950                             | -                            | -                                    | -                       | -                       | 379,950        |
|                                   |                                                                       | <u>379,950</u>                      | <u>-</u>                     | <u>-</u>                             | <u>-</u>                | <u>-</u>                | <u>379,950</u> |



|                                   | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Less than<br>1 month<br>\$ | 1-3<br>months<br>\$ | 3 months<br>to 1 year<br>\$ | 1-5 years<br>\$ | 5 + years<br>\$ | Total     |
|-----------------------------------|-----------------------------------------------------------|----------------------------|---------------------|-----------------------------|-----------------|-----------------|-----------|
| <b>2017</b>                       |                                                           |                            |                     |                             |                 |                 |           |
| <u>Financial assets</u>           |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | -                          | -                   | -                           | -               | -               | -         |
| Variable interest rate instrument |                                                           | 1,848,248                  | -                   | -                           | -               | -               | 1,848,248 |
| Fixed interest rate instruments   |                                                           | -                          | 32,815              | -                           | -               | -               | 32,815    |
|                                   |                                                           | 1,848,248                  | 32,815              | -                           | -               | -               | 1,881,063 |
| <u>Financial liabilities</u>      |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | 341,901                    | -                   | -                           | -               | -               | 341,901   |
|                                   |                                                           | 341,901                    | -                   | -                           | -               | -               | 341,901   |

A 1% change in interest rates on interest bearing assets will increase or decrease net loss and accumulated losses by \$2,427 (2017: \$18,811).

## 26. Key Management Personnel Compensation

|                              | 2018<br>\$ | 2017<br>\$ |
|------------------------------|------------|------------|
| Short-term employee benefits | 519,774    | 552,838    |
| Post-employment benefits     | 29,924     | 30,480     |
| Termination benefits         | -          | -          |
| Share-based payment          | 319,137    | 211,926    |
|                              | 868,835    | 795,244    |

Further details of the key management personnel compensation can be found in the Remuneration Report section of the Directors' Report.

## 27. Share-based Payments

### 2018

During the year the following performance rights were issued.

| Director / KMP | Number of Rights | Vesting Conditions                        | Grant date       | Expiry date      | Vesting date                      |
|----------------|------------------|-------------------------------------------|------------------|------------------|-----------------------------------|
| David Hammond  | 2,500,000        | at a delivered Pre Feasibility Study      | 14 November 2017 | 14 November 2019 | Upon vesting conditions being met |
| David Hammond  | 2,500,000        | at a delivered Bankable Feasibility Study | 14 November 2017 | 14 November 2019 | Upon vesting conditions being met |

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2018:

|                              | Director         | Performance Rights<br>Director |
|------------------------------|------------------|--------------------------------|
| Grant date                   | 14 November 2017 | 14 November 2017               |
| Number of performance rights | 2,500,000        | 2,500,000                      |
| Share price                  | 3.0 cents        | 3.0 cents                      |
| Exercise price               | 0 cents          | 0 cents                        |
| Weighted average fair value  | 3.0 cents        | 3.0 cents                      |
| Total amount                 | \$75,000         | \$75,000                       |
| Expensed to 30 June 2018     | \$23,438         | \$23,438                       |

## 2017

During the 2017 financial year the following performance rights were issued.

| Director / KMP | Number of Rights | Vesting Conditions          | Grant date   | Expiry date      | Vesting date                      |
|----------------|------------------|-----------------------------|--------------|------------------|-----------------------------------|
| Stephen Dobson | 5,000,000        | VWAMP of \$0.06 for 90 days | 16 June 2017 | 16 June 2019     | Upon vesting conditions being met |
| Stephen Dobson | 3,000,000        | Raising at least \$5m       | 16 June 2017 | 16 December 2018 | Upon vesting conditions being met |
| Stephen Dobson | 2,000,000        | 12 months service           | 16 June 2017 | 16 June 2018     | 16 June 2018                      |

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

|                              | Performance Rights |              |              |
|------------------------------|--------------------|--------------|--------------|
|                              | Director           | Director     | Director     |
| Grant date                   | 16 June 2017       | 16 June 2017 | 16 June 2017 |
| Number of performance rights | 2,000,000          | 5,000,000    | 3,000,000    |
| Share price                  | 2.4 cents          | 2.4 cents    | 2.4 cents    |
| Exercise price               | 0 cents            | 6 cents      | 0 cents      |
| Weighted average fair value  | 2.4cents           | 0.009 cents  | 2.4 cents    |
| Total amount                 | \$48,000           | \$45,000     | \$72,000     |
| Expensed to 30 June 2017     | \$1,841            | \$45,000     | \$48,000     |

The director performance rights were approved by the board to be issued on 2 November 2016, however they were subject to shareholder approval, which were approved on 16 June 2017.

## Options

## 2018

During the 2018 financial year, the following options were issued to directors and key management personnel:

| Name          | Share options Number | Exercise Price | Grant date fair value | Grant date       | Expiry date      | Vesting date            |
|---------------|----------------------|----------------|-----------------------|------------------|------------------|-------------------------|
| David Hammond | 2,500,000            | \$0.04         | \$0.011               | 14 November 2017 | 14 November 2019 | Vested at date of grant |
| David Hammond | 2,500,000            | \$0.06         | \$0.008               | 14 November 2017 | 14 November 2019 | Vested at date of grant |

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2018:

|                             | Unlisted Options |                  |
|-----------------------------|------------------|------------------|
|                             | Director         | Director         |
| Grant date                  | 14 November 2017 | 14 November 2017 |
| Number of options           | 2,500,000        | 2,500,000        |
| Share price                 | 3.0 cents        | 3.0 cents        |
| Exercise price              | 6 cents          | 4 cents          |
| Weighted average fair value | 0.08 cents       | 1.1 cents        |
| Total amount                | \$20,000         | \$27,500         |
| Expensed to 30 June 2018    | \$20,000         | \$27,500         |

## 2017

| Name               | Share options Number | Exercise Price | Grant date fair value | Grant date      | Expiry date     | Vesting date            |
|--------------------|----------------------|----------------|-----------------------|-----------------|-----------------|-------------------------|
| Stephen Dobson     | 5,000,000            | \$0.04         | \$0.01                | 2 November 2016 | 2 November 2019 | Vested at date of grant |
| Stephen Dobson     | 5,000,000            | \$0.06         | \$0.007               | 2 November 2016 | 2 November 2019 | Vested at date of grant |
| Corporate Advisors | 2,000,000            | \$0.05         | \$0.012               | 27 June 2017    | 6 April 2020    | Vested at date of grant |

The fair value of options granted to directors and KMP is estimated as at the grant date using the share price on the date of granting.

The following table lists the inputs to the models for the year ended 30 June 2017:

|                             | Unlisted Options |                 |
|-----------------------------|------------------|-----------------|
|                             | Director         | Director        |
| Grant date                  | 2 November 2016  | 2 November 2016 |
| Number of options           | 5,000,000        | 5,000,000       |
| Share price                 | 2.8 cents        | 2.8 cents       |
| Exercise price              | 6 cents          | 4 cents         |
| Weighted average fair value | 0.7 cents        | 1.0 cents       |
| Total amount                | \$35,000         | \$50,000        |
| Expensed to 30 June 2017    | \$35,000         | \$50,000        |

## Reconciliation of options outstanding

The following reconciles outstanding share options provided as share-based payments at the beginning and end of the financial year:

|                                                  | 2018              |                                 | 2017              |                                 |
|--------------------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                                  | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance at beginning of the financial year       | 12,500,000        | \$0.05                          | -                 | -                               |
| Issued or to be issued during the financial year | 5,000,000         | \$0.05                          | 12,500,000        | \$0.05                          |
| Vested during the financial year                 |                   |                                 | 12,500,000        | \$0.05                          |
| Expired during the financial year                | -                 | -                               | -                 | -                               |
| Balance at end of the financial year             | 17,500,000        | \$0.05                          | 12,500,000        | \$0.05                          |
| Exercisable at end of the financial year         | 17,500,000        | \$0.05                          | 12,500,000        | \$0.05                          |

## 28. Related party transactions

### Parent entity

The parent entity in the Group is Pensana Metals Ltd (formerly Rift Valley Resources Ltd) which was incorporated in Victoria Australia on 29 September 2006.

### (a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 23 to the financial statements.

### (b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 26 of the financial statements and details of the compensation has been provided in the remuneration report which forms part of the Directors' Report.

### (c) Other Transactions with Key Management Personnel and Related Parties

The following amounts have been disclosed as remuneration in note 27:

- The Company paid Willowood Corporate Pty Ltd, a Company associated with Mr. G Gilmour, consultancy fees of \$70,000 during the current financial year (2017: \$100,000). \$60,000 was paid as outstanding consulting fees that were accrued in previous years.

## 29. Remuneration of auditors

|                                                                                                          | Consolidated |        |
|----------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                          | 2018         | 2017   |
|                                                                                                          | \$           | \$     |
| <b>Remuneration of Ernst &amp; Young as the auditor of the parent entity</b>                             |              |        |
| Audit or review of the financial report                                                                  | 61,500       | 52,000 |
| <b>Remuneration of Ernst &amp; Young as the auditor of the foreign subsidiaries</b>                      |              |        |
| An audit or review of the financial report of the entity and any other entity in the Consolidated Entity | -            | 5,000  |

## 30. Subsequent events

Subsequent to the year end the following events occurred:

- On 2 July 2018, the company received firm commitments from sophisticated and institutional investors for the private placement of 366,666,667 fully paid ordinary shares at \$0.015 to raise \$5,500,000. The placement is to be completed in 2 tranches:
  - 126,549,809 New Shares under Tranche 1 to raise approximately A\$1.898 million; and
  - 240,116,858 New Shares under Tranche 2 to raise approximately A\$3.602 million.

126,549,809 shares were issued on 6 July 2018 to raise approximately A\$1.898 million.

On 28 August 2018, the Company announced that it had commenced its 9,000 metre drilling programme at the Longonjo NdPr Project, which will test the full extent of the shallow weathered NdPr mineralisation across the six square kilometre Longonjo carbonatite

### Shareholder General Meeting

On 17 September 2018, the Company held a General Meeting for shareholders. At that meeting shareholders approved the following resolution:

- tranche 1 of the capital raising under both LR7.1 and 7.1A to issue 126,549,809 to raise A\$1.898 million;
- tranche 2 of the capital raising under LR7.1 to issue 240,116,858 to raise \$ A\$3.602 million;
- to give authority for Mr Paul Atherley and Mr Neil Maclachlan to participate in the placement;
- an Employee Incentive Plan;
- the issue of up to 115,741,113 Performance Rights to Mr Paul Atherley;
- the issue of up to 30,000,000 Performance Rights to Mr David Hammond;
- the issue of 5,000,000 unquoted options exercisable at \$0.04 per share and 5,000,000 unquoted options exercisable at \$0.06 per share to Ashanti Capital Pty Ltd (or its nominee), and expiring on the date that is 12 months following the date of issue;
- adopt Pensana Metals Limited as the new name of the Company;
- the Company adopt the Proposed Constitution tabled at the Meeting with effect from the close of the Meeting.

All resolutions were passed by show of hands.

On 18 September 2018 the company changed its name to Pensana Metals Ltd with ASIC.

On 25 September 2018, the company completed the tranche 2 placement issuing 240,116,858 to raise \$3.602m.

No other matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

**Appendix 1**  
**Part 3**

Audited financial statements for the Pensana Australia Group for the financial year ended 30  
June 2019



**Building a better  
working world**

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Perth WA 6000 Australia  
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## **Auditor's Independence Declaration to the Directors of Pensana Metals Limited**

As lead auditor for the audit of Pensana Metals Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pensana Metals Limited and the entities it controlled during the financial year.

Ernst & Young

Darryn Hall  
Partner  
Perth  
29 September 2019



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# **Independent auditor's report to the members of Pensana Metals Limited**

## **Report on the Audit of the Financial Report**

### **Opinion**

We have audited the financial report of Pensana Metals Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 3 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Carrying value of capitalised exploration and evaluation assets

### Why significant

At 30 June 2019, as disclosed in Note 13, the Group held capitalised exploration and evaluation expenditure of \$9,170,349.

The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to fund ongoing expenditure requirements and whether there is sufficient information for a decision to be made as to the commerciality of the area of interest. The Group did not identify any impairment indicators.

Given the size of the balance and the judgmental nature of impairment indicator assessments associated with exploration and evaluation expenditure, we consider this a key audit matter.

### How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements.
- ▶ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast and enquiring of senior management and Directors as to their intentions and the strategy of the Group.
- ▶ Considered the Group's assessment of whether the commercial viability of extracting mineral resources had been demonstrated and whether it was appropriate to continue to classify the capitalised expenditure for the area of interest as an exploration and evaluation asset.
- ▶ Assessed the adequacy of the disclosures in the financial report.

## Share based payments

### Why significant

In the current year, the Group awarded share based payments, in the form of performance rights, as disclosed in Note 26. The awards vest subject to the achievement of various vesting conditions.

Due to the complex and judgmental estimates used in determining the value of the share based payment awards, including share price volatility and probability factors that vesting conditions will be achieved, we considered the Group's calculation of the share based payment expense to be a key audit matter.

### How our audit addressed the key audit matter

For awards granted during the year, we:

- ▶ Considered the appropriateness of the Group's valuation method for the performance rights issued during the year.
- ▶ Involved our valuation specialists, to assess the appropriateness of the assumptions used in determining the fair value of the performance rights, in particular the share price of the underlying equity, volatility, dividend yield, time to maturity (expected life) and grant date.
- ▶ Assessed the adequacy of the disclosure in the financial report.



## Assets held for sale

### Why significant

At 30 June 2019, as disclosed in Note 10, the Group has Assets held for sale of \$3,556,840, representing the fair value of the Miyabi project.

An asset is to be classified as held for sale where the carrying amount will be recovered principally through a sale transaction rather than through continuing use, is available for immediate sale in its present condition and the likelihood of a sale being completed within 12 months of the assets being classified as held for sale is highly probable.

Assets classified as held for sale are to be measured at the lower of their carrying amount and fair value less costs to sell.

Due to the judgement involved in determining whether it highly probable the Miyabi project will be sold within a 12 month period and the significant estimation involved in determining the fair value less cost to sell of the asset, the classification and measurement of the Miyabi exploration and evaluation asset as a held for sale asset is considered to be a key audit matter.

### How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered the Group's assessment as to whether it was appropriate for the Miyabi exploration and evaluation asset to continue to be classified as an asset held for sale by reviewing offers received to acquire the asset, minutes of directors' meeting and enquiring of senior management and directors as to the status of the sale process.
- ▶ Considered proposed offer amounts for sale of the Miyabi project to assess the appropriateness of the Group's measurement of fair value less costs to sell.
- ▶ Assessed whether the carrying amount of the capitalised exploration and evaluation was stated at the lower of carrying amount and the Group's estimate of the fair value less costs to sell.
- ▶ Assessed the adequacy of disclosure in the financial report.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

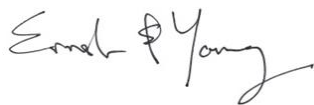
### Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Pensana Metals Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Darryn Hall  
Partner  
Perth  
29 September 2019

## Directors' declaration

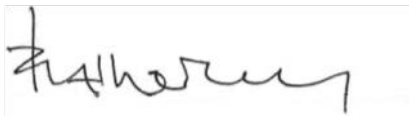
In accordance with a resolution of the directors of Pensana Metals Ltd, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3; and
- (c) Subject to the matter set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Directors,



Mr. Paul Atherley  
Non- Executive Chairman  
Perth, 29 September 2019

# **Financial Statements**

**FOR THE YEAR ENDED 30 JUNE 2019**

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

|                                                                             |       | 30 June 2019       | 30 June 2018       |
|-----------------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                             | Note  | A\$                | A\$                |
| Other income                                                                | 6     | 458,203            | 2,288              |
| Administration expenses                                                     |       | (1,117,960)        | (795,198)          |
| Corporate expenses                                                          | 6     | (3,141,730)        | (909,361)          |
| Impairment of assets                                                        | 10,13 | (1,613,770)        | (110,827)          |
| Provisions for estimated credit losses on financial assets                  |       | (478,039)          | -                  |
| Foreign currency exchange (loss)/gain                                       |       | 59,400             | (11,892)           |
| <b>Loss from operations before finance costs</b>                            |       | <b>(5,833,896)</b> | <b>(1,824,990)</b> |
| Finance costs                                                               |       | -                  | -                  |
| <b>Loss before income tax</b>                                               |       | <b>(5,833,896)</b> | <b>(1,824,990)</b> |
| Income tax benefit/(expense)                                                | 7     | -                  | -                  |
| <b>Total loss for the period</b>                                            |       | <b>(5,833,896)</b> | <b>(1,824,990)</b> |
| <b>Other comprehensive income</b>                                           |       |                    |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>        |       |                    |                    |
| Foreign currency translation                                                |       | 580,787            | 598,161            |
| <b>Total comprehensive (loss)/income for the period</b>                     |       | <b>(5,253,109)</b> | <b>(1,226,829)</b> |
| <b>Net (loss)/ income for the period is attributable to:</b>                |       |                    |                    |
| Owners of Pensana Metals Limited                                            |       | <b>(5,833,896)</b> | <b>(1,824,990)</b> |
| <b>Total comprehensive (loss)/ income is attributable to:</b>               |       |                    |                    |
| Owners of Pensana Metals Limited                                            |       | <b>(5,253,109)</b> | <b>(1,226,829)</b> |
| <b>(Loss)/ Gain per share attributable to owners of Pensana Metals Ltd:</b> |       |                    |                    |
| Basic (cents per share)                                                     | 18    | (5.10)             | (2.39)             |
| Diluted (cents per share)                                                   | 18    | (5.10)             | (2.39)             |

Notes to the financial statements are included on pages 42 to 67.

## Consolidated Statement of Financial Position as at 30 June 2019

|                                                      |      | 30 June 2019      | 30 June 2018      |
|------------------------------------------------------|------|-------------------|-------------------|
|                                                      | Note | A\$               | A\$               |
| <b>ASSETS</b>                                        |      |                   |                   |
| <b>CURRENT ASSETS</b>                                |      |                   |                   |
| Cash and cash equivalents                            | 8    | 4,712,730         | 242,769           |
| Trade and other receivables                          | 9    | 45,553            | 9,372             |
| Deposits                                             |      | -                 | 32,185            |
| Prepayments                                          |      | 31,923            | 74,648            |
| Assets held for sale                                 | 10   | 3,556,840         | 5,645,553         |
| Other financial assets                               |      | 156               | 156               |
| <b>TOTAL CURRENT ASSETS</b>                          |      | <b>8,347,202</b>  | <b>6,004,683</b>  |
| <b>NON-CURRENT ASSETS</b>                            |      |                   |                   |
| Property, plant and equipment                        | 12   | 8,195             | 5,922             |
| Exploration and evaluation expenditure               | 13   | 9,170,349         | 5,596,961         |
| <b>TOTAL NON-CURRENT ASSETS</b>                      |      | <b>9,178,544</b>  | <b>5,602,883</b>  |
| <b>TOTAL ASSETS</b>                                  |      | <b>17,525,746</b> | <b>11,607,566</b> |
| <b>LIABILITIES</b>                                   |      |                   |                   |
| <b>CURRENT LIABILITIES</b>                           |      |                   |                   |
| Liabilities associated with the held for sale assets | 10   | 60,866            | 57,726            |
| Trade and other payables                             | 14   | 574,587           | 715,193           |
| <b>TOTAL CURRENT LIABILITIES</b>                     |      | <b>635,453</b>    | <b>772,919</b>    |
| <b>TOTAL LIABILITIES</b>                             |      | <b>635,453</b>    | <b>772,919</b>    |
| <b>NET ASSETS</b>                                    |      | <b>16,890,293</b> | <b>10,834,647</b> |
| <b>EQUITY</b>                                        |      |                   |                   |
| Issued capital                                       | 15   | 50,991,922        | 41,149,646        |
| Reserves                                             | 16   | 6,847,360         | 4,800,094         |
| Accumulated losses                                   | 17   | (40,948,989)      | (35,115,093)      |
| <b>TOTAL EQUITY</b>                                  |      | <b>16,890,293</b> | <b>10,834,647</b> |

Notes to the financial statements are included on pages 42 to 67.

## Consolidated Statement of Changes in Equity for the financial year ended 30 June 2019

|                                                               | Fully paid<br>ordinary<br>shares | Accumulated<br>Losses | Foreign<br>Currency<br>Reserve | Share<br>Based<br>Payments<br>Reserve | Equity<br>Reserve | Total             |
|---------------------------------------------------------------|----------------------------------|-----------------------|--------------------------------|---------------------------------------|-------------------|-------------------|
|                                                               | A\$                              | A\$                   | A\$                            | A\$                                   | A\$               | A\$               |
| Balance at 1 July 2017                                        | 39,734,149                       | (33,290,103)          | 973,891                        | 3,044,785                             | -                 | 10,462,722        |
| Loss for the year                                             | -                                | (1,824,990)           | -                              | -                                     | -                 | (1,824,990)       |
| Other comprehensive income                                    | -                                | -                     | 598,161                        | -                                     | -                 | 598,161           |
| Total comprehensive income for the year                       | -                                | (1,824,990)           | 598,161                        | -                                     | -                 | (1,226,829)       |
| Transactions with owners in their capacity as owners          |                                  |                       |                                |                                       |                   |                   |
| Issue of shares                                               | 1,510,500                        | -                     | -                              | -                                     | -                 | 1,510,500         |
| Cost of issue                                                 | (95,003)                         | -                     | -                              | -                                     | -                 | (95,003)          |
| Share based payments                                          | -                                | -                     | -                              | 183,257                               | -                 | 183,257           |
| <b>Balance at 30 June 2018</b>                                | <b>41,149,646</b>                | <b>(35,115,093)</b>   | <b>1,572,052</b>               | <b>3,228,042</b>                      | <b>-</b>          | <b>10,834,647</b> |
| Balance at 1 July 2018                                        | 41,149,646                       | (35,115,093)          | 1,572,052                      | 3,228,042                             | -                 | 10,834,647        |
| Loss for the year                                             | -                                | (5,833,896)           | -                              | -                                     | -                 | (5,833,896)       |
| Other comprehensive income                                    | -                                | -                     | 580,787                        | -                                     | -                 | 580,787           |
| Total comprehensive income for the year                       | -                                | (5,833,896)           | 580,787                        | -                                     | -                 | (5,253,109)       |
| Transactions with owners in their capacity as owners          |                                  |                       |                                |                                       |                   |                   |
| Issue of shares                                               | 10,500,000                       | -                     | -                              | -                                     | -                 | 10,500,000        |
| Cost of issue                                                 | (657,724)                        | -                     | -                              | -                                     | -                 | (657,724)         |
| Share based payments                                          | -                                | -                     | -                              | 2,149,739                             | -                 | 2,149,739         |
| Purchase of additional 14% interest in Ozango (refer Note 16) | -                                | -                     | -                              | -                                     | (683,260)         | (683,260)         |
| <b>Balance at 30 June 2019</b>                                | <b>50,991,922</b>                | <b>(40,948,989)</b>   | <b>2,152,839</b>               | <b>5,377,781</b>                      | <b>(683,260)</b>  | <b>16,890,293</b> |

Notes to the financial statements are included on pages 42 to 67.



## Consolidated Statement of Cash Flows for the financial year ended 30 June 2019

|                                                                                    |      | 30 June 2019       | 30 June 2018       |
|------------------------------------------------------------------------------------|------|--------------------|--------------------|
|                                                                                    | Note | A\$                | A\$                |
| <b>Cash flows from operating activities</b>                                        |      |                    |                    |
| Payments to suppliers and employees                                                | 24   | (1,753,127)        | (1,363,455)        |
| <b>Net cash used in operating activities</b>                                       |      | <b>(1,753,127)</b> | <b>(1,363,455)</b> |
| <b>Cash flows from investing activities</b>                                        |      |                    |                    |
| Interest received                                                                  |      | 5,628              | 2,288              |
| Proceeds from deposits for Tanzanian assets                                        |      | 229,308            | 392,968            |
| Payments for exploration expenditure                                               |      | (3,203,624)        | (2,059,214)        |
| Payment for additional 14% interest in Ozango                                      |      | (683,260)          | -                  |
| Payment for property, plant & equipment                                            |      | (11,523)           | -                  |
| <b>Net cash used in investing activities</b>                                       |      | <b>(3,663,471)</b> | <b>(1,663,958)</b> |
| <b>Cash flows from financing activities</b>                                        |      |                    |                    |
| Proceeds from issues of equity securities                                          |      | 10,500,000         | 1,510,500          |
| Share issue costs                                                                  |      | (623,224)          | (95,003)           |
| <b>Net cash provided by financing activities</b>                                   |      | <b>9,876,776</b>   | <b>1,415,497</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                        |      | <b>4,460,178</b>   | <b>(1,611,916)</b> |
| Cash and cash equivalents at the beginning of the period                           |      | 242,768            | 1,848,248          |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |      | 9,784              | 6,437              |
| <b>Cash and cash equivalents at the end of the period</b>                          | 24   | <b>4,712,730</b>   | <b>242,769</b>     |

Notes to the financial statements are included on pages 42 to 67.

## 1. General information

Pensana Metals Ltd (formerly Rift Valley Resources Limited) (the Company) is a for profit public Company listed on the Australian Securities Exchange (trading under the code: PM8), incorporated in Australia and operating from Perth. The Company's registered office and principal place of business is at Ground Floor, 10 Outram Street, West Perth WA 6005.

The Company is focussed on developing its NdPr Project in Angola to be a major and crucial supplier of raw materials for the move towards the electrification of society.

## 2. New accounting standards and interpretations

### (a) Changes in accounting policies and disclosures

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

From 1 July 2018, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2018.

- AASB 9 – Financial Instruments which replaces IAS 39 *Financial Instruments: Recognition and Measurement*
- AASB 15 – Revenue from Contracts with Customers
- AASB 2016-5 – Classification and Measurement of Share based Payment Transactions [Amendments to AASB 2]

The application of these standards have not had a material impact on the financial statements.

### (b) Accounting standards and interpretations issued but not yet effective:

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2019. These are outlined in the following table.

Other than the changes described below, the adoption of these standards and interpretations did not have any significant effect on the accounting policies to those of the previous financial year:

#### AASB 9 Financial Instruments ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018 (see note 2A for details of the new accounting policy for receivables).

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

| <b>Class of financial instrument presented in the statement of financial position</b> | <b>Original measurement category under AASB 139 (i.e. prior to 1 July 2018)</b> | <b>New measurement category under AASB 9 (i.e. from 1 July 2018)</b> |
|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------|
| Cash and cash equivalents                                                             | Loans and receivables                                                           | Financial assets at amortised cost                                   |
| Trade and other receivables                                                           | Loans and receivables                                                           | Financial assets at amortised cost                                   |
| Deposits                                                                              | Loans and receivables                                                           | Financial assets at amortised cost                                   |
| Trade and other payables                                                              | Financial liability at amortised cost                                           | Financial liabilities at amortised cost                              |
| Interest bearing loans and borrowings                                                 | Financial liability at amortised cost                                           | Financial liabilities at amortised cost                              |

The change in classification has not resulted in any re-measurement adjustments at 1 July 2018.

*Impairment of financial assets*

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information to determine whether any ECL's need to be recognised under AASB 9. The assessment did not result in any additional credit losses being recognised.

| Reference | Title  | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Application date of standard | Impact on Group financial report                                                                                                                                                                                                                                                  | Application date for Group |
|-----------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| AASB 16   | Leases | <p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> <li>Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>AASB 16 contains disclosure requirements for lessees.</li> </ul> <p>Lessor accounting</p> <ul style="list-style-type: none"> <li>AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> <li>(a) AASB 117 Leases</li> <li>(b) Interpretation 4 Determining whether an Arrangement contains a Lease</li> <li>(c) SIC-15 Operating Leases—Incentives</li> <li>(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease</li> </ul> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p> | 1 January 2019               | The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020. | 1 July 2019                |

### 3. Significant accounting policies and Going Concern

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 29 September 2019.

#### Basis of preparation and Going Concern

The financial report has been prepared on an historical cost basis, except for financial assets measured at fair value through other comprehensive income. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated financial statements have been prepared on a going concern basis with the Directors of the opinion that the Group can meet its obligations as and when they fall due.

At 30 June 2019 the Group has a net current asset position of \$7.712 million. For the Group to undertake its planned development of the Longonjo NdPr Project in Angola and to fund ongoing working capital requirements beyond the 2020 financial year, additional capital will need to be secured.

The Group is current completing a Pre Feasibility Study for the Longonjo NdPr Project, which it is expected end October and working towards a dual listing on the London Stock Exchange (LSE) by the end of the year. The LSE listing will increase the attractiveness of the Group to an equity market with a historically stronger interest in African mining projects and has previously provided substantial equity financing for junior mining companies with developments projects in Africa.

The Directors are confident of being able to raise the required capital through either debt or equity financing, but note that the required capital has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

#### a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Pensana Metals Ltd and its subsidiaries as at 30 June 2019.

Subsidiaries are all those entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is shown at note 22. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

**b) Business Combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

**c) Segment Information**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

**d) Foreign Currency Translation***Functional and presentation currency*

The functional currency of each of the Group's operations is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries.

The functional currency of the non-Australian subsidiaries is US dollars and Euro.

*Transaction and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. The gain and loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (ie translation differences on items whose fair value gain or loss is recognised in Equity or profit and loss are also recognised in equity or profit and loss respectively).

The financial results and position of foreign subsidiaries whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

**e) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of less than three months.

**f) Financial Instruments****Financial Assets**Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

*Financial assets at amortised cost (debt instruments)*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All of the group's financial assets are measured at amortised cost.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the

Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

### *Loans and borrowings and trade and other payables*

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

## **g) Exploration and Evaluation Expenditure**

### *Exploration and evaluation expenditure*

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

### *Impairment*

The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met. The recoverable amount of exploration and evaluation assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

Accumulated costs in respect of areas of interest are written off or a provision made in the statement of comprehensive income when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis. Provisions are made where farm-in partners are sought and there is a possibility that carried forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Group undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

### *Farm-in Arrangements*

Expenditure incurred under a farm-in arrangement is accounted for in the same way as directly incurred exploration and evaluation expenditure.

**h) Property, Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The carrying value of the plant and equipment also includes costs eligible for capitalisation. Other costs relating to plant and equipment are expensed when incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| <b>Asset</b>        | <b>Depreciation Rate</b> |
|---------------------|--------------------------|
| Motor Vehicles      | 25%                      |
| Plant and equipment | 5% - 40%                 |

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

**Disposal**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**i) Impairment of Non-Financial Assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

**j) Trade and Other Payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

**k) Employee Benefits**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows.

**l) Share Based Payment Transactions****Equity Settled Transactions**

The Company provides benefits to certain key management personnel in the form of share-based payments and/or options. The Group currently has an Performance Rights Plan (PRP), which may be used to provide benefits to directors and senior executives.

The cost of such equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted using an appropriate valuation model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, at the date of the granting of the shares and options.

That cost is recognised in employee benefits expense or capitalised to exploration and evaluation assets, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects



the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. For awards with service and non-market performance conditions expected vesting dates are based on the expiry date of the award. When both service and non-market performance conditions are satisfied prior to the expiry date of the award vesting dates are revised and the vesting expense adjusted accordingly. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

#### **m) Contributed Equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **n) Other Income**

##### *Interest income*

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

##### *Disposal of asset*

Gains from the disposal of assets is recognised when all conditions precedent to the sale of the asset have been met and it is probable that any consideration receivable will be collected.

##### *Research and development rebate*

Research and development rebates are recognised when the claim is finalised and submitted to the government.

#### **o) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary

difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **p) Goods & Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or other Government authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

GST or VAT receivable from or payable to, either the Australian Taxation Office or other Government authorities has been accounted for and included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis except for the GST or VAT component of investing activities, which are disclosed as operating cash flow.

#### **q) Loss per Share (EPS)**

##### *Basic loss per share*

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in shares issued during the year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

#### **r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets is capitalised into the cost of the related asset and is amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same way, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

#### **s) Non current assets held for sale.**

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Disposal costs are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to

sell the asset. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

*Impairment of assets and exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related mineral title itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, proven and probable ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices, ability to finance, renewal of the exclusive prospecting licence and the issue of a mining licence. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

*Recoverability of Deferred Tax Assets*

Deferred tax assets are not recognised for deductible temporary differences as Directors consider that it is not probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with directors and others by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Binomial model.

*Assets held for sale*

The Group fair values assets held for sale by using comparable market transactions less the costs to dispose of the assets.

## 5. Operating Segments

### Description of segments

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified that it has one operating segment being related to the activities in Angola, on the basis that the assets in Tanzania are held for sale and operations in Australia relate to running the Corporate Head Office only.

All significant exploration and evaluation expenditure are domiciled in Angola.

|                           | Consolidated     |                  |
|---------------------------|------------------|------------------|
|                           | 2019             | 2018             |
|                           | \$               | \$               |
| <b>Non-current assets</b> |                  |                  |
| Australia                 | 6,554            | 5,922            |
| Angola                    | 9,171,990        | 5,596,961        |
|                           | <u>9,178,544</u> | <u>5,602,883</u> |

Non-current assets for this purpose consist of plant and equipment and evaluation and evaluation assets. The assets in Tanzanian held for sale have been reclassified to current and therefore not presented above.

## 6. Revenue and Other Expenses

|                                                                             |      | Consolidated     |                |
|-----------------------------------------------------------------------------|------|------------------|----------------|
|                                                                             | Note | 2019             | 2018           |
|                                                                             |      | \$               | \$             |
| <b>Other Income</b>                                                         |      |                  |                |
| Interest revenue                                                            |      | 5,628            | 2,288          |
| Research and development rebate                                             |      | 102,720          | -              |
| Gain on sale of assets held for sale                                        |      | 349,855          | -              |
|                                                                             |      | <u>458,203</u>   | <u>2,288</u>   |
| Loss for the year includes the following expenses:                          |      |                  |                |
| <b>Operating lease rental expenses:</b>                                     |      |                  |                |
| Lease payments                                                              |      | 57,284           | 59,090         |
| <b>Depreciation on non-current assets:</b>                                  |      |                  |                |
| Property, plant and equipment                                               | 12   | 9,269            | 60,321         |
| <b>Corporate expenses</b>                                                   |      |                  |                |
| <b>Employee Benefits</b>                                                    |      |                  |                |
| <i>Charged to statement of comprehensive income</i>                         |      |                  |                |
| Performance rights and options granted to directors, officers and employees |      | 2,115,239        | 183,257        |
| Directors fees, superannuation and salaries & wages                         |      | 886,937          | 535,441        |
|                                                                             |      | <u>3,002,176</u> | <u>718,698</u> |

Key management personnel remuneration disclosed in note 25 includes amounts in "Employee benefits" disclosed above.

## 7. Income Taxes

|                                         | Consolidated |      |
|-----------------------------------------|--------------|------|
|                                         | 2019         | 2018 |
|                                         | \$           | \$   |
| <b>Tax expense/(benefit) comprises:</b> |              |      |
| Current tax expense/(benefit)           | -            | -    |
| Total tax expense/(benefit)             | -            | -    |

The tax rate used in the reconciliation below is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

|                                                                               |             |             |
|-------------------------------------------------------------------------------|-------------|-------------|
| Loss from continuing operations                                               | (5,833,896) | (1,824,990) |
| Income tax benefit calculated at 27.5% (2018: 27.5%)                          | (1,604,321) | (501,872)   |
| Tax effects of amounts which are not deductible in calculating taxable income | 617,149     | 50,396      |
| Tax assets not brought to account                                             | 987,172     | 451,476     |
| Total tax expense/(benefit)                                                   | -           | -           |

The following deferred tax assets have not been brought to account:

|                                        |           |           |
|----------------------------------------|-----------|-----------|
| Share issue costs                      | 206,601   | 61,739    |
| Unused tax losses (a)                  | 6,287,796 | 4,277,934 |
| Accruals                               | (12,460)  | (29,765)  |
| Exploration and evaluation expenditure | (961,087) | (566,284) |

(a) Tax loss information is an estimate of available losses.

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future. Unrecognised tax losses as at 30 June 2019 aggregate \$20,959,320 (2018: \$15,556,122).

## 8. Cash and Cash Equivalents

|                          | Consolidated |         |
|--------------------------|--------------|---------|
|                          | 2019         | 2018    |
|                          | \$           | \$      |
| Cash at bank and on hand | 4,712,730    | 242,769 |
|                          | 4,712,730    | 242,769 |

## 9. Trade and Other Receivables

|               |        |       |
|---------------|--------|-------|
| Other debtors | 45,553 | 9,372 |
|               | 45,553 | 9,372 |

## 10. Assets held for sale

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 30 June 2019 has been determined based on comparable market transactions. The fair value methodology adopted at 30 June 2019 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to transaction value from sales agreements or offers received, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

The Major classes of assets and liabilities for Tanzania classified as held for sale as at 30 June 2019 are as follows:

|                                                    | 30 June 2019     |
|----------------------------------------------------|------------------|
|                                                    | \$               |
| <b>Assets</b>                                      |                  |
| Exploration and valuation assets                   | 3,556,840        |
| Other debtors                                      | 478,039          |
| Less provision for estimated credit losses         | (478,039)        |
| Assets held for sale                               | <u>3,556,840</u> |
| <b>Liabilities</b>                                 |                  |
| Trade and other payables                           | 60,866           |
|                                                    | <u>60,866</u>    |
| Net assets directly associated with disposal group | <u>3,495,974</u> |

Included within Other comprehensive income is \$292,748 of foreign currency translation relating to Assets held for sale.

### Miyabi Gold Project

The Company has recently received a proposal for the acquisition of the company's 100% interests in the Miyabi Gold Project. The board is currently considering the proposal.

During the current year, an impairment of \$1,613,770 has been recognised on the Miyabi Gold Project. to reflect the fair value of the asset.

### Kitongo Gold Project - Sale agreement executed

The company executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US\$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, has paid US\$364,000 of the total consideration price.

All conditions on the sale have been met and the licence has been transferred to the purchaser. The remaining US\$186,000 is due and payable by the purchaser.

### Canuck Prospecting Licence – Mineral prospecting rights agreement executed

A Mineral Prospecting rights agreement has been executed by Pensana and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser, Pamoja Mining Company Limited, (Director – Nathan Conradie), a private company incorporated in the United Republic of Tanzania, agreed to purchase the licence for a total consideration of US\$250,000 subject to the transfer of the prospecting licence to the purchaser. During the period the licence was transferred and US\$100,000 of the consideration prices has been received with the remaining US\$150,000 due and payable by the purchaser.

## 11. Parent Entity Disclosure

The following details information related to the parent entity, Pensana Metals Ltd as at 30 June 2019. The information presented has been prepared using consistent accounting policies as presented in Note 3.

|                                             | 2019<br>\$   | 2018<br>\$   |
|---------------------------------------------|--------------|--------------|
| Current assets                              | 4,480,525    | 139,155      |
| Non-current assets                          | -            | -            |
| Total assets                                | 4,480,525    | 139,155      |
| Current liabilities                         | 463,405      | 322,224      |
| Non-current liabilities – intercompany loan | 6,206,676    | 6,206,676    |
| Total liabilities                           | 6,670,081    | 6,528,900    |
| Contributed equity                          | 50,991,922   | 41,149,646   |
| Accumulated losses                          | (58,559,259) | (50,767,435) |
| Reserves                                    | 5,377,781    | 3,228,044    |
| Total equity                                | (2,189,556)  | (6,389,745)  |
| Loss for the year                           | (7,791,824)  | (3,330,025)  |
| Total comprehensive loss for the year       | (7,791,824)  | (3,330,025)  |

No guarantees have been entered into by the parent entity on behalf of subsidiaries during the period.

## 12. Property, Plant and Equipment

|                                   | Consolidated         |                           |             |
|-----------------------------------|----------------------|---------------------------|-------------|
|                                   | Motor Vehicles<br>\$ | Plant and equipment<br>\$ | Total<br>\$ |
| Balance at 1 July 2018            | 325,196              | 492,371                   | 817,567     |
| Additions                         | -                    | 11,523                    | 11,523      |
| Disposals                         | -                    | -                         | -           |
| Exchange differences              | -                    | 19                        | 19          |
| Balance at 30 June 2019           | 325,196              | 503,913                   | 829,109     |
| Accumulated depreciation          |                      |                           |             |
| Balance at 1 July 2018            | (325,196)            | (486,449)                 | (811,645)   |
| Transfers                         | -                    | -                         | -           |
| Disposals                         | -                    | -                         | -           |
| Depreciation expense              | -                    | (9,269)                   | (9,269)     |
| Exchange differences              | -                    | -                         | -           |
| Balance at 30 June 2019           | (325,196)            | (495,718)                 | (820,914)   |
| Net book value as at 30 June 2019 | -                    | 8,195                     | 8,195       |
| Balance at 1 July 2017            | 325,196              | 492,522                   | 817,718     |
| Additions                         | -                    | -                         | -           |
| Disposals                         | -                    | -                         | -           |
| Exchange differences              | -                    | (151)                     | (151)       |
| Balance at 30 June 2018           | 325,196              | 492,371                   | 817,567     |
| Accumulated depreciation          |                      |                           |             |
| Balance at 1 July 2017            | (325,196)            | (426,128)                 | (751,324)   |
| Transfers                         | -                    | -                         | -           |
| Disposals                         | -                    | -                         | -           |
| Depreciation expense              | -                    | (60,321)                  | (60,321)    |
| Exchange differences              | -                    | -                         | -           |
| Balance at 30 June 2018           | (325,196)            | (486,449)                 | (811,645)   |
| Net book value as at 30 June 2018 | -                    | 5,922                     | 5,922       |

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

|                      | Consolidated |        |
|----------------------|--------------|--------|
|                      | 2019         | 2018   |
|                      | \$           | \$     |
| Computer Equipment   | 9,269        | 6,107  |
| Furniture & Fittings | -            | 54,214 |
| Plant and equipment  | -            | -      |
| Motor vehicles       | -            | -      |
| Total depreciation   | 9,269        | 60,321 |

### 13. Exploration and Evaluation Expenditure

|                                  | Consolidated |             |
|----------------------------------|--------------|-------------|
|                                  | 2019         | 2018        |
|                                  | \$           | \$          |
| Carrying value:                  |              |             |
| Balance at beginning of period   | 5,596,961    | 8,800,077   |
| Additions                        | 3,203,623    | 2,059,214   |
| Impairment                       | -            | (110,827)   |
| Transfer to held for sale        | -            | (5,645,553) |
| Foreign exchange                 | 369,765      | 494,050     |
| Balance at end of financial year | 9,170,349    | 5,596,961   |

#### Accumulated impairment

|                                  |             |             |
|----------------------------------|-------------|-------------|
| Balance at beginning of period   | (7,908,726) | (7,797,899) |
| Impairment expense               | -           | (110,827)   |
| Balance at end of financial year | (7,908,726) | (7,908,726) |

|                                                                                                |           |           |
|------------------------------------------------------------------------------------------------|-----------|-----------|
| At the end of the financial year book value net of accumulated amortisation and impairment (i) | 9,170,349 | 5,596,961 |
|------------------------------------------------------------------------------------------------|-----------|-----------|

(i) The above amounts represent capitalised costs of exploration carried forward as an asset in accordance with the accounting policy set out in note 3 (g). The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

### 14. Trade and Other Payables

|                                                | Consolidated |         |
|------------------------------------------------|--------------|---------|
|                                                | 2019         | 2018    |
|                                                | \$           | \$      |
| Trade, other payables and accrued expenses (i) | 574,587      | 322,225 |
| Sundry creditors (ii)                          | -            | 392,968 |
|                                                | 574,587      | 715,193 |

(i) There has been no interest charged on the trade payables

(ii) For the prior year, sundry creditors relates to a refundable deposits received for payment for the sale of the Canuck asset in Tanzania which were completed during the year.



## 15. Issued Capital

| Company/Consolidated                           | 2019<br>No.          | 2019<br>\$        | 2018<br>No.        | 2018<br>\$        |
|------------------------------------------------|----------------------|-------------------|--------------------|-------------------|
| <b>Fully paid ordinary shares</b>              |                      |                   |                    |                   |
| Balance at beginning of the period             | 791,903,044          | 41,149,646        | 738,778,046        | 39,734,149        |
| Share Placement                                | 616,665,517          | 10,500,000        | 50,124,998         | 1,510,500         |
| Share issue costs                              | -                    | (657,724)         | -                  | (95,003)          |
| Rights Issue                                   | -                    | -                 | -                  | -                 |
| Shares issued on vesting of performance rights | 43,580,371           | -                 | 3,000,000          | -                 |
| Share Placement                                | -                    | -                 | -                  | -                 |
| Share issue costs                              | -                    | -                 | -                  | -                 |
| Balance at end of financial year               | <u>1,452,148,932</u> | <u>50,991,922</u> | <u>791,903,044</u> | <u>41,149,646</u> |

Ordinary shares participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Management controls the capital of the Group in order to fund its operations and continue as a going concern. The Consolidated Entity does not have any externally imposed capital requirements.

|                                                              | <b>Consolidated</b> |                   |
|--------------------------------------------------------------|---------------------|-------------------|
|                                                              | <b>2019</b>         | <b>2018</b>       |
|                                                              | <b>\$</b>           | <b>\$</b>         |
| 1,452,148,932 fully paid ordinary shares (2018: 791,903,044) | 50,991,922          | 41,149,646        |
|                                                              | <u>50,991,922</u>   | <u>41,149,646</u> |

### Share options on issue

The following options are on issue as at year end:

- 5,000,000 unlisted options exercisable at 6.0 cents and expiring on 25 September 2019
- 5,000,000 unlisted options exercisable at 4.0 cents and expiring on 25 September 2019
- 2,500,000 unlisted options exercisable at 6.0 cents and expiring on 14 November 2019
- 2,500,000 unlisted options exercisable at 4.0 cents and expiring on 14 November 2019
- 2,500,000 unlisted options exercisable at 4.0 cents and expiring on 31 December 2019
- 2,000,000 unlisted options exercisable at 5.0 cents and expiring 6 April 2020
- 2,500,000 unlisted options exercisable at 4.0 cents and expiring 31 December 2020

### Performance rights on issue

Refer to note 26 for performance rights on issue as at year end:

**16. Reserves**

|                                                     | <b>Consolidated</b> |                  |
|-----------------------------------------------------|---------------------|------------------|
|                                                     | <b>2019</b>         | <b>2018</b>      |
|                                                     | <b>\$</b>           | <b>\$</b>        |
| Foreign Currency Translation Reserve                | 2,152,839           | 1,572,052        |
| Share Option Reserve                                | 5,377,781           | 3,228,042        |
| Equity Reserve                                      | (683,260)           | -                |
|                                                     | <b>6,847,360</b>    | <b>4,800,094</b> |
| <b>Foreign Currency Translation Reserve</b>         |                     |                  |
| Balance at beginning of financial year              | 1,572,052           | 973,891          |
| Movements:                                          |                     |                  |
| Translation adjustments (i)                         | 580,787             | 598,161          |
| Balance at end of financial year                    | <b>2,152,839</b>    | <b>1,572,052</b> |
| <b>Share Option Reserve</b>                         |                     |                  |
| Balance at beginning of financial year              | 3,228,042           | 3,044,785        |
| Movements:                                          |                     |                  |
| Issue of performance rights and options(ii)         | 2,149,739           | 94,349           |
| Shares issue costs refund / (expense)               | -                   | -                |
| Vested performance rights                           | -                   | 88,908           |
| Balance at end of financial year                    | <b>5,377,781</b>    | <b>3,228,042</b> |
| <b>Equity Reserve</b>                               |                     |                  |
| Balance at beginning of financial year              | -                   | -                |
| Purchase of additional 14% interest in Ozango (iii) | (683,260)           | -                |
| Balance at end of financial year                    | <b>(683,260)</b>    | <b>-</b>         |

- (i) Represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.
- (ii) The Share option reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are converted to equity. Further information about share-based payments can be found in note 26 to the financial statements.
- (iii) The movement in the equity reserve for the current period relates to the Company's acquisition of an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US\$500,000, from non-controlling interest. Ozango holds title to the Longonjo NdPr project.

**17. Accumulated Losses**

|                                        | <b>Consolidated</b> |                     |
|----------------------------------------|---------------------|---------------------|
|                                        | <b>2019</b>         | <b>2018</b>         |
|                                        | <b>\$</b>           | <b>\$</b>           |
| Balance at beginning of financial year | (35,115,093)        | (33,290,103)        |
| Net loss for the year                  | (5,833,896)         | (1,824,990)         |
| Balance at end of financial year       | <b>(40,948,989)</b> | <b>(35,115,093)</b> |

**18. Loss per Share**

|                               | <b>2019</b>            | <b>2018</b>            |
|-------------------------------|------------------------|------------------------|
|                               | <b>cents per share</b> | <b>cents per share</b> |
| <b>Basic loss per share</b>   |                        |                        |
| From continuing operations    | 5.10                   | 2.39                   |
| Total basic loss per share    | <b>5.10</b>            | <b>2.39</b>            |
| <b>Diluted loss per share</b> |                        |                        |
| From continuing operations    | 5.10                   | 2.39                   |
| Total diluted loss per share  | <b>5.10</b>            | <b>2.39</b>            |

*Basic loss per share*

The net loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

|                                                                                                                                         | 2019<br>\$  | 2018<br>\$  |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Net loss                                                                                                                                | (5,833,896) | (1,824,990) |
| Losses used in the calculation of basic loss per share from continuing operations                                                       | (5,833,896) | (1,824,990) |
| Losses used in the calculation of diluted loss per share attributable to ordinary shareholders                                          | (5,833,896) | (1,824,990) |
|                                                                                                                                         | 2019<br>No. | 2018<br>No. |
| Weighted average number of ordinary shares for the purposes of calculating basic loss per share and diluted loss per share <sup>1</sup> | 114,474,995 | 76,468,558  |

<sup>1</sup> The weighted average number of ordinary shares shown above for the current and prior year are post 10:1 consolidation numbers which was approved by shareholders on 9 August 2019.

Options and performance rights have not been included in the diluted earnings per share as they are anti dilutive in the current period, however they could potentially dilute basic earnings per share in the future.

As at year end there are 22,000,000 options on issue and 144,660,742 performance rights on issue. These numbers are pre the 10:1 share consolidation.

## 19. Dividends

No dividends were paid or proposed during the current or previous financial year.

## 20. Commitments for Expenditure

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

No provision has been made in the accounts for the possibility of a native title claim application. Any substantial claim may have an effect on the value of the relevant tenement. These obligations will vary from time to time, subject to statutory approval.

The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated Entity.

No provision has been made in the accounts for minimum expenditure requirements in respect of tenements.

### (i) Operating leases

The Group has entered into commercial property lease. The lease is currently on a rolling monthly lease.

There are no restrictions placed upon the lessee by entering into these leases.

|                                                | Consolidated |            |
|------------------------------------------------|--------------|------------|
|                                                | 2019<br>\$   | 2018<br>\$ |
| <u>Operating lease expenditure</u>             |              |            |
| Not longer than 1 year                         | 5,500        | 7,000      |
| Longer than 1 year and not longer than 5 years | -            | -          |
| Longer than 5 years                            | -            | -          |
|                                                | 5,500        | 7,000      |

### (ii) Exploration Commitments

Commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

|                                                | Consolidated |            |
|------------------------------------------------|--------------|------------|
|                                                | 2019<br>\$   | 2018<br>\$ |
| <u>Exploration and evaluation expenditure</u>  |              |            |
| Not longer than 1 year                         | 20,160       | 53,614     |
| Longer than 1 year and not longer than 5 years | 63,946       | -          |
| Longer than 5 years                            | 9,135        | -          |
|                                                | 93,241       | 53,614     |

**21. Contingent Liabilities and Contingent Assets**

The Directors are not aware of any other contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements.

**22. Interests in Controlled Entities**

| Name of entity                                                  | Country of incorporation | Ownership interest |        |
|-----------------------------------------------------------------|--------------------------|--------------------|--------|
|                                                                 |                          | 2019 %             | 2018 % |
| <b>Parent entity:</b>                                           |                          |                    |        |
| Pensana Metals Ltd (formerly Rift Valley Resources Limited) (i) | Australia                |                    |        |
| <b>Controlled entities:</b>                                     |                          |                    |        |
| Carlton Resources Pty Ltd                                       | Australia                | 100                | 100    |
| Carlton Miyabi Tanzania Limited                                 | Tanzania                 | 100                | 100    |
| Carlton Kitongo Tanzania Limited                                | Tanzania                 | 100                | 100    |
| Bright Star Tanzania Limited                                    | Tanzania                 | 100                | 100    |
| Rift Valley Resources (Africa) Pty Ltd                          | Australia                | 100                | 100    |
| Rift Valley Resources Tanzania Limited                          | Tanzania                 | 100                | 100    |
| Tasman Goldfields Australia Operations Pty Ltd                  | Australia                | 100                | 100    |
| Sable Minerals Pty Ltd                                          | Australia                | 100                | 100    |
| Sable Minerals GmbH                                             | Germany                  | 100                | 100    |
| Ozango Minerais S.A.                                            | Angola                   | 84                 | 70     |
| Mtemi Resources Pte Ltd                                         | Singapore                | 100                | 100    |
| Mtemi G Pte Ltd                                                 | Singapore                | 100                | 100    |
| Mtemi O Pte Ltd                                                 | Singapore                | 100                | 100    |
| Mtemi U Pte Ltd                                                 | Singapore                | 100                | 100    |
| Mtemi G (Tanzania) Ltd                                          | Tanzania                 | 100                | 100    |
| Mtemi O (Tanzania) Ltd                                          | Tanzania                 | 100                | 100    |
| Mtemi U (Tanzania) Ltd                                          | Tanzania                 | 100                | 100    |

(i) Pensana Metals Ltd is the ultimate holding Company.

The parent entity and its controlled entities are not within a tax-consolidated Group.

## 23. Notes to the Consolidated Statement of Cash Flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

|                           | Consolidated |         |
|---------------------------|--------------|---------|
|                           | 2019         | 2018    |
|                           | \$           | \$      |
| Cash and cash equivalents | 4,712,730    | 242,769 |

### (b) Reconciliation of loss for the period to net cash flows from operating activities

|                                                            | Consolidated       |                    |
|------------------------------------------------------------|--------------------|--------------------|
|                                                            | 2019               | 2018               |
|                                                            | \$                 | \$                 |
| <b>Net loss</b>                                            | (5,833,896)        | (1,824,990)        |
| <b>Add/less non cash items</b>                             |                    |                    |
| Interest income                                            | -                  | -                  |
| Doubtful debt expense                                      | -                  | -                  |
| Depreciation                                               | 9,269              | 60,321             |
| Share based payments                                       | 2,115,239          | 183,257            |
| Unrealised FX (gain)/loss                                  | (84,814)           | (162,494)          |
| Gain on sale of assets held for sale                       | (210,033)          |                    |
| Provisions for estimated credit losses on financial assets | 478,039            |                    |
| Impairment of assets                                       | 1,613,770          | 110,827            |
| <b>(Increase)/decrease in assets:</b>                      |                    |                    |
| Trade and other receivables                                | (36,181)           | (26,459)           |
| Other current assets                                       | 74,910             | -                  |
| <b>Increase/(decrease) in liabilities:</b>                 |                    |                    |
| Trade and other payables                                   | 120,570            | 296,083            |
| <b>Net cash used in operating activities</b>               | <b>(1,753,127)</b> | <b>(1,363,455)</b> |

## 24. Financial Instruments

### (a) Financial risk management objectives

The senior management and Board monitor and manage the financial risk relating to the operations of the Group. The Group's activities include exposure to market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on managing these risks and implementing and monitoring controls over the cash management function. Owing to the unpredictability of finance markets, the senior management and Board seek to minimise potential adverse effects on financial performance. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing these risks or the methods to measure them.

### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in notes 3 and 4 to the financial statements.

### (c) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in notes 16, 17 and 18 respectively. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.

**(d) Market price risk**

The Group is involved in the exploration and development of mining tenements for rare earths. Revenue from any future mining associated with metal sales, the acquisition and disposal consideration for mining tenements and the ability to raise funds through equity and debt will be largely dependent upon the commodity price for resources at the time of the transaction.

**(e) Interest rate risk**

The Group's cash-flow interest rate risk for assets primarily arises from cash at bank and deposits which are subject to market bank rates. There is no interest receivable or payable on the Group's trade and other receivables or payables.

A 1% change in interest rates on interest bearing assets will increase or decrease net loss and accumulated losses by \$47,127 (2018: \$2,427).

**(f) Credit risk management**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for estimated credit losses, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single debtor or Group of debtors under financial instruments entered into by the Group. The Group's internal policy requires deposits to be held with financial institutions holding a benchmark credit rating. At balance date, majority of cash and deposits were held with the National Australia Bank.

***Financial Instruments and cash deposits***

Credit risk balances with banks and financial institutions is managed by senior management and the Board in accordance with the Group's internal policy. The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2019 and 2018 is the carrying amounts as per the statement of financial position.

***Trade and other receivables***

At 30 June 2019, the Group had other receivables of \$478,039 being amounts receivable from the sale of Tanzanian assets, refer to Note 10. An impairment analysis is performed at each reporting date by senior management on all trade and other receivable balances. The maximum exposure to credit risk for trade and other receivables at reporting date is the carrying value of each class of financial asset. Other receivables that were past due by more than 90 day an estimated credit loss allowance for the entire receivable balance has been recognised based on the estimated lifetime credit loss.

**(g) Foreign currency risk**

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and the holding of assets and liabilities in currencies other than the Group's measurement currency.

At balance date, the Group had the following exposure to United States Dollars (USD) foreign currency that is not designated in cash flow hedges:

|                           | <b>Consolidated</b> |                |
|---------------------------|---------------------|----------------|
|                           | <b>2019</b>         | <b>2018</b>    |
|                           | <b>\$</b>           | <b>\$</b>      |
| <b>Financial Assets</b>   |                     |                |
| Cash and cash equivalents |                     |                |
| United States Dollars     | 301,260             | 191,417        |
|                           | <u>301,260</u>      | <u>191,417</u> |
| <br>Net exposure          | <br>301,260         | <br>191,417    |

A 5% change in the United States Dollar will increase or decrease net loss and accumulated losses by \$15,063 (2018: \$9,571)

**(h) Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

*Maturity profile of financial instruments*

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the Group's exposure to interest rate risk as at 30 June 2019 and as at 30 June 2018:

|                                   | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Less than<br>1 month<br>\$ | 1-3<br>months<br>\$ | 3 months<br>to 1 year<br>\$ | 1-5 years<br>\$ | 5 + years<br>\$ | Total     |
|-----------------------------------|-----------------------------------------------------------|----------------------------|---------------------|-----------------------------|-----------------|-----------------|-----------|
| <b>2019</b>                       |                                                           |                            |                     |                             |                 |                 |           |
| <u>Financial assets</u>           |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | -                          | -                   | -                           | -               | -               | -         |
| Variable interest rate instrument |                                                           | 4,712,730                  | -                   | -                           | -               | -               | 4,712,730 |
| Fixed interest rate instruments   |                                                           | -                          | -                   | -                           | -               | -               | -         |
|                                   |                                                           | 4,712,730                  | -                   | -                           | -               | -               | 4,712,730 |
| <u>Financial liabilities</u>      |                                                           |                            |                     |                             |                 |                 |           |
| Non-interest bearing              |                                                           | 271,167                    | -                   | -                           | -               | -               | 271,167   |
|                                   |                                                           | 4,441,563                  | -                   | -                           | -               | -               | 4,441,563 |

|                                   | Weighted<br>average<br>effective<br>interest<br>rate<br>% | Less than<br>1 month<br>\$ | 1-3<br>months<br>\$ | 3 months<br>to 1 year<br>\$ | 1-5 years<br>\$ | 5 + years<br>\$ | Total   |
|-----------------------------------|-----------------------------------------------------------|----------------------------|---------------------|-----------------------------|-----------------|-----------------|---------|
| <b>2018</b>                       |                                                           |                            |                     |                             |                 |                 |         |
| <u>Financial assets</u>           |                                                           |                            |                     |                             |                 |                 |         |
| Non-interest bearing              |                                                           | -                          | -                   | -                           | -               | -               | -       |
| Variable interest rate instrument |                                                           | 242,769                    | -                   | -                           | -               | -               | 242,769 |
| Fixed interest rate instruments   |                                                           | -                          | 32,815              | -                           | -               | -               | 32,815  |
|                                   |                                                           | 242,769                    | 32,815              | -                           | -               | -               | 275,584 |
| <u>Financial liabilities</u>      |                                                           |                            |                     |                             |                 |                 |         |
| Non-interest bearing              |                                                           | 379,950                    | -                   | -                           | -               | -               | 379,950 |
|                                   |                                                           | 379,950                    | -                   | -                           | -               | -               | 379,950 |

## 25. Key Management Personnel Compensation

|                              | 2019<br>\$       | 2018<br>\$     |
|------------------------------|------------------|----------------|
| Short-term employee benefits | 859,766          | 561,441        |
| Post-employment benefits     | 40,850           | 29,924         |
| Termination benefits         | -                | -              |
| Share-based payment          | 1,856,705        | 319,137        |
|                              | <u>2,757,321</u> | <u>910,502</u> |

Further details of the key management personnel compensation can be found in the Remuneration Report section of the Directors' Report.

## 26. Share-based Payments

### 2019

During the year the following performance rights were issued.

| Issued to                               | Number of Rights        | Vesting Conditions                                                                                                                                | Grant date        | Expiry date       | Vesting date                      |
|-----------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-----------------------------------|
| David Hammond                           | 10,000,000              | Delivery of an inferred mineral resource of at least 46.4Mt                                                                                       | 17 September 2018 | 17 September 2020 | 28 February 2019                  |
| David Hammond                           | 10,000,000 <sup>1</sup> | Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project                      | 17 September 2018 | 17 September 2023 | Upon vesting conditions being met |
| David Hammond                           | 10,000,000 <sup>3</sup> | Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project. | 17 September 2018 | 17 September 2023 | Upon vesting conditions being met |
| Paul Atherley                           | 38,580,371              | Completion of a capital raising of at least an aggregate amount of A\$5.5m via the issue of new shares by no later than 13 November 2018.         | 13 May 2018       | 13 November 2018  | 25 September 2018                 |
| Paul Atherley                           | 38,580,371              | Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project                      | 13 May 2018       | 13 May 2023       | Upon vesting conditions being met |
| Paul Atherley                           | 38,580,371              | Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project. | 13 May 2018       | 13 May 2023       | Upon vesting conditions being met |
| Tim George                              | 12,500,000              | Commencement of concentrate sales by end of December 2021                                                                                         | 22 April 2019     | 31 December 2021  | Upon vesting conditions being met |
| Tim George                              | 12,500,000              | Commencement of Construction by end of December 2020                                                                                              | 22 April 2019     | 31 December 2021  | Upon vesting conditions being met |
| Issue under the Employee Incentive Plan | 7,500,000               | Delivery of a Pre-Feasibility Study and the Company making the decision to proceed to a Definitive Feasibility Study of the Project               | 28 June 2019      | 30 September 2019 | Upon vesting conditions being met |
| Issue under the Employee Incentive Plan | 5,000,000               | Commencement of Construction by end of December 2020                                                                                              | 28 June 2019      | 31 December 2020  | Upon vesting conditions being met |
| Issue under the Employee Incentive Plan | 10,000,000              | Delivery of an inferred mineral resource of at least 46.4Mt                                                                                       | 17 September 2018 | -                 | 28 February 2019                  |
| Scott Mison                             | 5,000,000               | Listing on London Stock exchange                                                                                                                  | 28 June 2019      | 31 December 2019  | Upon vesting conditions being met |
| Scott Mison                             | 5,000,000               | Completion of sale of Tanzanian assets and closing subsidiaries                                                                                   | 28 June 2019      | 31 December 2019  | Upon vesting conditions being met |
| Issue under the Employee Incentive Plan | 1,500,000               | No vesting conditions                                                                                                                             | 28 June 2019      | -                 | Vest on issue                     |

<sup>1</sup> This performance rights issue replaced David Hammond's 2,500,000 performance rights granted on 14 November 2017 vesting upon delivery of a Pre-Feasibility Study, expiring on 14 November 2019.

<sup>2</sup> This performance rights issue replaced David Hammond's 2,500,000 performance rights granted on 14 November 2017 vesting upon the delivery of a Bankable Feasibility Study, expiring on 14 November 2017.

The fair value of performance rights granted is estimated using the share price as at the grant date. During the year, there were 20,000,000 performance rights issued which replaced 5,000,000 performance rights issued in the prior year (as detailed above). This was accounted for as modification with the incremental fair value of the original performance rights and the replacement performance rights, determined at the date when the replacement awards were issued, is being expensed over the vesting period of the replacement awards.



The following table lists the inputs to the models for the year ended 30 June 2019:

|                              | Director                 | KMP           | Performance Rights<br>KMP | Corporate<br>advisor | KMP               |
|------------------------------|--------------------------|---------------|---------------------------|----------------------|-------------------|
| Grant date                   | 17 September 2018        | 22 April 2019 | 28 June 2019              | 28 June 2019         | 17 September 2018 |
| Number of performance rights | 145,741,113              | 25,000,000    | 22,500,000                | 1,500,00             | 22,500,000        |
| Share price                  | 1.8 cents                | 2.0 cents     | 2.3 cents                 | 2.3 cents            | 1.8 cents         |
| Exercise price               | 0 cents                  | 0 cents       | 0 cents                   | 0 cents              | 0 cents           |
| Weighted average fair value  | 1.8 cents                | 2.0 cents     | 2.3 cents                 | 2.3 cents            | 1.8 cents         |
| Total amount                 | \$2,683,340 <sup>1</sup> | \$500,000     | \$5175,500                | \$34,500             | \$180,000         |
| Expensed to 30 June 2019     | \$1,860,870 <sup>2</sup> | \$45,398      | \$6,628                   | \$34,500             | \$180,000         |

## 2018

During the year the following performance rights were issued.

| Director / KMP | Number of Rights | Vesting Conditions                        | Grant date       | Expiry date      | Vesting date                      |
|----------------|------------------|-------------------------------------------|------------------|------------------|-----------------------------------|
| David Hammond  | 2,500,000        | at a delivered Pre Feasibility Study      | 14 November 2017 | 14 November 2019 | Upon vesting conditions being met |
| David Hammond  | 2,500,000        | at a delivered Bankable Feasibility Study | 14 November 2017 | 14 November 2019 | Upon vesting conditions being met |

The fair value of performance rights granted to directors and KMP is estimated using the share price as at the grant date.

The following table lists the inputs to the models for the year ended 30 June 2018:

|                              | Director         | Performance Rights<br>Director |
|------------------------------|------------------|--------------------------------|
| Grant date                   | 14 November 2017 | 14 November 2017               |
| Number of performance rights | 2,500,000        | 2,500,000                      |
| Share price                  | 3.0 cents        | 3.0 cents                      |
| Exercise price               | 0 cents          | 0 cents                        |
| Weighted average fair value  | 3.0 cents        | 3.0 cents                      |
| Total amount                 | \$75,000         | \$75,000                       |
| Expensed to 30 June 2018     | \$23,438         | \$23,438                       |

## Options

### 2019

During the 2019 financial year, the following options were issued to corporate advisors and consultants:

| Name              | Share options Number | Exercise Price | Grant date fair value | Grant date        | Expiry date       | Volatility | Risk Free Rate | Vesting date            |
|-------------------|----------------------|----------------|-----------------------|-------------------|-------------------|------------|----------------|-------------------------|
| Corporate Advisor | 5,000,000            | \$0.04         | \$0.0025              | 17 September 2018 | 25 September 2019 | 90%        | 1.63%          | Vested at date of grant |
| Corporate Advisor | 5,000,000            | \$0.06         | \$0.0012              | 17 September 2018 | 25 September 2019 | 90%        | 1.63%          | Vested at date of grant |
| Consultant        | 2,500,000            | \$0.04         | \$0.0029              | 2 May 2019        | 31 December 2019  | 100%       | 1.73%          | Vested at date of grant |
| Consultant        | 2,500,000            | \$0.04         | \$0.0086              | 2 May 2019        | 31 December 2020  | 100%       | 2.32%          | Vested at date of grant |

The following table lists the inputs to the models for the year ended 30 June 2019:

|                             | Corporate<br>Advisor | Unlisted Options<br>Corporate<br>Advisor | Consultant | Consultant |
|-----------------------------|----------------------|------------------------------------------|------------|------------|
| Grant date                  | 17 September<br>2018 | 17 September<br>2018                     | 2 May 2019 | 2 May 2019 |
| Number of options           | 5,000,000            | 5,000,000                                | 2,500,000  | 2,500,000  |
| Share price                 | 1.8 cents            | 1.8 cents                                | 1.8 cents  | 1.8 cents  |
| Exercise price              | 4 cents              | 6 cents                                  | 4 cents    | 4 cents    |
| Weighted average fair value | 0.25 cents           | 0.12 cents                               | 0.29 cents | 0.86 cents |
| Total amount                | \$12,500             | \$6,000                                  | \$7,250    | \$21,500   |
| Expensed to 30 June 2019    | \$12,500             | \$6,000                                  | \$1,760    | \$2,083    |

## 2018

During the 2018 financial year, the following options were issued to directors and key management personnel:

| Name          | Share options<br>Number | Exercise Price | Grant date<br>fair value | Grant date       | Expiry date      | Vesting date            |
|---------------|-------------------------|----------------|--------------------------|------------------|------------------|-------------------------|
| David Hammond | 2,500,000               | \$0.04         | \$0.011                  | 14 November 2017 | 14 November 2019 | Vested at date of grant |
| David Hammond | 2,500,000               | \$0.06         | \$0.008                  | 14 November 2017 | 14 November 2019 | Vested at date of grant |

The following table lists the inputs to the models for the year ended 30 June 2018:

|                             | Unlisted Options<br>Director | Director         |
|-----------------------------|------------------------------|------------------|
| Grant date                  | 14 November 2017             | 14 November 2017 |
| Number of options           | 2,500,000                    | 2,500,000        |
| Share price                 | 3.0 cents                    | 3.0 cents        |
| Exercise price              | 6 cents                      | 4 cents          |
| Weighted average fair value | 0.08 cents                   | 1.1 cents        |
| Total amount                | \$20,000                     | \$27,500         |
| Expensed to 30 June 2018    | \$20,000                     | \$27,500         |

## Reconciliation of options outstanding

The following reconciles outstanding share options provided as share-based payments at the beginning and end of the financial year:

|                                                  | 2019                 |                                       | 2018                 |                                       |
|--------------------------------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
|                                                  | Number of<br>options | Weighted<br>average<br>exercise price | Number of<br>options | Weighted<br>average<br>exercise price |
| Balance at beginning of the financial year       | 17,500,000           | \$0.05                                | 12,500,000           | \$0.05                                |
| Issued or to be issued during the financial year | 15,000,000           | \$0.04                                | 5,000,000            | \$0.05                                |
| Forfeited during the financial year              | (10,000,000)         | \$0.05                                | -                    | -                                     |
| Expired during the financial year                | -                    | -                                     | -                    | -                                     |
| Exercised during the financial year              | -                    | -                                     | -                    | -                                     |
| Balance at end of the financial year             | 22,500,000           | \$0.05                                | 17,500,000           | \$0.05                                |
| Exercisable at end of the financial year         | 12,500,000           | \$0.04                                | 17,500,000           | \$0.05                                |

## 27. Related party transactions

### Parent entity

The parent entity in the Group is Pensana Metals Ltd which was incorporated in Victoria Australia on 29 September 2006.

#### (a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements.

#### (b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 25 of the financial statements and details of the compensation has been provided in the remuneration report which forms part of the Directors' Report.

#### (c) Other Transactions with Key Management Personnel and Related Parties

The following amounts have been disclosed as remuneration in note 25:

- Selection Capital Limited, a Company controlled by Mr Paul Atherley, has charged the Company \$156,660 for consultancy fees during the current year.
- Fernan Pty Ltd <Fernan Trust> controlled by Mark Hohnen, is owed director fees of \$50,000 (2019) and \$41,667 (2018).

## 28. Remuneration of auditors

|                                                                                                          | Consolidated |        |
|----------------------------------------------------------------------------------------------------------|--------------|--------|
|                                                                                                          | 2019         | 2018   |
|                                                                                                          | \$           | \$     |
| <b>Remuneration of Ernst &amp; Young as the auditor of the parent entity</b>                             |              |        |
| Audit or review of the financial report                                                                  | 69,747       | 61,500 |
| <b>Remuneration of Ernst &amp; Young as the auditor of the foreign subsidiaries</b>                      |              |        |
| An audit or review of the financial report of the entity and any other entity in the Consolidated Entity | -            | -      |

## 29. Subsequent events

Subsequent to the year end the following events occurred:

- On 21 August 2019 the Company completed a consolidation of securities on the basis of 10 existing shares for 1 new share (10:1), which was approved by shareholders at a General Meeting (GM) held on 9 August 2019. The consolidation reduced the number of shares on issue to 147,365,277, creating a more efficient capital structure.

No other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

**Appendix 1**  
**Part 4**

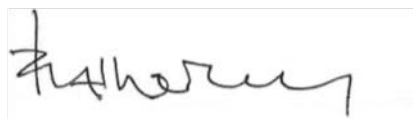
Half Year unaudited financial information for the Pensana Australia Group for the six month period ended 31 December 2019

# DIRECTOR'S DECLARATION

In the opinion of the Directors:

- a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and the performance for the half-year ended on that date, and
  - II. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b. Subject to the matters disclosed at note 1(d), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Paul Atherley**

Chairman

Dated this 15 day of March 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

|                                                                         | Half-year ended<br>31 Dec 2019<br>A\$ | Half-year ended<br>31 Dec 2018<br>A\$ |
|-------------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Interest income                                                         | 342                                   | 3,508                                 |
| Administration expenses                                                 | (1,622,442)                           | (579,266)                             |
| Corporate expenses                                                      | (1,301,601)                           | (1,734,228)                           |
| Other expenses                                                          | -                                     | (496,087)                             |
| Foreign currency exchange (loss) / gain                                 | (61,094)                              | 27,794                                |
| <b>Loss before income tax</b>                                           | <b>(2,984,795)</b>                    | <b>(2,778,279)</b>                    |
| Income tax benefit                                                      | -                                     | -                                     |
| <b>Total loss for the period</b>                                        | <b>(2,984,795)</b>                    | <b>(2,778,279)</b>                    |
| <b>Other comprehensive income</b>                                       |                                       |                                       |
| <i>Items which may be subsequently reclassified to profit or loss</i>   |                                       |                                       |
| Foreign currency translation                                            | (119,012)                             | 704,747                               |
| <b>Other comprehensive (loss) / income for the period</b>               | <b>(119,012)</b>                      | <b>704,747</b>                        |
| <b>Total comprehensive loss for the period</b>                          | <b>(3,103,807)</b>                    | <b>(2,073,532)</b>                    |
| <b>Net loss for the period is attributable to:</b>                      |                                       |                                       |
| Owners of Pensana Metals Limited                                        | <b>(2,984,795)</b>                    | <b>(2,778,279)</b>                    |
| <b>Total comprehensive loss is attributable to:</b>                     |                                       |                                       |
| Owners of Pensana Metals Limited                                        | <b>(3,103,807)</b>                    | <b>(2,073,532)</b>                    |
| <b>Loss per share attributable to owners of Pensana Metals Limited:</b> |                                       |                                       |
| Basic (cents per share)                                                 | (2.00)                                | (2.63)                                |
| Diluted (cents per share)                                               | (2.00)                                | (2.63)                                |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

|                                                  |      | 31 December<br>2019 | 30 June<br>2019   |
|--------------------------------------------------|------|---------------------|-------------------|
|                                                  | Note | A\$                 | A\$               |
| <b>ASSETS</b>                                    |      |                     |                   |
| <b>CURRENT ASSETS</b>                            |      |                     |                   |
| Cash and cash equivalents                        |      | 1,230,365           | 4,712,730         |
| Trade and other receivables                      |      | 77,711              | 45,553            |
| Prepayments                                      |      | 14,511              | 31,923            |
| Assets held for sale                             | 5    | 3,573,875           | 3,556,840         |
| Other financial assets                           |      | 156                 | 156               |
| <b>TOTAL CURRENT ASSETS</b>                      |      | <b>4,896,618</b>    | <b>8,347,202</b>  |
| <b>NON-CURRENT ASSETS</b>                        |      |                     |                   |
| Property, plant and equipment                    |      | 14,414              | 8,195             |
| Exploration and evaluation expenditure           | 6    | 11,324,672          | 9,170,349         |
| <b>TOTAL NON-CURRENT ASSETS</b>                  |      | <b>11,339,086</b>   | <b>9,178,544</b>  |
| <b>TOTAL ASSETS</b>                              |      | <b>16,235,704</b>   | <b>17,525,746</b> |
| <b>LIABILITIES</b>                               |      |                     |                   |
| <b>CURRENT LIABILITIES</b>                       |      |                     |                   |
| Trade and other payables                         |      | 1,732,502           | 574,587           |
| Liabilities associated with held for sale assets | 5    | 61,158              | 60,866            |
| <b>TOTAL CURRENT LIABILITIES</b>                 |      | <b>1,793,660</b>    | <b>635,453</b>    |
| <b>TOTAL LIABILITIES</b>                         |      | <b>1,793,660</b>    | <b>635,453</b>    |
| <b>NET ASSETS</b>                                |      | <b>14,442,044</b>   | <b>16,890,293</b> |
| <b>EQUITY</b>                                    |      |                     |                   |
| Issued capital                                   | 4    | 52,463,499          | 50,991,922        |
| Reserves                                         | 7    | 5,912,329           | 6,847,360         |
| Accumulated losses                               | 8    | (43,933,784)        | (40,948,989)      |
| <b>TOTAL EQUITY</b>                              |      | <b>14,442,044</b>   | <b>16,890,293</b> |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

|                                                                 | Fully paid<br>ordinary<br>shares | Accumulated<br>Losses | Foreign<br>Currency<br>Reserve | Share<br>Based<br>Payments<br>Reserve | Equity<br>Reserve | Total             |
|-----------------------------------------------------------------|----------------------------------|-----------------------|--------------------------------|---------------------------------------|-------------------|-------------------|
|                                                                 | A\$                              | A\$                   | A\$                            | A\$                                   | A\$               | A\$               |
| <b>Balance at 1 July 2018</b>                                   | <b>41,149,646</b>                | <b>(35,115,093)</b>   | <b>1,572,052</b>               | <b>3,228,042</b>                      | <b>-</b>          | <b>10,834,647</b> |
| Loss for the period                                             | -                                | (2,778,279)           | -                              | -                                     | -                 | (2,778,279)       |
| Other comprehensive income                                      | -                                | -                     | 704,747                        | -                                     | -                 | 704,747           |
| Total comprehensive (loss) / income for the period              | -                                | (2,778,279)           | 704,747                        | -                                     | -                 | (2,073,532)       |
| Issue of shares                                                 | 5,500,000                        | -                     | -                              | -                                     | -                 | 5,500,000         |
| Share issue costs                                               | (328,301)                        | -                     | -                              | -                                     | -                 | (328,301)         |
| Share based payments                                            | -                                | -                     | -                              | 1,331,219                             | -                 | 1,331,219         |
| Purchase of additional 14% interest in Ozango (refer to Note 7) | -                                | -                     | -                              | -                                     | (683,260)         | (683,260)         |
| <b>Balance at 31 December 2018</b>                              | <b>46,321,345</b>                | <b>(37,893,372)</b>   | <b>2,276,799</b>               | <b>4,559,261</b>                      | <b>(683,260)</b>  | <b>14,580,773</b> |
| <b>Balance at 1 July 2019</b>                                   | <b>50,991,922</b>                | <b>(40,948,989)</b>   | <b>2,152,839</b>               | <b>5,377,781</b>                      | <b>(683,260)</b>  | <b>16,890,293</b> |
| Loss for the period                                             | -                                | (2,984,795)           | -                              | -                                     | -                 | (2,984,795)       |
| Other comprehensive loss                                        | -                                | -                     | (119,012)                      | -                                     | -                 | (119,012)         |
| Total comprehensive loss for the period                         | -                                | (2,984,795)           | (119,012)                      | -                                     | -                 | (3,103,807)       |
| Issue of shares – conversion of performance shares              | 1,471,577                        | -                     | -                              | (1,471,577)                           | -                 | -                 |
| Share based payments                                            | -                                | -                     | -                              | 655,558                               | -                 | 655,558           |
| <b>Balance at 31 December 2019</b>                              | <b>52,463,499</b>                | <b>(43,933,784)</b>   | <b>2,033,827</b>               | <b>4,561,762</b>                      | <b>(683,260)</b>  | <b>14,442,044</b> |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

|                                                                                    |      | Half-year ended<br>31 Dec 2019 | Half-year ended<br>31 Dec 2018 |
|------------------------------------------------------------------------------------|------|--------------------------------|--------------------------------|
|                                                                                    | Note | A\$                            | A\$                            |
| <b>Cash flows from operating activities</b>                                        |      |                                |                                |
| Payments to suppliers and employees                                                |      | (1,564,718)                    | (915,208)                      |
| <b>Net cash used in operating activities</b>                                       |      | <b>(1,564,718)</b>             | <b>(915,208)</b>               |
| <b>Cash flows from investing activities</b>                                        |      |                                |                                |
| Interest received                                                                  |      | 342                            | 3,508                          |
| Payments for exploration expenditure                                               |      | (2,008,888)                    | (1,538,280)                    |
| Money received from sale of assets                                                 |      | 98,522                         | 207,146                        |
| Payment for additional 14% interest in Ozango                                      | 7    | -                              | (683,260)                      |
| Payment for property, plant and equipment                                          |      | (7,951)                        | (11,071)                       |
| <b>Net cash used in investing activities</b>                                       |      | <b>(1,917,975)</b>             | <b>(2,021,957)</b>             |
| <b>Cash flows from financing activities</b>                                        |      |                                |                                |
| Proceeds from issue of shares                                                      |      | -                              | 5,500,000                      |
| Costs associated with issue of shares                                              |      | -                              | (328,302)                      |
| <b>Net cash provided by financing activities</b>                                   |      | <b>-</b>                       | <b>5,171,698</b>               |
| <b>Net decrease in cash and cash equivalents</b>                                   |      | <b>(3,482,693)</b>             | <b>2,234,533</b>               |
| Cash and cash equivalents at the beginning of the period                           |      | 4,712,730                      | 242,768                        |
| Effects of exchange rate changes on the balance of cash held in foreign currencies |      | 328                            | 11,194                         |
| <b>Cash and cash equivalents at the end of the period</b>                          |      | <b>1,230,365</b>               | <b>2,488,495</b>               |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) General information

Pensana Metals Limited (the Company) is a public Company listed on the Australian Securities Exchange (trading under the code: PM8), incorporated in Australia and operating from Perth. The Company's registered office and its principal place of business is Ground Floor, 10 Outram Street, West Perth WA 6005.

Pensana is exploring and developing its NdPr Project in Angola to determine the potential for a very large and high grade NdPr deposit that could rank amongst the world's best.

The financial statements for Pensana Metals Limited and its subsidiaries (the Group) for the half year ended 31 December 2019 were approved and authorised for issue by the Board of Directors on 15 March 2020.

### (b) Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual report. It is also recommended that the half-year financial report be considered together with any public announcements made by the Group during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

### (c) Basis of preparation

The half-year financial report has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities. All amounts are presented in Australian dollars.

The financial report has been prepared on an historical cost basis, except for financial assets measured at fair value through other comprehensive income. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

### (d) Going concern

The consolidated financial statements have been prepared on a going concern basis with the Directors of the opinion that the Group can meet its obligations as and when they fall due.

At 31 December 2019, the Group has a net current asset position of \$3.102 million (30 June 2019: \$7.712 million) and cash and cash equivalents of \$1.230 million. For the Group to settle current outstanding creditors and undertake its planned development of the Longonjo NdPr Project in Angola and to fund ongoing working capital requirements throughout the 2020 financial year, additional capital will need to be secured.

On 11 March 2020, the Group announced that it had secured unconditional firm commitments to raise \$2.065 million with the Group receiving the funds on 13 March 2020.

The funds raised will be used to settle outstanding creditors and progress the Definitive Feasibility Study for the Company's flagship Longonjo Project, however based on current forecasts, further capital will need to be secured within 12 months from the date of this report.

The Directors are confident of being able to raise the required capital through the sale of the Miyabi gold tenements classified as a held for sale asset and from debt or equity financing but

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

note that the required capital has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## **(e) Summary of significant accounting policies**

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's financial statements for the year ended 30 June 2019, except for the adoption of the new accounting standards. All new and amended accounting standards and interpretations effective 1 July 2019 have been adopted by the Group. The adoption of new standards and amendments from 1 July 2019 has not had a significant impact on the financial results of the Group.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective.

## **(f) New Accounting Standards and Interpretations adopted by the Group**

The Group has adopted AASB 16 with the date of initial application being 1 July 2019. This standard has no impact to the Group on transition on 1 July 2019 or for the half year ended 31 December 2019 as the property lease held by the Group is short term in nature and is exempt from having to be recognised a right of use asset and lease liability under AASB 16.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has not elected to early adopt any new or amended standards or interpretations that are issued but not yet effective.

## **(g) Update to accounting judgements – Balance Sheet classification and recoverability of asset carrying values – current assets held for sale**

The classification of the group's capitalised Tanzanian mineral exploration and evaluation assets as a current asset held for sale was reviewed during the first half of 2020. The Company has received a non-exclusive term sheet, which the board is considering for the sale of the Miyabi Project and on this basis management believe the classification of the capitalised Tanzanian mineral exploration and evaluation assets as a current asset held for sale continues to meet the AASB 5 criteria.

There has been no impairment charge necessary for the current period related to current assets held for sale.

## **(h) Principles of consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which the parent entity controlled from time to time during the year and at balance date.

Subsidiaries are all those entities controlled by the Company. Control exists where the parent entity has the capacity to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. The financial information of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 2. OPERATING SEGMENTS

### Description of segments

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified that it has one operating segment being related to the activities in Angola, on the basis that the assets in Tanzania are held for sale and operations in Australia relate to running the Corporate Head Office only.

All significant exploration and evaluation expenditure are domiciled in Angola.

### Non-current assets

|           | As at<br>31 December 2019<br>\$ | As at<br>30 June 2019<br>\$ |
|-----------|---------------------------------|-----------------------------|
| Australia | 12,773                          | 6,554                       |
| Angola    | 11,326,313                      | 9,171,990                   |
|           | <b>11,339,086</b>               | <b>9,178,544</b>            |

## 3. DIVIDENDS

There were no dividends paid or proposed during the half-year (31 December 2018: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 4. ISSUED CAPITAL

| Company/Consolidated<br>Fully paid ordinary shares | 6 months ended<br>31 December 2019 |                   | 12 months ended<br>30 June 2019 |                   |
|----------------------------------------------------|------------------------------------|-------------------|---------------------------------|-------------------|
|                                                    | No.                                | \$                | No.                             | \$                |
| Balance at beginning of the period                 | 1,452,148,932                      | 50,991,922        | 791,903,044                     | 41,149,646        |
| Share Placement                                    | -                                  | -                 | 616,665,517                     | 10,500,000        |
| Share issue costs                                  | -                                  | -                 | -                               | (657,724)         |
| Shares issued - conversion of performance rights   | 21,500,000                         | 394,500           | 43,580,371                      | -                 |
| Balance pre 10:1 share consolidation <sup>1</sup>  | 1,473,648,932                      | 51,386,422        |                                 |                   |
| Balance post 10:1 share consolidation <sup>1</sup> | 147,365,277                        | 51,386,422        |                                 |                   |
| Shares issued - conversion of performance rights   | 5,608,037                          | 1,077,077         |                                 |                   |
| Balance at end of the period                       | <b>152,973,314</b>                 | <b>52,463,499</b> | <b>1,452,148,932</b>            | <b>50,991,922</b> |

<sup>1</sup> On 21 August 2019, the Company completed its 1 for 10 share consolidation. The consolidation involved the conversion of each ten fully paid ordinary shares held at the record date (14 August 2019) into one new fully paid ordinary share. The consolidation of shares was approved by shareholders at the Company's General Meeting held on 9 August 2019.

## 5. ASSETS HELD FOR SALE

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 31 December 2019 has been determined based on comparable market transactions. The fair value methodology adopted at 31 December 2019 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to transaction value from sales agreements or offers received, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

The major classes of assets and liabilities for Tanzania classified as held for sale as at 31 December 2019 are as follows:

|                                                     | As at<br>31 December<br>2019<br>\$ |
|-----------------------------------------------------|------------------------------------|
| <b>Assets</b>                                       |                                    |
| Exploration and valuation assets                    | 3,573,875                          |
| Other debtors                                       | 383,909                            |
| Less provision estimated credit losses <sup>1</sup> | (383,909)                          |
| Assets held for sale                                | <u>3,573,875</u>                   |
| <b>Liabilities</b>                                  |                                    |
| Trade and other payables                            | <u>61,158</u>                      |
| Net assets directly associated with disposal group  | <u>3,512,717</u>                   |

<sup>1</sup> Relates to receivables from the sale of the Kitongo and Canuck tenements that are past due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## Miyabi Gold Project

The Company has received a proposal for the acquisition of the company's 100% interests in the Miyabi Gold Project. A non-binding terms sheet has been signed and due diligence is being completed.

The Company is finalising an application for a mining licence and is expected to be lodge by 31 March 2020.

## Kitongo Gold Project - Sale agreement executed

During the year ended 30 June 2019, the company executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US\$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, has paid US\$364,000 of the total consideration price during 2019.

All conditions on the sale have been met and the licence has been transferred to the purchaser. During the current period, the Company has received US\$67,448 with the remaining US\$118,552 due and payable by the purchaser.

## Canuck Prospecting Licence – Mineral prospecting rights agreement executed

During the year ended 30 June 2019, a Mineral Prospecting rights agreement was executed by Pensana and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser, Pamoja Mining Company Limited, (Director – Nathan Conradie), a private company incorporated in the United Republic of Tanzania, agreed to purchase the licence for a total consideration of US\$250,000 subject to the transfer of the prospecting licence to the purchaser. During 2019 the licence was transferred and US\$100,000 of the consideration prices has been received with the remaining US\$150,000 due and payable by the purchaser.

## 6. EXPLORATION AND EVALUATION EXPENDITURE

|                                | 6 months<br>ended<br>31 December<br>2019<br>\$ | 12 months<br>ended<br>30 June<br>2019<br>\$ |
|--------------------------------|------------------------------------------------|---------------------------------------------|
| Carrying value:                |                                                |                                             |
| Balance at beginning of period | 9,170,349                                      | 5,596,961                                   |
| Additions                      | 2,303,445                                      | 3,203,623                                   |
| Impairment                     | -                                              | -                                           |
| Foreign exchange               | (149,122)                                      | 369,765                                     |
| Balance at end of the period   | <b>11,324,672</b>                              | <b>9,170,349</b>                            |

During the current period, the Group assessed that the carrying value of its exploration assets continued to meet the group's accounting policy for the capitalised cost to be carried forward.

The above amounts represent capitalised costs of exploration carried forward as an asset in accordance with the Company's accounting policy. The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 7. RESERVES

|                                                  | As at<br>31 December<br>2019<br>\$ | As at<br>31 December<br>2018<br>\$ |
|--------------------------------------------------|------------------------------------|------------------------------------|
| <b>Share based Payments Reserve</b>              |                                    |                                    |
| Balance at the beginning of the period           | 5,377,781                          | 3,228,042                          |
| Share based payment expense                      | 655,558                            | 1,331,219                          |
| Shares issued – conversion of performance shares | (1,471,577)                        | -                                  |
| Balance at the end of the period                 | <b>4,561,762</b>                   | <b>4,559,261</b>                   |
| <b>Foreign Currency Translation Reserve</b>      |                                    |                                    |
| Balance at the beginning of the period           | 2,152,839                          | 1,572,052                          |
| Effect of foreign currency exchange differences  | (119,012)                          | 704,747                            |
| Balance at the end of the period                 | <b>2,033,827</b>                   | <b>2,276,799</b>                   |
| <b>Equity Reserve</b>                            |                                    |                                    |
| Balance at the beginning of the period           | (683,260)                          | -                                  |
| Purchase of additional 14% interest in Ozango    | -                                  | (683,260)                          |
| Balance at the end of the period                 | <b>(683,260)</b>                   | <b>(683,260)</b>                   |

The prior period movement in the equity reserve relates to the Company's acquisition of an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US\$500,000, from non-controlling interest. Ozango holds the title to the Longonjo NdPr project.

## 8. ACCUMULATED LOSSES

|                                        | As at<br>31 December<br>2019<br>\$ | As at<br>31 December<br>2018<br>\$ |
|----------------------------------------|------------------------------------|------------------------------------|
| Balance at the beginning of the period | (40,948,989)                       | (35,115,093)                       |
| Net loss for the period                | (2,984,795)                        | (2,778,279)                        |
| Balance at the end of the period       | <b>(43,933,784)</b>                | <b>(37,893,372)</b>                |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

## 9. SUBSEQUENT EVENTS

On 11 March 2020, the Company announced that it has raised just over A\$2 million from Fundo Soberano de Angola (FSDEA), the Angolan Sovereign Wealth Fund which currently manages a significant portfolio of investments, distributed across various industries and asset classes, including the mining sector.

FSDEA has agreed to subscribe for 7,648,670 ordinary shares in the Company at A\$0.27 per share, to raise gross proceeds of A\$2,065,141 million before expenses with the funds received on 13 March 2020.

FSDEA has become a strategic cornerstone investor in the Company, holding approximately 4.8% of the enlarged share capital of the Company.

The funds raised will be used to progress the Definitive Feasibility Study for the Company's flagship Longonjo Project and to provide working capital.

The 7,648,670 fully paid ordinary shares will be issued under the Company's placement capacity in accordance with ASX Listing Rule 7.1.

No other matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect:

- The Group's operations in future financial period; or
- The results of those operations in future financial periods; or
- The Group's state of affairs in future financial periods.

## 10. COMMITMENTS FOR EXPENDITURE

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

No provision has been made in the accounts for the possibility of a native title claim application. Any substantial claim may have an effect on the value of the relevant tenement. These obligations will vary from time to time, subject to statutory approval.

The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated Entity.

No provision has been made in the accounts for minimum expenditure requirements in respect of tenements.

### Exploration commitments

Commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

|                                                | As at<br>31 December 2019 | As at<br>30 June 2019 |
|------------------------------------------------|---------------------------|-----------------------|
|                                                | \$                        | \$                    |
| No longer than 1 year                          | 14,842                    | 20,160                |
| Longer than 1 year and not longer than 5 years | 55,259                    | 63,946                |
| Longer than 5 years                            | -                         | 9,135                 |
| Total                                          | <b>70,101</b>             | <b>93,241</b>         |

The Directors are not aware of any other contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements.



## 11. SHARED-BASED PAYMENTS

### *Performance Rights*

31 December 2019

There were no performance rights issued during the current period.

During the current period there were 7,758,037 performance shares converted to ordinary shares (2018: nil). This number of performance shares is based on a post 10:1 share consolidation basis.

During the period 1,000,000 performance shares expired (31 December 2018: nil). This number of performance shares is based on a post 10:1 share consolidation basis. A reversal of \$230,000 is recognised in the Consolidated Statement of Financial Performance in relation to the expired performance shares, as the non-market conditions were not satisfied.

A share based payments expense of \$860,651 was recognised in the Consolidated Statement of Financial Performance in relation to performance shares for the current period (31 December 2018: \$1,312,719).

As at 31 December 2019 there are 6,858,037 performance rights on issue.

### **31 December 2018**

During the prior half year the following performance rights were issued. All figures below are on a post 10:1 share consolidation basis.

| Director / KMP | Number of Rights       | Vesting Conditions                                                                                                                                | Grant date  | Expiry date | Vesting date                      |
|----------------|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-----------------------------------|
| David Hammond  | 1,000,000              | Delivery of an inferred mineral resource of at least 46.4Mt                                                                                       | 17 Sep 2018 | 17 Sep 2020 | Upon vesting conditions being met |
| David Hammond  | 1,000,000 <sup>1</sup> | Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study of the project               | 17 Sep 2018 | 17 Sep 2023 | Upon vesting conditions being met |
| David Hammond  | 1,000,000 <sup>2</sup> | Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project. | 17 Sep 2018 | 17 Sep 2023 | Upon vesting conditions being met |
| Paul Atherley  | 3,858,037              | Completion of a capital raising of at least an aggregate amount of A\$5.5m, via the issue of new Shares by no later than 13 November 2018.        | 13 May 2018 | 13 Nov 2018 | 25 Sep 2018                       |

|               |           |                                                                                                                                                 |             |             |                                   |
|---------------|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-----------------------------------|
| Paul Atherley | 3,858,037 | Delivery of a positive Pre-Feasibility Study and the Company making a decision to proceed to a Definitive Feasibility Study of the Project.     | 13 May 2018 | 13 May 2023 | Upon vesting conditions being met |
| Paul Atherley | 3,858,037 | Delivery of a positive Definitive Feasibility Study and the Company making a decision to proceed with financing and development of the Project. | 13 May 2018 | 13 May 2023 | Upon vesting conditions being met |

<sup>1</sup> This performance rights issue replaced David Hammond's 250,000 performance rights granted on 14 November 2017 vesting upon delivery of a Pre-Feasibility Study, expiring on 14 November 2019.

<sup>2</sup> This performance rights issue replaced David Hammond's 250,000 performance rights granted on 14 November 2017 vesting upon the delivery of a Bankable Feasibility Study, expiring on 14 November 2017.

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting. During the prior period, there were 2,000,000 performance rights issued which replaced 500,000 performance rights issued in 2017 (as detailed above). The incremental fair value of the original performance rights and the replacement performance rights is calculated on the grant date of the replacement rights. Together with the fair value of the original performance rights, this incremental fair value is expensed over the estimated vesting period of the replacement performance rights.

The following table lists the inputs to the models for the half year ended 31 December 2018:

#### Director Performance Rights

|                                             |                   |
|---------------------------------------------|-------------------|
| Grant date                                  | 17 September 2018 |
| Number of performance rights                | 14,574,111        |
| Share price                                 | 0.18 cents        |
| Exercise price                              | -                 |
| Weighted average fair value                 | 0.18 cents        |
| Total amount <sup>1</sup>                   | \$2,683,340       |
| Expensed in the current period <sup>2</sup> | \$1,312,719       |

<sup>1</sup> Total amount is the incremental fair value of all replacement performance rights, plus the original value of all replaced performance rights.

<sup>2</sup> This amount includes the incremental fair value of all replacement performance rights, plus the original value of all replaced performance rights, recognised over the estimated vesting period.

## Options

### 31 December 2019

There were no options issued during the period.

A share based payments expense of \$24,907 was recognised in the Consolidated Statement of Financial Performance in relation to performance shares for the current period (31 December 2018: \$18,500).

During the period, 1,750,000 options expired, leaving 450,000 options on issue as at 31 December 2019. These number of options are based on a post 10:1 share consolidation basis.

### 31 December 2018

During the prior half year the following options were issued. All figures below are on a post 10:1 share consolidation basis.

| Name              | Share options Number | Exercise price | Grant date fair value | Grant date  | Expiry date | Volatility | Risk free rate | Vesting date            |
|-------------------|----------------------|----------------|-----------------------|-------------|-------------|------------|----------------|-------------------------|
| Corporate Advisor | 500,000              | \$0.40         | \$0.025               | 17 Sep 2018 | 25 Sep 2019 | 90%        | 1.63%          | Vested at date of grant |
| Corporate Advisor | 500,000              | \$0.60         | \$0.012               | 17 Sep 2018 | 25 Sep 2019 | 90%        | 1.63%          | Vested at date of grant |

\$18,500 was expensed in relation to these options in the prior period.

The following table lists the inputs to the models for the valuation of the options. All figures below are on a post 10:1 share consolidation basis.

|                                | Corporate Advisor | Corporate Advisor |
|--------------------------------|-------------------|-------------------|
| Grant date                     | 17 September 2018 | 17 September 2018 |
| Number of options              | 500,000           | 500,000           |
| Share price                    | 18.0 cents        | 18.0 cents        |
| Exercise price                 | 40.0 cents        | 60.0 cents        |
| Weighted average fair value    | 2.5 cents         | 1.2 cents         |
| Total amount                   | \$12,500          | \$6,000           |
| Expensed in the current period | \$12,500          | \$6,000           |

## **12. EARNINGS PER SHARE**

During the half year period the number of ordinary shares outstanding decreased as a result of the Company undertaking a 1 for 10 share consolidation. The consolidation involved the conversion of each ten fully paid ordinary shares held at the record date into one new fully paid ordinary share. The weighted average number of shares used in the basic and diluted earnings per share is 149,280,534 (December 2018: 105,592,906).

## **Appendix 2**

Competent Persons' Report on the Longonjo Project, Angola

# Competent Persons' Report on the Geology and Mineral Resources of the Longonjo Project, Angola

Report prepared for

**Pensana Rare Earths Plc**



Report prepared by



SRK Consulting (Australasia) Pty Ltd

PSN001

July 2020

# **Competent Persons' Report on the Geology and Mineral Resources of the Longonjo Project, Angola**

## **Pensana Rare Earths Plc**

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For the purposes of Prospectus Regulation Rule 5.3.5R(2)(f), SRK is responsible for this Competent Persons' Report as part of the prospectus (Prospectus) to be published by Pensana Rare Earths Plc in connection with its application for admission to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange Plc and declares that it has taken all reasonable care to ensure that the information contained within this report is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in accordance with item 1.2 of Annex 1 of the European Union Regulation (EU) 2017/1129. The Competent Persons have given and have not withdrawn their written consent to the issue of the Prospectus with the inclusion of its name and references to it in the form and context in which they appear within it.



1 July 2020

The Directors  
Pensana Rare Earths Plc  
Suite 1, 3rd Floor 11 - 12 St James's Square  
London, SW1Y 4LB  
United Kingdom

Dear Sirs

**Pensana Rare Earths Plc – Competent Persons' Report – Longonjo Project**

At your request, SRK Consulting (Australasia) Pty Ltd (SRK) has prepared a Competent Persons' Report (CPR) for Pensana Rare Earths Plc (Pensana or the Company), which following the implementation of a scheme of arrangement pursuant to Part 5 of the *Australian Corporations Act 2001* will be the holding company of Pensana Metals Limited and its subsidiaries. The purpose of the CPR is to support Pensana's application to the Financial Conduct Authority (FCA) for the admission of its entire issued ordinary share capital to the standard listing segment of the Official List of the FCA and application to the London Stock Exchange Plc (LSE) for the admission to trading to the main market for listed securities of the LSE.

Pensana holds an 84% interest in the Longonjo Neodymium-Praseodymium Project in Angola (Project). The Angolan government holds a 10% interest in the Project and the Company's Angolan partners hold a 6% interest in the Project. The Project comprises one granted Prospecting Licence, 013/03/09T.P/ANG MGM/2015, which covers a land area of 3,670 km<sup>2</sup>, and one granted Mining Licence, 298/05/01/T.E./ANG-MIREMPET/2020, which covers a land area of 21.2 km<sup>2</sup>.

The CPR details the ownership status, exploration history, geology, Mineral Resource estimates and proposed exploration programs for the Project. The CPR does not cover other technical studies, such as mining or processing. The Company's Tanzanian interests are held for sale and are not considered by Pensana Metals Limited to be material and accordingly are not assessed in the CPR. The CPR has been prepared in accordance with:

- 1 the prospectus regulation rules of the FCA made pursuant to section 73A of the *Financial Services and Markets Act 2000* (the Prospectus Regulation Rules);
- 2 the European Union Regulation (EU) 2017/1129 (the Prospectus Regulation); and
- 3 sections 131 to 131 of the European Securities and Markets Authority (ESMA) guidelines as presented in 'ESMA update of the CESR recommendations: The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive' (ESMA 2013/319) dated 20 March 2013 (the ESMA Recommendations).

SRK is not a sole trader and is qualified as defined under the ESMA Recommendations to provide the CPR for the purposes of inclusion in public company prospectuses and admission documents.

The CPR has been prepared to the standard and requisite content requirements of, and is considered by SRK to be, a Technical Assessment Report under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition (JORC Code

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(2012)) and the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition (VALMIN Code (2015)).

The CPR is not a valuation report and does not express an opinion regarding the value of the Project, nor the 'fairness and reasonableness' of any transaction between the Company and any other parties.

Pensana has made available all relevant information held by the Company. SRK has supplemented this information, where necessary, with information from its own geological databases, information available within the public domain, and information sourced from subscription databases. The principal sources of information are included in a reference list at the end of the CPR. The CPR includes information available up to the date of the CPR.

Pensana has warranted in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

As recommended by the VALMIN Code, Pensana has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Pensana or from Pensana not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from the CPR.

SRK has not been engaged to comment on any legal matters. SRK notes that it is not qualified to make legal representations regarding the ownership and legal standing of the tenement licences that are the subject of the CPR. SRK has not attempted to confirm the legal status of the tenements with respect to acquisition or joint venture agreements, permits, local heritage or potential environmental or land access restrictions. SRK has instead relied on information provided by Pensana. SRK has prepared the CPR on the understanding that the Prospecting and Mining Licences (013/03/09T.P/ANG MGM/2015, 059/02/01T.P/ANG/MIREMPET/2020, and 298/05/01/T.E./ANG-MIREMPET/2020) are currently in good standing.

SRK understands that the current ownership status and legal standing of the tenements are dealt with in a separate title report provided by lawyers to the Company.

SRK's estimated fee for completing the CPR is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the Project and the availability of data. The fee payable to SRK for this engagement, including the CPR, is estimated at approximately A\$30,000. The payment of this professional fee is not contingent upon the preparation of the Prospectus or its outcome.

SRK is aware of the following changes that have occurred since the effective date of the CPR:

- Pensana commenced an infill and extension drilling program on 18 November 2019. This program has not yet been finalised, but some of the interim results that recently became available are discussed in the Prospectivity section of the CPR.
- Pensana was recently awarded a Mining Licence covering part of the Longonjo Project area. The licence details are described in the CPR.
- Pensana recently acquired a Prospecting Licence covering the nearby Coola and Monte Verde area via its subsidiary Coola Mining Lda, in which it has a 90% interest. The Prospecting Licence, 059/02/01T.P/ANG/MIREMPET/2020, covers a land area of 7,456 km<sup>2</sup>

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SRK is aware that Pensana completed a preliminary feasibility study (PFS) for the Longonjo Project on 15 November 2020. As per the requested Scope of Work, this CPR is limited to an assessment of the geology and Mineral Resource components of the Longonjo Project. SRK confirms that the geology and resource estimation activities described in this CPR are consistent with those included in the PFS. SRK has not assessed any other technical components of the PFS, and they are not covered in this CPR.

SRK confirms that to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in the CPR is in accordance with the facts and does not omit anything likely to affect the import of such information.

SRK confirms that, apart from the items described above, nothing has come to its attention to indicate any material change to what is reported in the CPR. SRK also confirms that it has reviewed the information contained elsewhere within the Prospectus relating to the information contained within the CPR and confirms that the information presented is accurate, balanced, complete and not inconsistent with the CPR. The CPR was prepared by Mr Rodney Brown, BSc (Hons), MAusIMM, Principal Consultant (Resource Estimation) and Ms Karen Lloyd, MBA, BSc (Hons) FAusIMM, Associate Principal Consultant (Project Evaluation), both of SRK's Perth office. Mr Brown undertook a site inspection to the Project in August 2019.

Mr Brown and Ms Lloyd have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration, and to the activity to which each is undertaking, to qualify as 'Specialists' and a 'Competent Persons' under the VALMIN Code (2015) and JORC Code (2012), respectively. Please see Section 1.6 of the CPR for further information. Both Mr Brown and Ms Lloyd consent to the inclusion in the Prospectus of the matters based on the information in the form and context in which it appears in the CPR.

SRK has given and has not withdrawn its written consent for the CPR to be used for the purposes of the Prospectus, including publication on Pensana's company website. This consent also covers the inclusion of statements made by SRK and references of its name in other documents pertaining to the Prospectus. SRK provides this consent on the basis that the technical assessments and opinions expressed in the CPR are considered with, and not independently of, the information set out in the complete CPR, including the cover letter.

The effective date of the CPR is 30 March 2020. The Competent Persons confirm that there has been no material change in the Mineral Resources at the Longonjo Project since the effective date of the CPR and the date of this report. The most recent Mineral Resource estimates for Longonjo were prepared in August 2019. There has been no change made to the estimates between August 2019 and the effective date of the CPR.

SRK understands that the Company will investigate the feasibility of producing carbonate products at the Longonjo Project as part of its definitive feasibility study; however, this is beyond the scope of SRK's report.

Yours faithfully

**SRK Consulting (Australasia) Pty Ltd**

Mr Rodney Brown  
Principal Consultant

Date: 1 July 2020

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Appendix A: JORC Code Table 1



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## Disclaimer

The opinions expressed in this Competent Persons' Report (CPR) have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Pensana Rare Earths Plc (Pensana). The opinions in the CPR are provided in response to a specific request from Pensana to do so. SRK has exercised all due care in reviewing the supplied information. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and save as required by law, does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in the CPR apply to the site conditions and features as they existed at the time of SRK's inspection, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of the CPR, about which SRK had no prior knowledge nor had the opportunity to evaluate.

# List of Abbreviations

| Term      | Meaning                                                                                                  |
|-----------|----------------------------------------------------------------------------------------------------------|
| A\$       | Australian dollar                                                                                        |
| AIG       | Australian Institute of Geoscientists                                                                    |
| Asl       | Above sea level                                                                                          |
| ASX       | Australian Securities Exchange                                                                           |
| AusIMM    | Australasian Institute of Mining and Metallurgy                                                          |
| CPR       | Competent Persons' Report                                                                                |
| CRM       | Certified Reference Material                                                                             |
| DD        | Diamond core                                                                                             |
| DEM       | Digital elevation model                                                                                  |
| DPA       | United Kingdom - Data Protection Act 1998                                                                |
| EL        | Exploration Licence                                                                                      |
| ESIA      | Environmental and social impact assessment                                                               |
| ESMA      | European Securities and Markets Authority                                                                |
| FR        | Fresh (Longonjo domain name)                                                                             |
| GPR       | Ground penetrating radar                                                                                 |
| ha        | hectares                                                                                                 |
| HCA       | High calcite oxide (Longonjo domain code)                                                                |
| HAP       | High apatite oxide (Longonjo domain code)                                                                |
| IP        | induced polarisation                                                                                     |
| JORC Code | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition |
| KNA       | Kriging neighbourhood analysis                                                                           |
| LSE       | London Stock Exchange                                                                                    |
| Ma        | Mega-anna (million years ago)                                                                            |
| mE        | metres East                                                                                              |
| ML        | Mining Lease                                                                                             |
| MLA       | Mineral liberation analyser                                                                              |
| mN        | metres North                                                                                             |
| MRRP      | Ministry of Mineral Resources and Petroleum (Angola)                                                     |
| MVA       | megavolt amperes                                                                                         |
| MW        | megawatts                                                                                                |
| NdPr      | neodymium oxide + praseodymium oxide                                                                     |
| NE        | northeast                                                                                                |
| NN        | Nearest neighbour                                                                                        |
| NW        | northwest                                                                                                |
| OK        | Ordinary kriging                                                                                         |
| OX        | Oxide (Longonjo domain name)                                                                             |
| PFS       | Pre-feasibility study or preliminary feasibility study                                                   |
| ppb       | Parts per billion                                                                                        |
| ppm       | Parts per million                                                                                        |

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| Term        | Meaning                                                                                                        |
|-------------|----------------------------------------------------------------------------------------------------------------|
| QA/QC       | Quality Assurance - Quality Control                                                                            |
| Quartz      | A silica-rich mineral SiO <sub>2</sub>                                                                         |
| RAB         | Rotary air blast                                                                                               |
| RC          | Reverse circulation                                                                                            |
| REO         | Rare earth oxide                                                                                               |
| RESCAT      | Resource category                                                                                              |
| RTK DGPS    | Real time kinematic differential global positioning system                                                     |
| SEC         | Securities and Exchange Commission                                                                             |
| SEM         | Scanning electron microscopy                                                                                   |
| SoR         | Slope of regression                                                                                            |
| SRK         | SRK Consulting (Australasia) Pty Ltd                                                                           |
| SRTM        | Shuttle Radar Topographic Mission                                                                              |
| Syn         | Synchronous                                                                                                    |
| TMI         | Total Magnetic Intensity                                                                                       |
| TR          | Transported (Longonjo domain name)                                                                             |
| TREO        | Total rare earth oxide                                                                                         |
| TSF         | Tailings storage facility                                                                                      |
| VALMIN Code | Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets, 2015 Edition |
| XRD         | X-ray diffraction                                                                                              |
| XRF         | X-ray fluorescence                                                                                             |
| µm          | micron                                                                                                         |

## Executive Summary

SRK Consulting (Australasia) Pty Ltd (SRK) was commissioned by Pensana Rare Earths Plc (Pensana or the Company) to prepare a Competent Persons' Report (CPR) on the Geology and Mineral Resources of the Longonjo Neodymium-Praseodymium Project (Project). The CPR covers the geology and Mineral Resource aspects of the Project.

The CPR has been prepared to support Pensana's application to the Financial Conduct Authority (FCA) for the admission of its entire issued ordinary share capital to the standard listing segment of the Official List of the FCA and application to the London Stock Exchange Plc (LSE) for the admission to trading to the main market for listed securities of the LSE. The CPR has been prepared, to the extent required, in accordance with the Prospectus Regulation Rules, the Prospectus Regulation and the ESMA Recommendations.

## Project overview

Pensana holds two prospecting licences and one mining licence in Angola through its holdings in subsidiary entities, Ozango Minerals (84%) and Coola Mining (90%) as follows:

Ozango Minerals SA (Pensana-84%; Ferrangol EP10%; Minorities-6%)

- Prospecting licence (013/03/09T.P/ANG MGM/2015), which covers a land area of 3,670 km<sup>2</sup> (Table ES-1 and Figure ES-1). This licence was awarded in 2015, expires in November 2020 and has been the subject of the Company's activities to date for the prospecting of non-ferrous metals, precious metals, rare earth minerals, and non-metallic minerals.
- Mining licence (298/05/01/T.E./ANG-MIREMPET/2020), which covers an area of 21.2 km<sup>2</sup> (Figure ES-2) and was granted on 5 May 2020 for an initial period of 15 years (until May 2035) and renewable for up to 35 years for the mining of rare earth minerals.

Coola Mining Lda (Pensana 90%; Minorities 10%)

- Prospecting licence (059/02/01T.P/ANG/MIREMPET/2020), which covers a land area of 7,456 km<sup>2</sup> (Table ES-1 and Figure ES-1) and was granted on 24 March 2020 for an initial period of 2 years renewable up to 7 years for the prospecting of non-ferrous metals, precious metals, rare earth minerals, and non-metallic minerals.

The Company also holds interests in Tanzanian mineral assets, which are currently in the process of disposal by the Company. The Tanzanian mineral assets are not assessed in the CPR.

**Table ES-1: Status of tenure**

| Licence                          | Name        | Holder               | Pensana interest (%) | Grant date | Expiry date | Licence area (km <sup>2</sup> ) | Minimum expenditure |
|----------------------------------|-------------|----------------------|----------------------|------------|-------------|---------------------------------|---------------------|
| 298/05/01/T.E./ANG-MIREMPET/2020 | Longonjo ML | Ozango Minerais S.A. | 84                   | 05/05/2020 | 05/05/35    | 21.2                            | N/A                 |
| 013/03/09T.P/ANG MGM/2015        | Ozango PL   | Ozango Minerais S.A. | 84                   | 03/11/2015 | 03/11/2020  | 3,670                           | N/A                 |
| 059/02/01/T.P/ANG-MIREMPET/2020  | Coola PL    | Coola Mining Lda     | 90                   | 24/03/2020 | 24/03/2027  | 7,456                           | N/A                 |

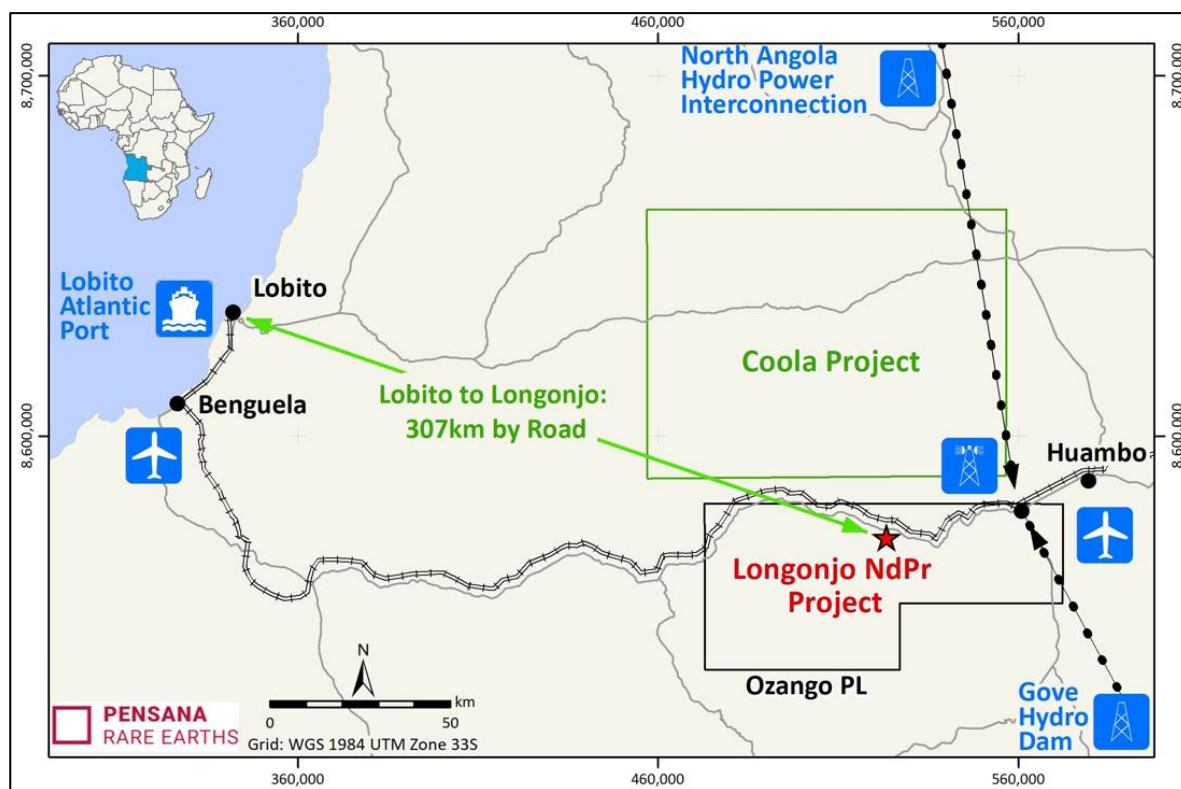


**Figure ES-1: Longonjo and Coola Projects and Prospecting Licence locations**

Source: Pensana Management Information

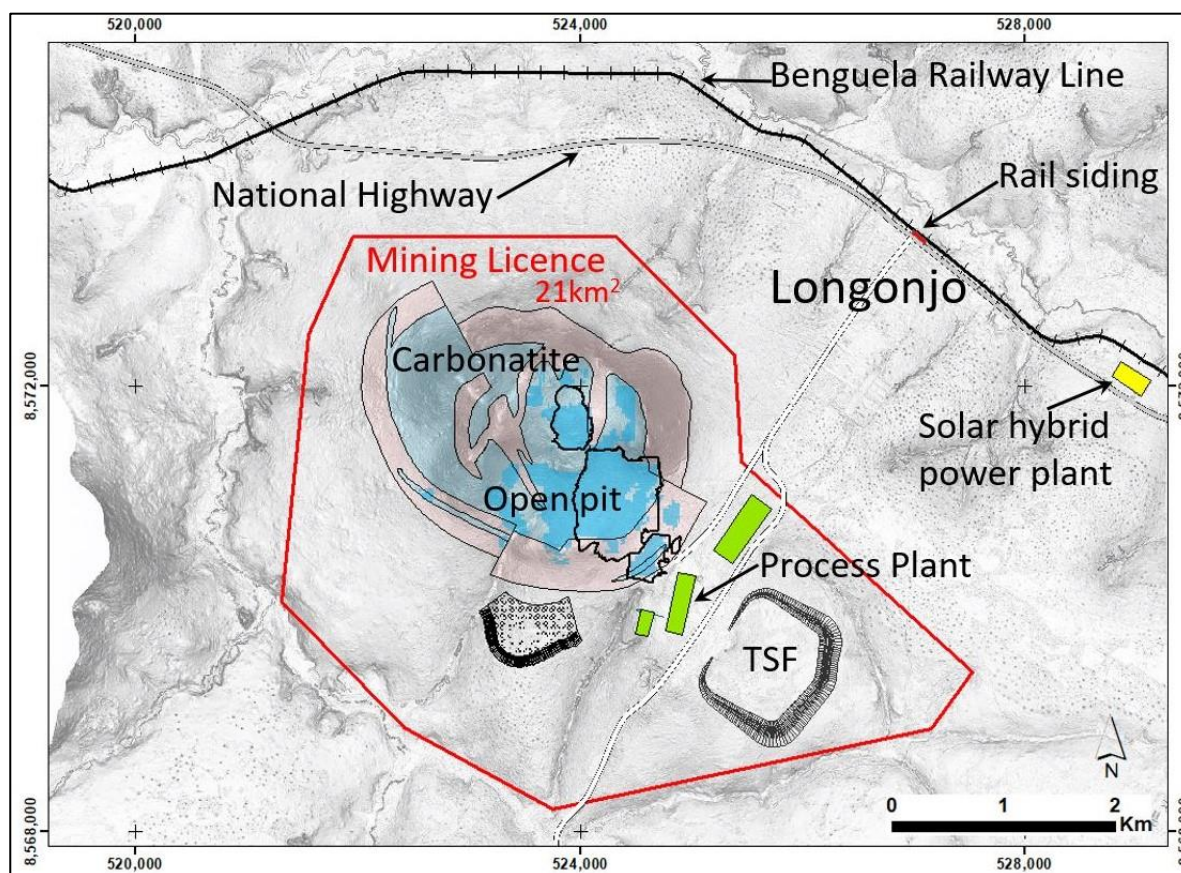


**Figure ES-2: Longonjo Mining Title**

Source: Pensana Management Information



## Longonjo Project Geology

The Longonjo Carbonatite is located within the northeast-oriented Lucapa Lineament of central Angola. Longonjo is a Cretaceous age, sub-circular diatreme, approximately 2.5 km in diameter, which is intruded into Neoproterozoic granitic rocks. NdPr (neodymium oxide + praseodymium oxide) mineralisation is widespread across the carbonatite.

High-level explosion breccias of mixed carbonatite and fenite clasts form the bulk of the carbonatite body, with ring dykes and carbonate plugs cutting and intruding the northern and southern margins of the carbonatite and surrounding fenite. A horseshoe-shaped ring of hills surrounds much of the carbonatite and consists of more resistant potassic and sodic altered granitic country rocks (fenite) and carbonatite ring dykes.

Elevated concentrations of rare earth element mineralisation occur within the weathered and fresh carbonatite, as well as in overlying locally transported colluvium. The highest concentrations typically occur in the colluvium and saprolite zone where weathering processes have leached out the carbonate minerals, resulting in the residual enrichment of ferruginous and rare earth minerals. The degree of weathering is the primary control on mineralisation; however, the NdPr concentrations in the underlying basement carbonatites also appears to influence the grades of the weathered zone.

Mineralogical studies, which were predominantly conducted on samples from the weathered zone, indicate that most of the NdPr mineralisation is hosted within rhabdophane (hydrated monazite), with lesser quantities in bastnaesite and synchesite. The major gangue minerals are iron hydroxides with, in order of decreasing abundance, lesser quantities of phyllosilicates, quartz, and feldspars.

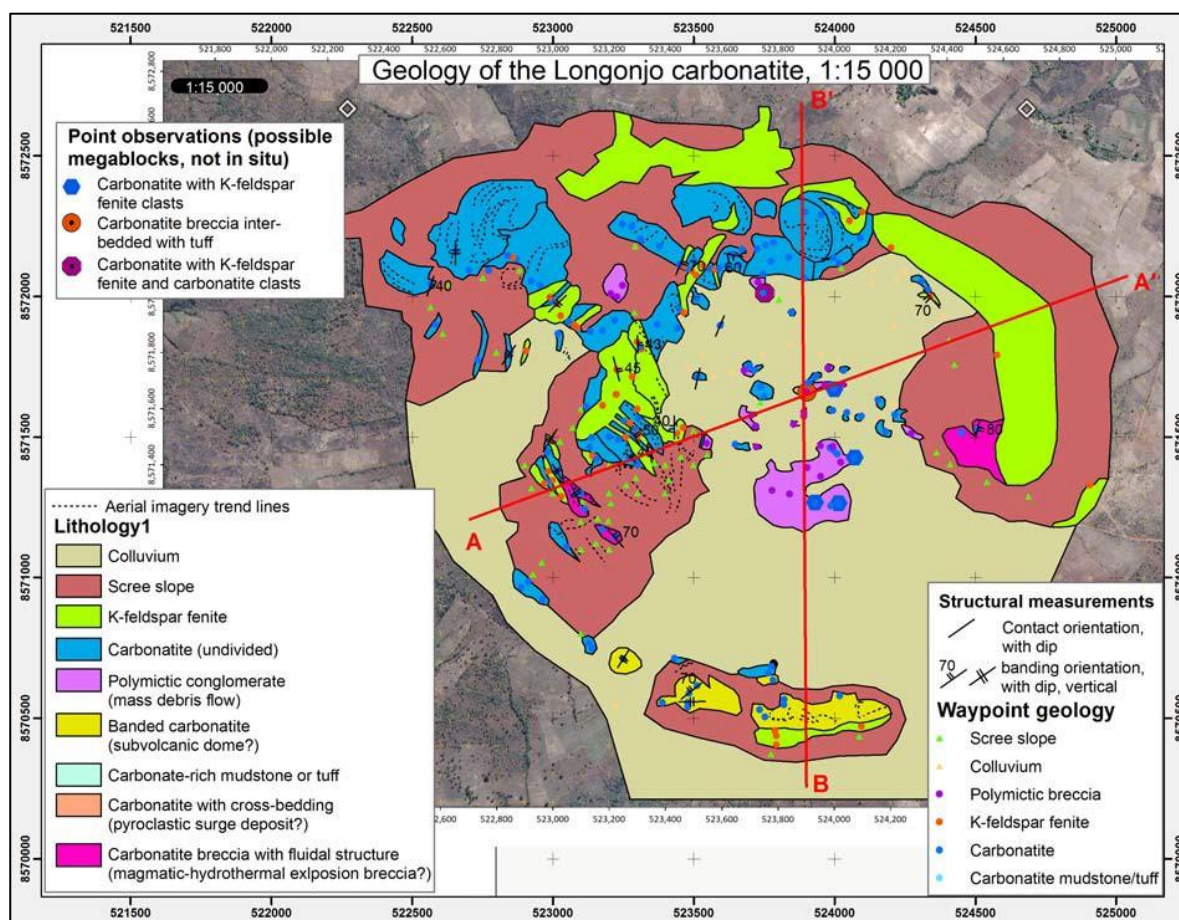


**Figure ES-3: Geological map of the Longonjo carbonatite diatreme**

Source: Pensana Management Information

## Data acquisition

Geochemical surface sampling was conducted over the Project area between 2006 and 2016, with the results from these studies used to identify REO (rare earth oxide) anomalies for subsequent investigation by mapping and drilling studies.

A rotary air blast (RAB) drilling program was completed in 2014, followed by a diamond drilling (DD) program in 2017, and combined DD and reverse circulation (RC) programs in 2018 and 2019, resulting in a total of 22 RAB holes, 27 DD holes, and 174 RC holes. The RAB data were used to assist with geological interpretation but were not used for resource grade estimation.

The RC samples were collected using a 131 mm face-sampling bladed or button bit. The core samples were collected using PQ3 (triple tube) coring equipment. Most samples were collected on 2 m intervals and prepared using conventional drying, crushing, splitting, and pulverising techniques, with

p85–75 µm pulps submitted for laboratory testing.

All assaying was performed by Nagrom using laser ablation inductively coupled plasma mass spectrometry (LA ICP-MS), with the following analytes determined for most samples:

- Al, Ba, Ca, Ce, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, S, Si, Sm, Sr, Ta, Tb, Th, Ti, Tm, U, Y, Yb, and Zn.

Bulk density tests were performed on a total of 231 core samples. The tests were performed by estimating the volume of each sample from several calliper measurements of the length and diameter. Each sample was then weighed, oven-dried and then reweighed, with the wet and dry bulk densities and the moisture content estimated.

Pensana inserted field duplicates, certified reference materials (CRMs) and blanks into the laboratory submission batches at an average frequency rate of approximately 1 in 30. The laboratories also performed and reported internal quality assurance/ quality control (QAQC) checks, including sample preparation and analytical duplicates. On a periodic basis, sample pulps were retrieved from the primary laboratory and submitted to an independent laboratory for check testing. All DD holes drilled in the last program twinned existing RC holes. These datasets were used to conduct twinned hole analyses to test for any grade biases that may have been introduced during sample extraction.

A ground penetrating radar (GPR) survey was completed over selected parts of the Project area in 2018. The data from this survey was used to assist with geological modelling.

The survey data have been collected and reported using the WGS84 UTM Zone 33S grid system. A digital elevation model (DEM) covering the Project area was prepared by Core GPX using data acquired from *Ortho-Ready Standard Level 2A WorldView-3* stereo imagery captured in September 2018. Ground control points were surveyed by Geosurveys Australia Pty Ltd (Geosurveys) using RTK DGPS equipment. Drill hole collar locations were surveyed after drilling using RTK DGPS equipment.

## Mineral Resource estimates

The maiden Mineral Resource estimates for the Longonjo REO deposit were prepared by Amec Foster Wheeler (AMEC) in September 2017 using the DD and RAB data available at that time. In February 2019, SRK prepared an NdPr Mineral Resource estimate using the data collected up until November 2018. In September 2019, SRK updated the resource model to include the additional data collected up until May 2019. These estimates were reported to the Australian Securities Exchange (ASX) by Pensana under a preliminary feasibility study (PFS) report in November 2019.

**Table ES-2: September 2019 Mineral Resource estimates for the Project**

| Mineral Resource category | Tonnes (million) | REO grade (%) | NdPr grade (%) | Contained REO (tonnes) | Contained NdPr (tonnes) |
|---------------------------|------------------|---------------|----------------|------------------------|-------------------------|
| Indicated                 | 59.9             | 1.86          | 0.39           | 1,100,000              | 230,000                 |
| Inferred                  | 167              | 1.33          | 0.30           | 2,230,000              | 504,000                 |
| Total                     | 226              | 1.47          | 0.33           | 3,320,000              | 735,000                 |

Note: The above estimates are based on a 0.1% NdPr lower cut-off grade applied to individual model cells. All rare earth element concentrations (including NdPr) in this report are expressed as oxide equivalents.

The 2019 Mineral Resource estimates were prepared by SRK using datasets and geological interpretations provided by Pensana and reviewed by SRK.

The Mineral Resource estimates were prepared using conventional 3D block modelling techniques and distance weighting (ordinary kriging) estimation. Three major estimation domains were defined (Transported, Oxide, and Fresh). In localised areas, two minor sub-domains were defined (high calcite and high apatite).

Statistical and geostatistical studies were completed on the datasets in each domain, with these results used to assist in the selection of estimation parameters.

A single volume model extending beyond the drill coverage was created. Because the base of fresh carbonatite had not been encountered in the drilling, the model base was set at approximately 10 m below the lowermost drill samples.

Local grades were estimated for the complete range of constituents listed below within all domains. Ordinary Block Kriging (OK) was used for grade interpolation, and all domains were treated as *hard boundary constraints*, meaning that model cells in a given domain were estimated using only the samples within the same domain. Multi-pass estimation, dynamic anisotropy, and unfolding techniques were also used to improve estimation control. Kriging Neighbourhood Analysis (KNA) studies were used to assist with the selection of the estimation parameters. Lateral extrapolation was limited to approximately half the drill spacing beyond the drill coverage, and vertical extrapolation to approximately 10 m below the drilling.

Model validation included visual and statistical comparisons between the local sample and model grades, an assessment of the estimation performance data, and checks using alternative estimation techniques.

The Mineral Resource estimates have been classified in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2012). The classifications have been applied to the Mineral Resource estimates based on consideration of the confidence in the geological interpretation, the quantity and quality of the input data, the confidence in the estimation technique, and the likely economic viability of the material. Drill spacing was considered to be the limiting factor on estimation confidence. Estimates in areas with a nominal drill coverage of 100 × 50 m were assigned a classification of Indicated. Estimates in areas with a nominal drill coverage of 200 × 100 m were assigned a classification of Inferred.

## Study status

Pensana (then Rift Valley Resources Ltd; RVR) completed Scoping Studies on a Longonjo mine, processing plant and refinery scenario in December 2017 with lead engineers Amec Foster Wheeler (AMEC). The Scoping Study considered the production of separated rare earth oxides on site at Longonjo. The initial results justified further development work and studies. The Company



subsequently identified an opportunity for a potentially lower capital cost project, using the existing infrastructure available.

In March 2019, the Company commissioned Wood Group to prepare a PFS for the Project. The PFS was completed in November 2019 and focused on the use of an open pit mining method and a flotation processing method to produce NdPr concentrates for export. The Mineral Resource estimates that were used to underpin the PFS were assessed by SRK and are covered in this CPR. Other study components have not been assessed by SRK or covered in this CPR.

No Ore Reserve estimates to demonstrate that extraction can be reasonably justified have been reported for the Project to date.

# 1 Introduction

SRK Consulting (Australasia) Pty Ltd (SRK) was commissioned by Pensana Rare Earths Plc (Pensana or the Company) to prepare a Competent Persons' Report (CPR) on the Longonjo Neodymium-Praseodymium Project (Project).

The CPR has been prepared to support Pensana's application to the Financial Conduct Authority (FCA) for the admission of its entire issued ordinary share capital to the standard listing segment of the Official List of the FCA and application to the London Stock Exchange Plc (LSE) for the admission to trading to the main market for listed securities of the LSE. The CPR has been prepared, to the extent required, in accordance with the Prospectus Regulation Rules, the Prospectus Regulation and the ESMA Recommendations.

SRK understands that the CPR will be set out as an appendix to the Prospectus. For the purpose of the Prospectus Regulation Rules, the Prospectus Regulation and the ESMA Recommendations, SRK declares that it has taken all reasonable care to ensure that the information contained in the CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. SRK consents to the inclusion of the CPR and reference to any part of the report in the Prospectus.

The CPR presents SRK's opinion on the geological and Mineral Resource aspects of the Project, including a summary of the Project's key technical risks and opportunities. Other technical disciplines are not covered in the CPR.

## 1.1 Reporting compliance, reporting standard and reliance

### 1.1.1 Reporting compliance

The submission of the Prospectus is being undertaken in accordance with the following, which collectively comprise the Requirements:

- SRK confirms that the CPR has been prepared, to the extent required, in accordance with:
  - the Prospectus Regulation Rules
  - the Prospectus Regulation
  - the ESMA Recommendations including, and without limitation, the CPR's compliance with the content requirements of Appendix 2 of the same.
- SRK accepts responsibility for the CPR:
  - for the purposes of Prospectus Regulation Rule 5.3.5R(2)(f)
  - in accordance with item 1.2 of Annex 1 of the Prospectus Regulation
  - in accordance with Section 1b of the ESMA Recommendations and paragraphs 131, 132 and 133, and Appendix 2.

Notwithstanding the above, the Company has voluntarily mandated SRK to prepare the CPR, which is published in accordance with the appropriate Reporting Standard (defined below) and, given the permitted time, focuses on the following key items: the physical, operating, regulatory and fiscal environment in which the Project is located, and the key technical risks and opportunities relating to the Project.

### 1.1.2 Reporting standard

The CPR has been prepared to the standard of, and is considered to be, a Technical Assessment Report under the guidelines of the 2015 edition of the Australasian Code for the Public Reporting of

Technical Assessments and Valuations of Mineral Assets (VALMIN Code, 2015).

The VALMIN Code incorporates the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia – the JORC Code (2012).

### 1.1.3 Reliance on SRK

SRK is responsible for the CPR and for all of the technical information that has been directly extracted from the CPR. SRK declares that it has taken all reasonable care to ensure that the information contained in the CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

In accordance with the Requirements, SRK confirms that the presentation of information contained elsewhere in published documents associated with the proposed admission, which relates to information in the CPR, is accurate, balanced and not inconsistent with the CPR.

SRK states that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in the CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to the Project that comes to its attention after the date of the CPR, or to review, revise or update the CPR or opinion in respect of any such development occurring after the date of the CPR and its 'no material change' statement.

## 1.2 Base Technical Information, Effective Date and Publication Date

This CPR presents the following base Technical Information for the Project as at the effective date of 30 March 2020 (Effective Date):

- Overview of the geological setting
- Project geology
- Outline of the exploration work and Mineral Resource estimates
- Summary of the current study status
- SRK's opinion on the Project's prospectivity.

SRK is aware of the following changes that have occurred since the effective date of the CPR:

- Pensana commenced an infill and extension drilling program on 18 November 2019. This program has not yet been finalised, but some of the interim results that recently became available are discussed in the Prospectivity section of the CPR.
- Pensana was recently awarded a Mining Licence covering part of the Longonjo Project area. The licence details are described in the CPR.
- Pensana recently acquired a Prospecting Licence covering the nearby Coola and Monte Verde areas. The licence details are described in this report, along with some commentary on prospectivity.

SRK is aware that Pensana completed a PFS for the Longonjo Project on 15 November 2020. As per the requested Scope of Work, this CPR is limited to an assessment of the geology and Mineral Resource components of the Longonjo Project. SRK confirms that the geology and resource

estimation activities described in this CPR are consistent with those included in the PFS. SRK has not assessed any other technical components of the PFS, and they are not covered in this CPR.

The Mineral Resource estimates for Longonjo were prepared in August 2019. There has been no change made to the estimates between August 2019 and the effective date of the CPR.

SRK is not aware that any other material change has occurred since the Effective Date. This includes, among others, material changes to the Technical Information as reported in this CPR. SRK understands that the Company plans to investigate the feasibility of producing carbonate products at the Longonjo Project as part of its definitive feasibility study (DFS); however, this is beyond the scope of SRK's report.

### **1.3 Verification and validation**

The CPR is dependent upon technical, financial and legal input. In respect of the Technical Information as provided by the Company and taken in good faith by SRK, and other than where expressly stated, any figures presented have not been independently verified by means of re-calculation.

Accordingly, Pensana has provided technical data to SRK for the purpose of this review and inclusion in the CPR. SRK confirms that it has performed all necessary validation and verification procedures deemed necessary and/ or appropriate by SRK in order to place an appropriate level of reliance on such technical information.

#### **1.3.1 Previous work by SRK at Longonjo**

SRK's Australasian consultancy and the Australia-based authors have been involved in the Project on a semi-regular basis since April 2018. Their main inputs have included the preparation of a Mineral Resource model in February 2019 and an update of the Mineral Resource model in September 2019, culminating in the preparation of this CPR.

### **1.4 Limitations, reliance on information, declaration, consent and cautionary statements**

#### **1.4.1 Limitations**

The technical information presented within the CPR relies on assumptions regarding certain forward-looking statements. These forward-looking statements are estimates and involve a number of risks and uncertainties that could cause actual results to differ materially. The projections as presented and discussed herein have been proposed by Pensana's management and cannot be assured; they are necessarily based on economic assumptions, many of which are beyond the control of the Company. Future cashflows and profits derived from such forecasts are inherently uncertain and actual results may be significantly more or less favourable. Unless otherwise expressly stated, all the opinions and conclusions expressed in the CPR are those of SRK.

#### **1.4.2 Reliance on information**

SRK has relied upon the accuracy and completeness of technical, financial and legal information and data furnished by or through Pensana.

Pensana has confirmed to SRK that, to its knowledge, the information provided by it (when provided) was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld. While SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

The CPR specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements and/ or contracts Pensana may have entered into.

The CPR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

### **Technical reliance**

SRK places reliance on the Company and its technical representatives that all technical information provided to SRK as at the Effective Date (defined in Section 1.2) is accurate.

### **Financial reliance**

In considering all financial aspects relating to the Project, SRK has placed reliance on the Company that the following information is appropriate as at the Effective Date (defined in Section 1.2):

- All statutory and regulatory payments and those due to other third parties as may be necessary to execute the Company's development strategy and exploration programs.

### **Legal reliance**

In consideration of the legal aspects relating to the Project, SRK has placed reliance on the representations of the Company that the following are correct as of the Effective Date (defined in Section 1.2) and remain correct until the Publication Date (defined in Section 1.2):

- The Board of Directors of the Company is not aware of any legal proceedings that may have any influence on the rights to explore, develop and mine the minerals present within and associated with the Project.
- The legal owners of all mineral and surface rights of the Project have been verified.
- No significant legal issue exists that would affect the likely viability of the exploration and production licences as reported herein.
- The legal representative of the Company in Angola is AVM Avogados. Pensana has provided SRK with a legal opinion letter from AVM Avogados that describes the standing, validity, and enforceability of permits held by Ozango Minerais S.A.

### **Declaration**

SRK will receive a combined fee of approximately A\$30,000 for the preparation of the CPR, in accordance with normal professional consulting practices. This fee is not dependent on the findings of the CPR or the success of the proposed admission and SRK will receive no other benefit for the preparation of the CPR. Neither SRK nor any of the authors have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Project.

Neither SRK nor the Competent Persons or Specialist Practitioners who are responsible for authoring the CPR, nor any Directors of SRK, have at the date of this Report, nor have had within the previous two years, any shareholding in the Company, the Project, or any other economic or beneficial interest (present or contingent) in any of the assets being reported on. SRK is not a group, holding or associated company of the Company. None of SRK's partners or officers are officers or proposed officers of any group, holding or associated company of the Company.

Further, no Competent Person or Specialist Practitioner involved in the preparation of the CPR is an officer, employee or proposed officer of the Company or any group, holding or associated company

of the Company (which for the avoidance of doubt includes Pensana Metals Limited). Consequently, SRK, the Competent Persons and Specialists and the Directors of SRK consider themselves to be independent of the Company, Pensana Metals Limited and their respective directors, and senior management.

In the CPR, SRK provides assurances to the Board of Directors of the Company in compliance with the Reporting Standard that the Mineral Resources and exploration potential of the mineral assets as provided to SRK by Pensana and reviewed and, where appropriate, modified, by SRK are reasonable, given the information currently available.

### **1.4.3 Consent**

SRK gives its written consent to the inclusion of the CPR in the Prospectus and all of the information to be contained in any published documentation associated with the Prospectus that has been extracted directly from the CPR.

### **1.4.4 Disclaimers and cautionary statements**

The CPR uses the terms 'Mineral Resource', 'Measured Mineral Resource', 'Indicated Mineral Resource' and 'Inferred Mineral Resource'. US investors and shareholders in the Company are advised that while such terms are recognised and permitted under the JORC Code (2012) and the Requirements, the US Securities and Exchange Commission (SEC) does not recognise them and strictly prohibits companies from including such terms in SEC filings. Accordingly, US investors and shareholders in the Company are cautioned not to assume that any unmodified part of the Mineral Resources in these categories will ever be converted into Ore Reserves as such term is used in the CPR.

## **1.5 Indemnities provided by the Company**

Pensana has warranted in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

As recommended by the VALMIN Code (2015), Pensana has provided SRK with an indemnity under which SRK is to be compensated for any liability and/ or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Pensana or from Pensana not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from the CPR.

In addition, Pensana has provided the following indemnity to SRK:

In order to assist SRK in the preparation of the CPR, the Company may be required to receive and process information or documents containing personal information in relation to SRK's project personnel. The Company has agreed to comply strictly with the provisions of the *Data Protection Act 1998* of the United Kingdom (DPA 1998) and all regulations and statutory instruments arising from the DPA 1998, and the Company will indemnify and keep indemnified SRK in respect of all and any claims and costs caused by breaches of the DPA 1998.

## **1.6 Qualifications of consultants and Competent Persons**

The SRK Group comprises over 1,400 staff, offering expertise in a wide range of mining and

resource engineering disciplines with 45 offices located on 6 continents. The SRK Group prides itself on its independence and objectivity in providing clients with resources and advice to assist them in making crucial judgment decisions. For SRK this is assured by the fact that it holds no equity in either client companies/ subsidiaries or mineral assets.

SRK has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, Competent Persons' Reports, Mineral Resource and Ore Reserve Compliance Audits, Independent Valuation Reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. SRK has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

This CPR has been prepared based on a technical assessment by a team of consultants sourced from SRK's offices in Australia. These consultants have extensive experience in the mining and metals sector and are members in good standing of appropriate professional institutions. The consultants are specialists in the fields of geology and resource estimation (Technical Disciplines).

The information in the CPR that relates to the Project is based on and fairly represents information and supporting documentation compiled by Mr Rodney Brown and Ms Karen Lloyd.

The Competent Person who undertook the review of the geology and data acquisition procedures and who used the data and geological model assembled by Pensana to independently prepare Mineral Resource estimates for the Longonjo deposit was Mr Rodney Brown, who is a Principal Consultant at SRK. Mr Brown is a geologist with 30 years' experience in the mining industry, including the preparation of Competent Persons' Reports comprising technical evaluations of various mineral assets during the past 10 years, which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). Mr Brown is professionally qualified and a member in good standing and is subject to the enforceable rules of conduct of the [Australasian Institute of Mining and Metallurgy (AusIMM)]. Mr Brown consents to the inclusion in this Report of the matters based on his information in the form and context in which it appears.

The Competent Person who has overall responsibility for the peer review of this Report is Ms Karen Lloyd, who is an Associate Principal Consultant at SRK. Ms Lloyd is professionally qualified and a Fellow of good standing of, and is subject to the enforceable rules of, the AusIMM and has 24 years' experience in the mining and metals industry and has been involved in the preparation of Competent Persons' Reports comprising technical evaluations of various mineral assets internationally during the past 10 years. Ms Lloyd has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code (2012) and a Specialist Practitioner as defined in the VALMIN Code (2015). Ms Lloyd consents to the inclusion in this Report of the matters based on her information in the form and context in which it appears.

Table 1-1 provides a summary of the designated Competent Persons for the CPR.

**Table 1-1: Key contributors and responsibilities**

| Competent Person | Position/ Company                                                                         | Responsibility                                                                                                                                                     | Independent of Pensana | Dates of last site visit | Years of experience | Professional designation                       |
|------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|---------------------|------------------------------------------------|
| Rodney Brown     | Principal Consultant (Geology and Resources)/ SRK Consulting (Australasia) Pty Ltd        | <ul style="list-style-type: none"> <li>Review of data collection</li> <li>Review of Geological model</li> <li>Preparation of Mineral Resource estimates</li> </ul> | Yes                    | August 2019              | 30                  | BSc, Geology, Dip. Metallurgy<br>MAusIMM, MAIG |
| Karen Lloyd      | Associate Principal Consultant (Project Evaluation)/ SRK Consulting (Australasia) Pty Ltd | <ul style="list-style-type: none"> <li>Peer review</li> </ul>                                                                                                      | Yes                    | None                     | 24                  | BSc (Hons), MBA, FAusIMM                       |



## 2 Project Overview

### 2.1 Location, access, and infrastructure

The Project is located in the province of Huambo in the western–central African nation of the Republic of Angola. It is located approximately 60 km west of the provincial capital of Huambo, with the regional towns of Longonjo, Catabola, Babaera, Caála and Cuma nearby. The Project area is 4 km from the sealed national highway that links the port cities of Benguela and Lobito with the provincial capital of Huambo (Figure 2-1). The Huambo province has an estimated population of 1.9 million, with 665,000 people living in the Huambo metropolitan area. The city of Huambo is serviced by the Albano Machado International Airport. Daily flights operate to and from the Angolan capital of Luanda.

The Benguela rail line, which extends from the border with the Democratic Republic of Congo and links to the port cities of Benguela and Lobito, passes within approximately 5 km of the Project area. The rail line was refurbished in 2014. It is Cape gauge (1,067 mm, which is used by most mainline railways in southern Africa), with a design capacity of 20 million tons of cargo and 4 million passengers per year. There are currently 67 stations and 42 bridges along the railway route (Figure 2-2). The railway links directly into the dry port, container, and ore terminals at the Port of Lobito, which has a 414 m long container terminal, an ore terminal with a 310 m long jetty, and a 90,000 m<sup>2</sup> dry dock. The Angolan government recently invested approximately US\$2 billion in rehabilitation of the port facility and associated infrastructure.

Prior to 2019, the Huambo province had two primary sources of electricity production: the Ngove hydroelectric (max. 60 MW) power plant and the two Benfica/ Belem 50 MW thermal power stations. Since mid-2019 Huambo has been connected to the national power grid. Transmission lines connecting to the Laúca hydroelectric power plant (HPP) are located approximately 40 km to the east of the Project area. The total capacity of the Laúca HPP will be 2,070 MW with a head of about 200 m.

Additionally, there is a 5 MW capacity hybrid power plant at the town of Longonjo (3 × MVA diesel groups plus 2 × MVA photovoltaic), which has spare capacity.

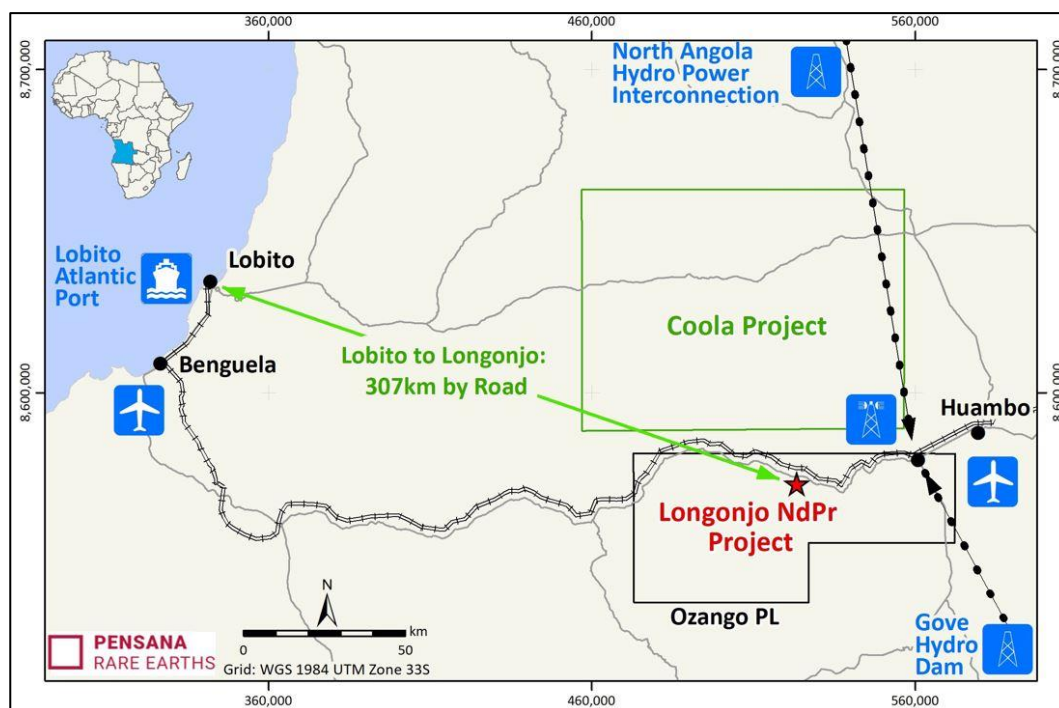


**Figure 2-1: Longonjo and Coola project areas, Angola**

Source: Pensana Management Information

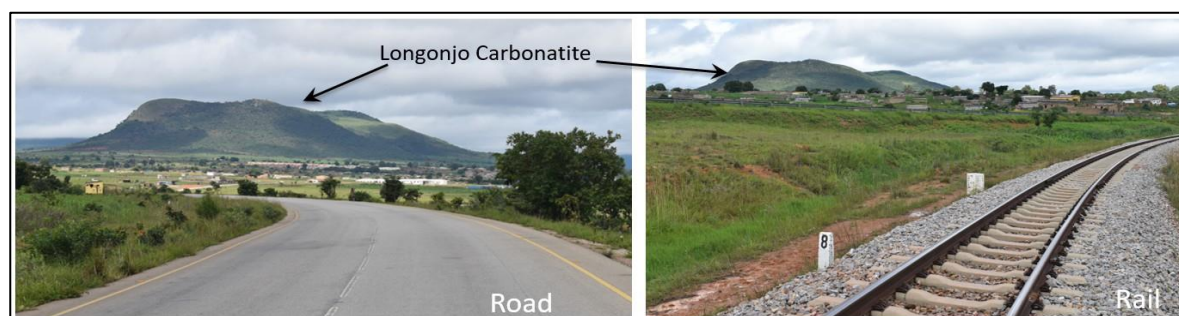


**Figure 2-2: Proximity of Longonjo Project to national road and rail infrastructure**

## 2.2 Climate and topography

The Huambo province is located on the Bié Plateau at an elevation of approximately 1,700 m and experiences a temperate climate due to this high altitude (Figure 2-3). The wet season runs from October through to April and the dry season runs from May through to September (Figure 2-4). Field activities remain unimpeded by weather events year-round.

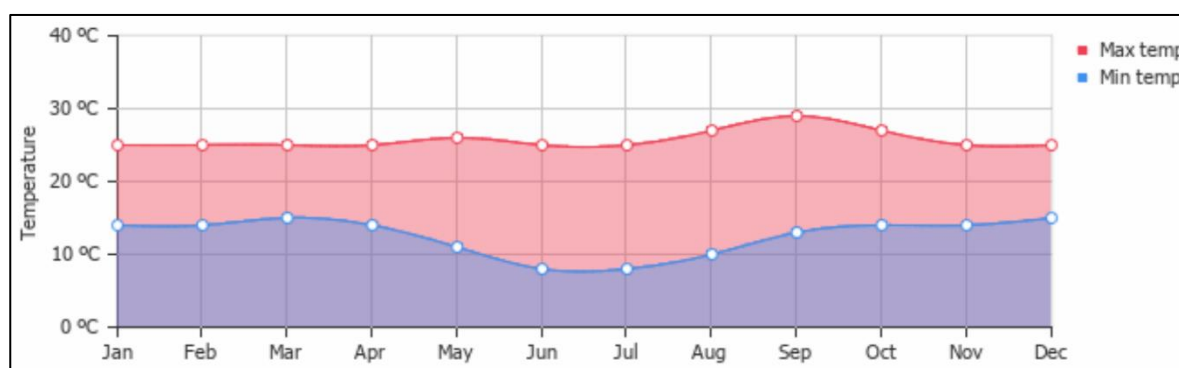


**Figure 2-3: Average temperatures – Huambo Province**

Source: weather-and-climate.com

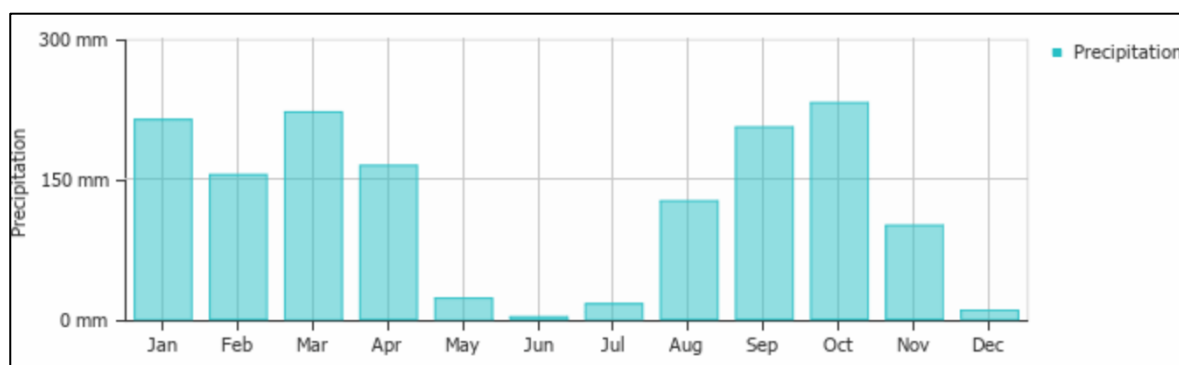


**Figure 2-4: Average monthly precipitation – Huambo Province**

Source: weather-and-climate.com

## 2.3 Ownership status

### 2.3.1 Angolan mining industry regulation

Angola's legal system is civil law-based.

The mining industry is regulated at state level by the Constitution of the Republic of Angola, Law 31/11, of 23 September 2011, which regulates the exploration, evaluation, reconnaissance, mining and marketing of mineral resources (Mining Code) and additional statutory and regulatory acts, including:

- Executive Decree 346/17, of 14 July 2017, for the delineation of concession areas for exploitation of construction materials
- Joint Executive Decree 316/17, of 27 June 2017, which approves the list of equipment (for use in exploration and mining activities) exempted from customs duties and fees
- Presidential Decree 231/16, of 8 December 2016, which classifies rare metals and rare earth elements as strategic minerals
- Presidential Decree 158/16, of 10 August 2016, which sets forth administrative offences and relevant penalties
- Presidential Decree 174/15, of 15 September 2015, on regularisation of inactive mineral licences
- Law 14/15, of 11 August 2015, which approves the Private Investment Law (PIL)
- Order 255/14, of 28 January 2014, of the Ministry of Geology and Mines, on monitoring of posting of bonds and payments of surface fee and royalties under the Mining Code
- Order 2/03, of 28 February 2003, of the Central Bank of Angola, which establishes the foreign exchange regime applicable to holders of mineral rights.

The Ministry of Mineral Resources and Petroleum (MMRP) and the Ministry of Finance and the Angolan Central Bank (BNA) are the main regulatory entities. The national concessionaire for rare metals and rare earth elements is Endiama E.P., and the national concessionaire for ferrous and non-ferrous metals, and strategic minerals (including rare earth minerals), is Ferrangol E.P. Endiama E.P. is the national concessionaire for diamonds.

Under the Angolan Constitution and the Mining Code, the state is the owner of all mineral resources,

and the state sets terms and conditions for their concession under exploration and mining rights. In lieu of this concession, the state is entitled to a minimum 10% shareholding in mineral projects. Further, this shareholding may be increased with any increase in the internal rate of return.

Exploration, evaluation and reconnaissance rights are granted for an initial period of up to 5 years and extended by successive 1-year periods up to a maximum of 7 years. If the seven-year period proves insufficient to prepare or complete a feasibility study, the holder of the mineral rights may apply for and be granted an exceptional 1-year extension.

Mining rights are granted for a period of up to 35 years (which includes the exploration and appraisal stage), extendable by one or more 10-year periods.

Holders of exploration licences or mining titles do not acquire surface rights in relation to the concession areas and access to privately owned land is on a contractual basis.

Angolan industrial tax is applicable at a rate of 25%, with income generated from the sale of strategic minerals attracting an additional 5% royalty tax levy.

During the exploration phase, a surface fee is payable to the state at a rate determined by the size of the concession area.

### 2.3.2 Project ownership

Pensana holds two Prospecting Licences and one Mining Licence in Angola through its holdings in subsidiary entities, Ozango Minerals S.A. (84%) and Coola Mining Lda (90%). Tenure details are presented in Table 2-1. The boundary coordinates for the Longonjo Mining Licence, Ozanga Prospecting Licence, and Coola Prospecting Licence are presented in Table 2-2, Table 2-3 and Table 2-4 respectively. Plans showing the licence locations are presented in Figure 2-5, Figure 2-6, and Figure 2-7.

#### **Ozango Minerals S.A. (Pensana-84%; Ferrangol EP10%; Minorities-6%)**

- Longonjo Mining licence (298/05/01/T.E./ANG-MIREMPET/2020), which covers a 21.2 km<sup>2</sup> area, was granted on 5 May 2020 for an initial period of 15 years (until May 2035) and renewable for up to 35 years for the mining of rare earth minerals.
- Ozango Prospecting licence (013/03/09T.P/ANG MGM/2015), which covers a land area of 3,670 km<sup>2</sup> immediately surrounding the mining licence. This prospecting licence was awarded in 2015, expires in November 2020 and has been the subject of the Company's activities to date for the prospecting of non-ferrous metals, precious metals, rare earth minerals, and non-metallic minerals.

#### **Coola Mining Lda (Pensana 90%; Minorities 10%)**

- Prospecting licence (059/02/01T.P/ANG/MIREMPET/2020), which covers a land area of 7,456 km<sup>2</sup>, was granted on 24 March 2020 for an initial period of 2 years renewable up to 7 years for the prospecting of non-ferrous metals, precious metals, rare earth minerals, and non-metallic minerals.

The Company also holds interests in Tanzanian mineral assets, which are currently in the process of disposal by the Company. The Tanzanian mineral assets are not assessed in the CPR.

**Table 2-1: Tenure details**

| Licence                          | Name        | Holder               | Pensana interest (%) | Grant date | Expiry date | Licence area (km <sup>2</sup> ) | Minimum expenditure |
|----------------------------------|-------------|----------------------|----------------------|------------|-------------|---------------------------------|---------------------|
| 298/05/01/T.E./ANG-MIREMPET/2020 | Longonjo ML | Ozango Minerais S.A. | 84                   | 05/05/2020 | 05/05/35    | 21.2                            | N/A                 |

|                                     |              |                         |    |            |            |       |     |
|-------------------------------------|--------------|-------------------------|----|------------|------------|-------|-----|
| 013/03/09T.P/ANG<br>MGM/2015        | Ozango<br>PL | Ozango<br>Minerais S.A. | 84 | 03/11/2015 | 03/11/2020 | 3,670 | N/A |
| 059/02/01/T.P/ANG-<br>MIREMPET/2020 | Coola PL     | Coola Mining<br>LDA     | 90 | 24/03/2020 | 24/03/2027 | 7,456 | N/A |

**Table 2-2: Longonjo Mining Licence coordinates**

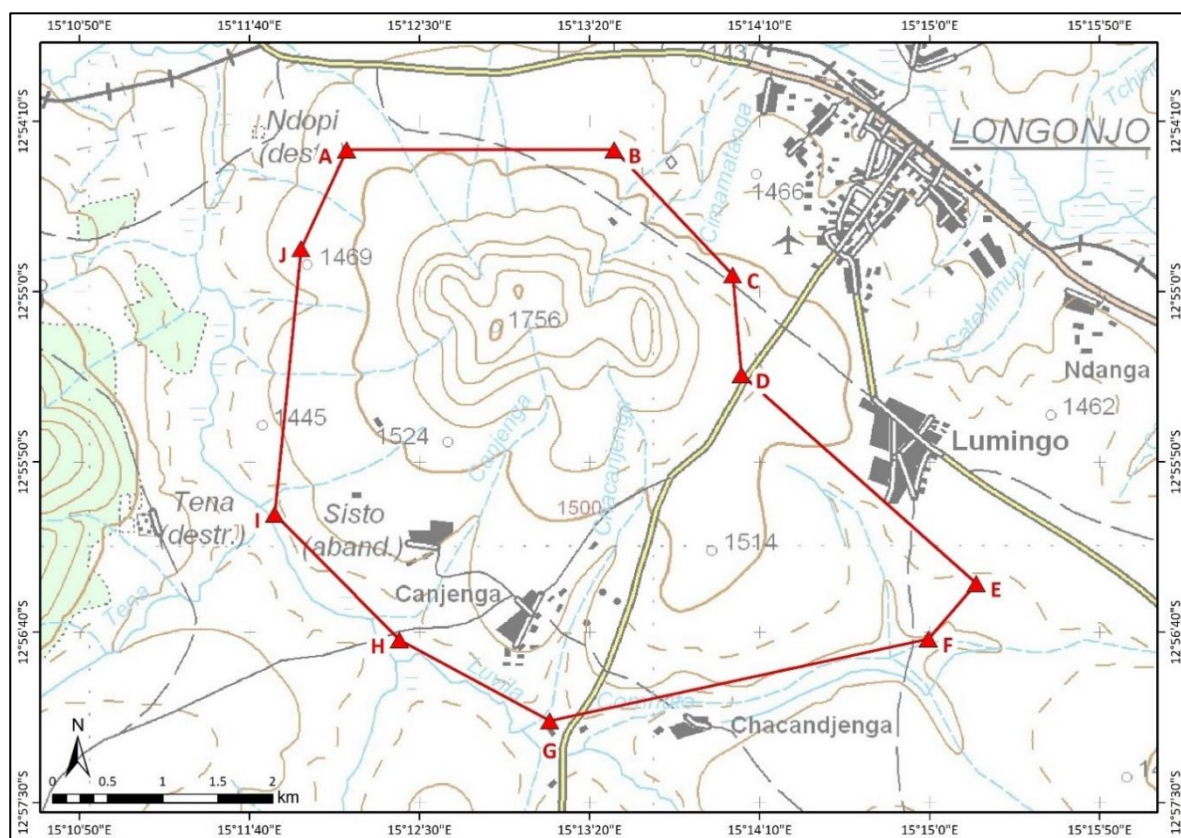
| Corner | Longitude        | Latitude          | Easting (UTM) | Northing (UTM) |
|--------|------------------|-------------------|---------------|----------------|
| A      | 15° 12' 8.5782"  | -12° 54' 18.3666" | 521,955       | 8,573,350      |
| B      | 15° 13' 27.2238" | -12° 54' 18.3024" | 524,325       | 8,573,350      |
| C      | 15° 14' 2.1042"  | -12° 54' 55.0578" | 525,375       | 8,572,220      |
| D      | 15° 14' 4.6212"  | -12° 55' 24.3552" | 525,450       | 8,571,320      |
| E      | 15° 15' 13.7124" | -12° 56' 25.6524" | 527,530       | 8,569,435      |
| F      | 15° 14' 59.622"  | -12° 56' 41.9418" | 527,105       | 8,568,935      |
| G      | 15° 13' 8.292"   | -12° 57' 5.9688"  | 523,750       | 8,568,200      |
| H      | 15° 12' 24.1266" | -12° 56' 42.2406" | 522,420       | 8,568,930      |
| I      | 15° 11' 47.421"  | -12° 56' 5.3232"  | 521,315       | 8,570,065      |
| J      | 15° 11' 55.161"  | -12° 54' 47.3502" | 521,550       | 8,572,460      |

**Table 2-3: Ozango Prospecting Licence coordinates**

| Corner | Longitude   | Latitude     | Easting (UTM) | Northing (UTM) |
|--------|-------------|--------------|---------------|----------------|
| A      | 14° 45' 00" | -13° 15' 00" | 472,917       | 8,535,204      |
| B      | 14° 45' 00" | -12° 50' 00" | 472,872       | 8,581,282      |
| C      | 15° 40' 00" | -12° 50' 00" | 572,344       | 8,581,202      |
| D      | 15° 40' 00" | -13° 05' 00" | 572,272       | 8,553,554      |
| E      | 15° 15' 00" | -13° 05' 00" | 527,101       | 8,553,635      |
| F      | 15° 15' 00" | -13° 15' 00" | 527,083       | 8,535,204      |

**Table 2-4: Coola Prospecting Licence coordinates**

| Corner | Longitude   | Latitude     | Easting (UTM) | Northing (UTM) |
|--------|-------------|--------------|---------------|----------------|
| A      | 14° 36' 00" | -12° 46' 00" | 456,583       | 8,588 634      |
| B      | 14° 36' 00" | -12° 6' 00"  | 456,472       | 8,662 357      |
| C      | 15° 31' 00" | -12° 6' 00"  | 556,224       | 8,662 335      |
| D      | 15° 31' 00" | -12° 46' 00" | 556,081       | 8,588 612      |

**Figure 2-5: Longonjo Mining Licence plan**

Source: Pensana Management Information



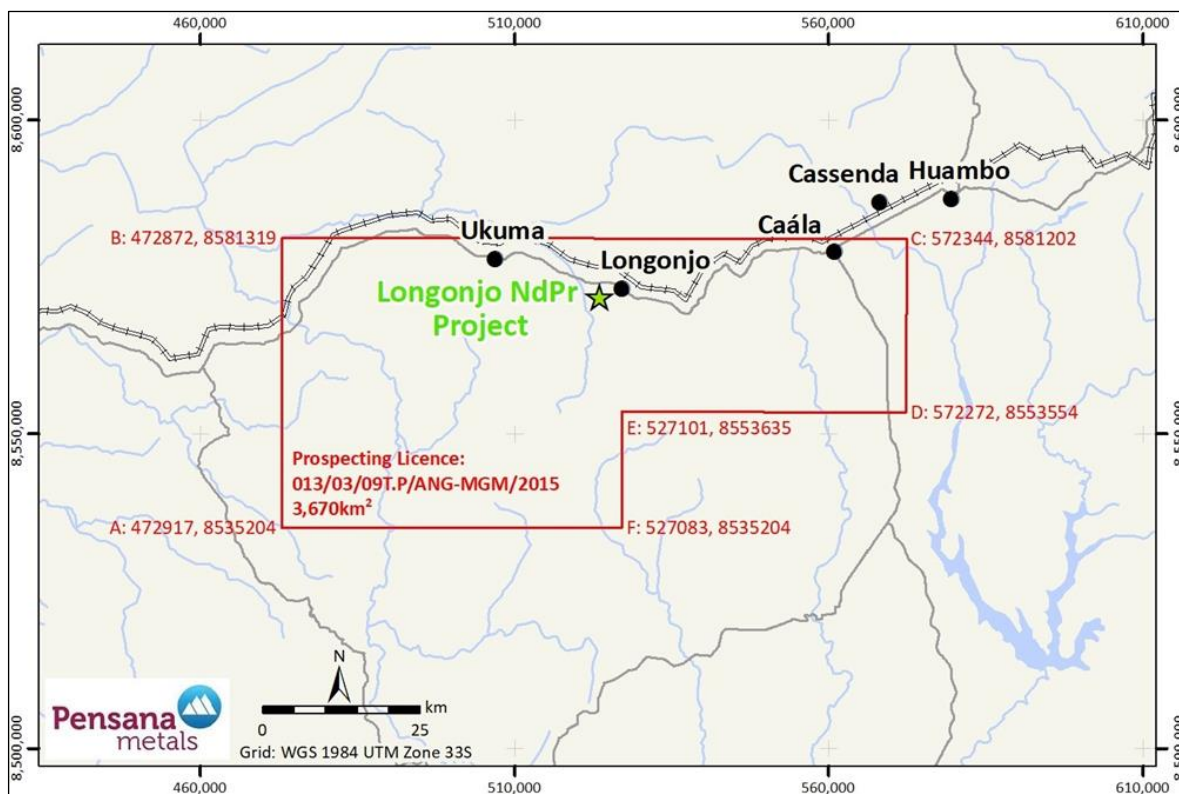


**Figure 2-6: Ozango Prospecting Licence plan**

Source: Pensana Management Information

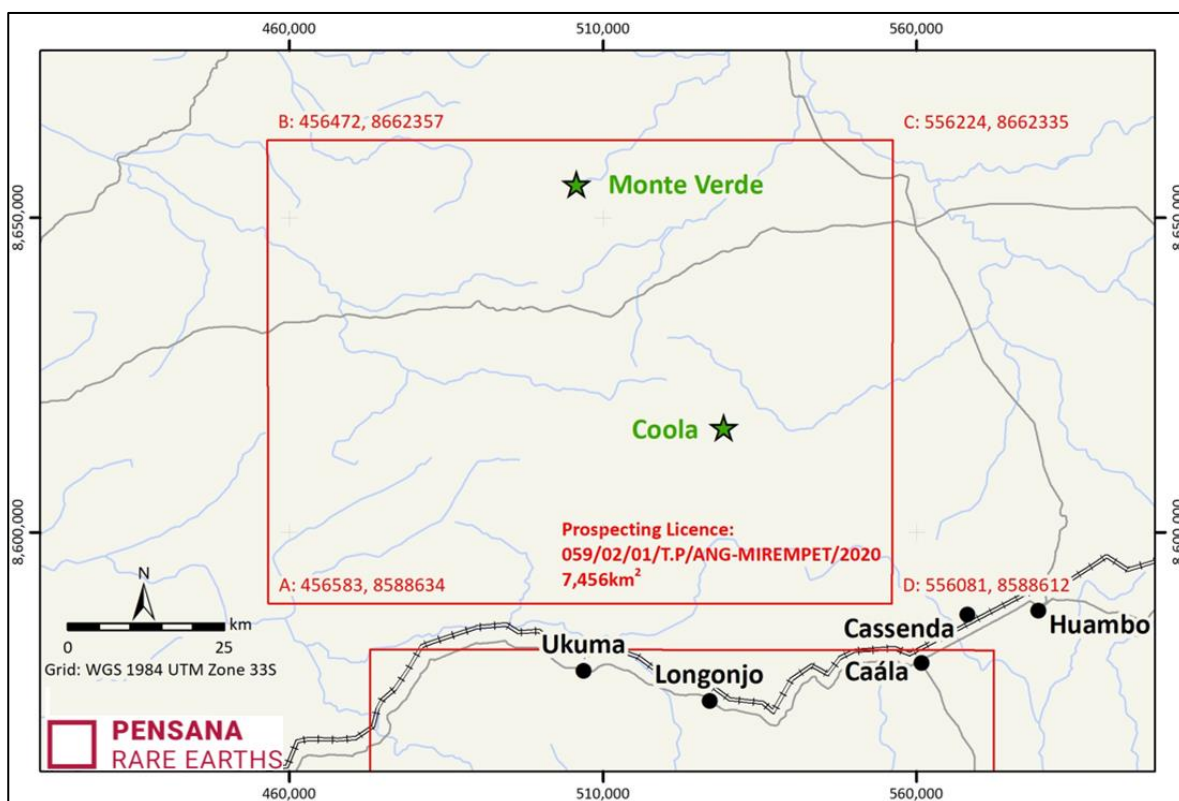


**Figure 2-7: Coola Prospecting Licence plan**

Source: Pensana Management Information

### 2.3.3 Environment, community and heritage

Angola requires that mining activities be developed in compliance with the existing legal framework on environmental impact assessment, as well as on waste management. The following legal and administrative documents are used to guide the preparation of an Environmental and Social Impact Statement (ESIA):

- Constitution of the Republic of Angola (Constituição da República de Angola, 2010 –particularly articles 21, 39 and 89)
- General Environmental Law (Law No. 5/98, of 19 June 1998)
- Decree on Environmental Impact Assessments (Decree No. 51/04, of 23 July 2004)
- Decree on Environmental Licensing (Decree No. 59/07, of 13 July 2007)
- Joint Executive Decree No. 130/09 of 29 November 2009, on environmental licensing taxes
- Executive Decree No. 87/12 on regulation for public consultations for projects subject to EIS
- Executive Decree on the Terms of Reference for the Elaboration of EIS (Executive Decree No. 92/12, of 1 March 2012)
- Regulation on Waste Management (Presidential Decree No. 190/12, of 24 August 2012).

The national and regional sector strategy and programs in the fields of environment and sustainable development, as well as the international instruments to which Angola has subscribed, include:

- the Rio Convention on Biodiversity 1992
- the Montreal Cartagena Protocol on Biosafety to the Convention on Biological Diversity 2003
- Agenda 21
- the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal 1989.

Pensana has appointed HCV Africa to conduct the international (bankable) ESIA, while Angola-based consultancy Grupo Simples has been appointed to conduct the regulatory ESIA. To date, dry- and wet-season flora and fauna baseline surveys have been completed.

### 2.3.4 Longonjo Project history

In 2005, Aurum Exploration Limited undertook prospecting for kimberlites on the wider licence area for Kassai Diamonds Plc. In 2006, Glenvale Associates Ltd, a joint venture company between Petro-African Energy and CityView Corporation Limited (ASX: CVI), engaged the services of Aurum Exploration Ltd to plan, supervise and implement exploration activities on the wider licence area, concentrating mainly on the Cassenha Hill copper prospect 50 km to the southwest of Longonjo. Glenvale was acquired by Fortitude Minerals Limited (Belize) in 2008. Sable Minerals Pty Ltd acquired the Longonjo property after Fortitude Minerals Limited.

In 2014, Rift Valley Resources Ltd (RVR; the former name of Pensana) acquired 100% of Sable Minerals Pty Ltd, which gave RVR 70% ownership of the Prospecting Licence (009/01/07T.P/ANG-MGMI/2011), with the remaining 30% held by the Angolan State and Nationals. In November 2014, a Mining and Investment Contract (MIC) was executed between the 70% owned Angolan company, Ozango, and Ferrangol E.P., an Angolan state-owned enterprise. Ozango was granted the rights to up to seven years of exploration for a suite of minerals including base and precious metals and rare earths. In February 2015, the Hon. Minister of Geology and Mines approved the MIC.

The initial focus of RVR was the evaluation of the historical copper–(gold) mineralisation and underground workings at Cassenha Hill, as well as regional early-stage exploration for gold and base metals throughout the large licence area. The Longonjo Carbonatite and its potential for rare



earth mineralisation had been recognised by previous workers, but RVR was the first company to drill test the carbonatite and announced the first Mineral Resource estimate for the Project in September 2017 after the completion of short programs of rotary air blast (RAB) drilling and diamond drilling (DD) in 2014 and 2017, respectively.

The early results led Pensana to focus solely on the Longonjo Project and its prospectivity for the rare earth elements neodymium and praseodymium from May 2018. The Cassenha Hill exploration camp base was moved to Longonjo and expanded in July 2018, and Pensana has continued its technical evaluation of the Project since that time.

## 3 Longonjo Geology and Mineralisation

### 3.1 Overview

The following description of the Project geology is summarised from a geology report provided by Pensana, which advised that it is largely based on a technical memorandum written by Dr Walter Witt (*Results of Geological Mapping, Longonjo, Angola, August 2018*), with additional observations made from later geological reconnaissance, drilling completed since that date, and interpretations by Mr Dave Hammond, Chief Operating Officer – Pensana.

The Longonjo Carbonatite is located within the northeast-oriented Lucapa Lineament of central Angola. Longonjo is a Cretaceous age, sub-circular diatreme, approximately 2.5 km in diameter, which is intruded into Neoproterozoic granitic rocks (Figure 3-1). NdPr mineralisation is widespread across the carbonatite.

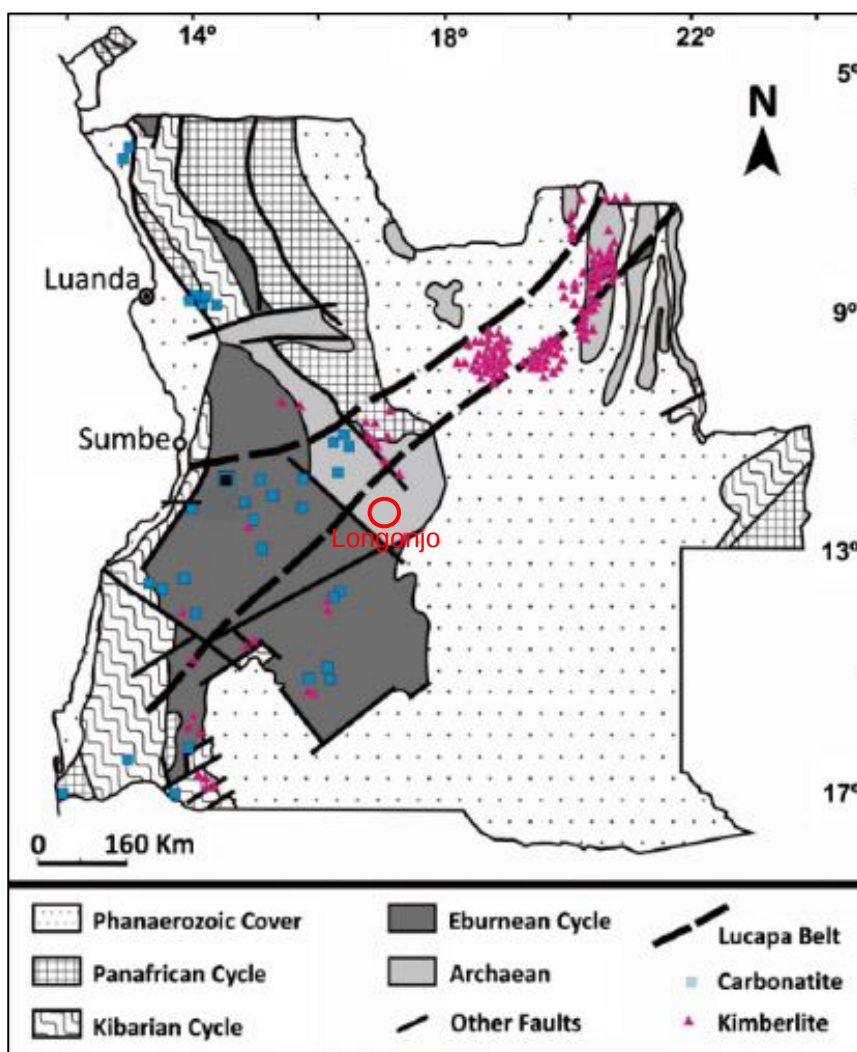


**Figure 3-1: Simplified geological map of Angola showing the Lucapa Belt**

Source: After Campeny et al., 2014

A horseshoe-shaped ring of hills surrounds much of the carbonatite and consists of more resistant potassic and sodic altered granitic country rocks (fenite) and carbonatite ring dykes. High-level explosion breccia of mixed carbonatite and fenite clasts form the bulk of the carbonatite body, with ring dykes and carbonate plugs cutting and intruding the northern and southern margins of the carbonatite and surrounding fenite.

An outcrop map of the Longonjo Carbonatite is shown in Figure 3-2. The overall form of the carbonatite complex at Longonjo is that of a diatreme, defined by the (modified) circular shape, extensive and diverse breccias, and comparison with other carbonatites in the nearby northeast-trending Lucapa (rift) structure (Campeny et al., 2014). The diatreme is interpreted to have been tilted towards the south, resulting in i) breaching of the northern fenite ring by younger carbonatite intrusions or pipes, ii) preservation of a high-level carbonatite lava dome in the south, and iii) a mass debris flow (landslide) sourced in the northern diatreme margin and having an arc-shaped termination in the central diatreme area.

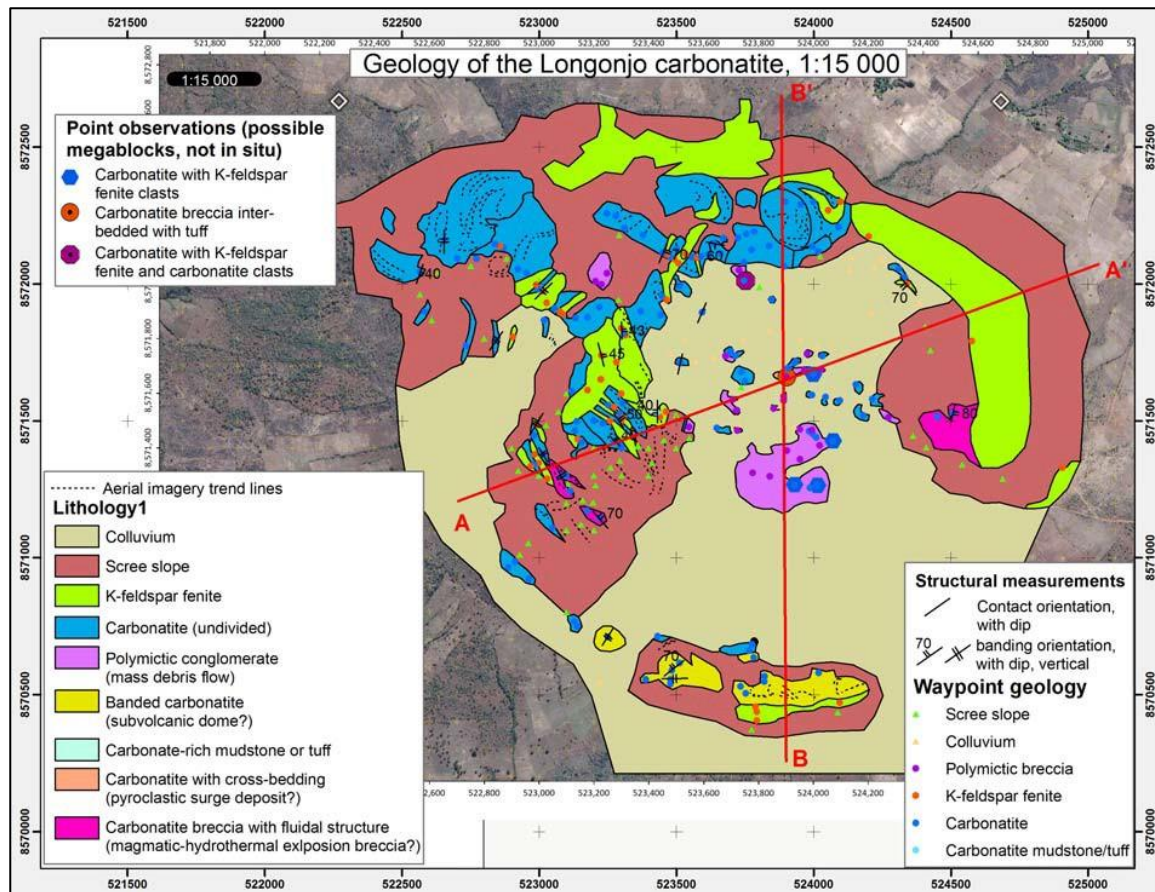


**Figure 3-2: Geological map of the Longonjo carbonatite diatreme**

Source: Pensana Management Information

NdPr rare earth mineralisation is particularly enriched in the weathered zone of the carbonatite and in the locally transported overlying colluvium. Weathering processes have removed the original carbonatite minerals, leaving a residually enriched, ferruginous mineralised zone typically ranging in thickness from 10 m to 75 m above a gently undulating karstic surface. Mineralisation also occurs in fresh rock within a north–south oriented central zone and within peripheral carbonatite ring dykes.

### 3.2 Major carbonatite lithologies

Scree slopes surround the large outcrops on steep gradients where gravity-related processes are dominant. Such slopes are generally uncultivated and comprise a chaotic mix of soil and exotic blocks of basement lithologies that range up to several metres in size (mega-blocks). Much of the central carbonatite is covered in unconsolidated soil, pisolithic gravel and rock debris.

The transition from scree slope to colluvium is coincident with a shallowing of topographic gradient. Agricultural activities, mainly cropping, including ploughing, are widespread on colluvium.

Large units of K-feldspar-rich fenite form ridges on the eastern and western margins of the diatreme and, together with smaller units in the north, form a circular structure that has been breached in the south. Aegirine and biotite have been observed locally, but the modal composition of this rock type is dominated by coarse-grained K-feldspar, commonly stained pink by hematite dust. Most fenite units contain a minor component of carbonatite but the eastern and western ridges are relatively pure fenite.

Most carbonatite units shown in Figure 3-2 are mapped as undivided carbonatite. The igneous mineralogy of the carbonatites has not been interpreted in detail, and is complicated by the production of calcite as a by-product of weathering. However, the brown colour (iron oxides) produced by weathering of magmatic carbonate suggests that the carbonates are ferroan (ferroan dolomite, ankerite and siderite), all of which have been recorded by x-ray diffraction (XRD) and mineral liberation analysis (MLA) of drill samples. Accessory minerals observed in the field are very irregularly distributed and comprise mainly specular hematite after magnetite, and a white translucent mineral, possibly barite.

Inclusions of K-feldspar fenite are very common and can form up to 50% of the outcrop, though most outcrops have <30% fenite inclusions. Multiple intrusive episodes of carbonatite can be deduced from sharp contacts between intrusions with contrasting amounts of fenite inclusions. Most commonly, the fenite inclusions are angular to sub-rounded blocks up to about 1 m, but elongate to 'streaky' inclusions also occur. These probably form by *lit-par-lit* replacement or intrusion of carbonatite into banded fenite.

Figure 3-3 presents a simplified geological map derived from outcrop mapping and drilling that illustrates the fenite ring surrounding the carbonatite proper, which also contains additional fenitic bands and fenite-dominated breccias. The map also shows the drilling completed to August 2019 on which the revised Mineral Resource described in this report is based. A schematic cross section showing the location, styles and typical grades of NdPr rare earth mineralisation at Longonjo is presented in Figure 3-4.

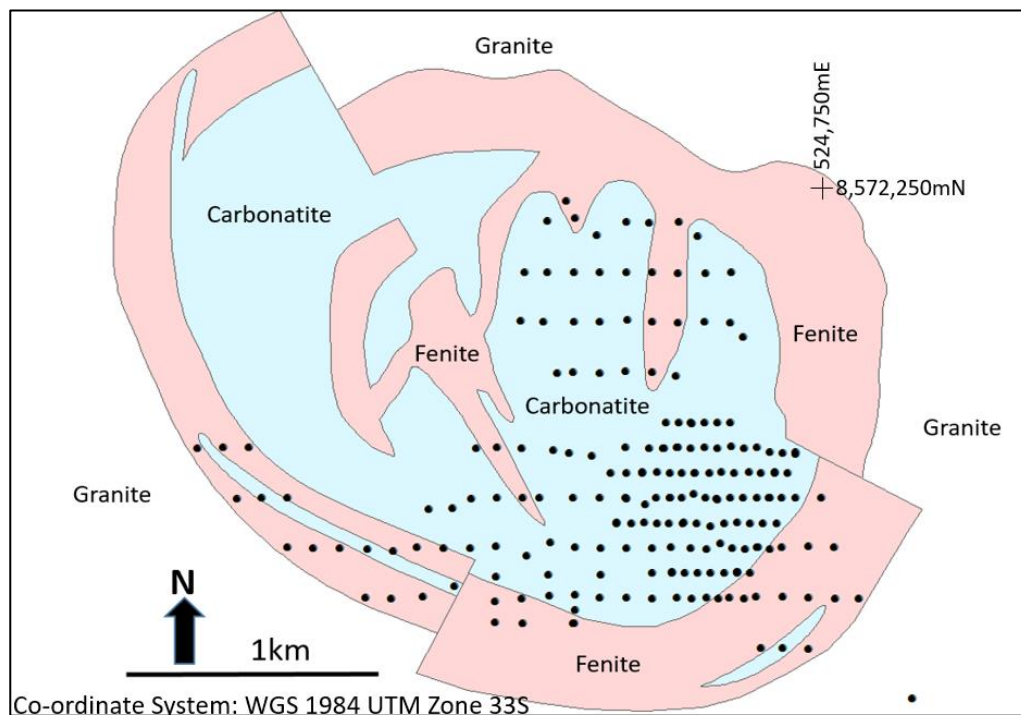


**Figure 3-3: Simplified geological map of the Project with drilling as of August 2019**

Source: Pensana Management Information



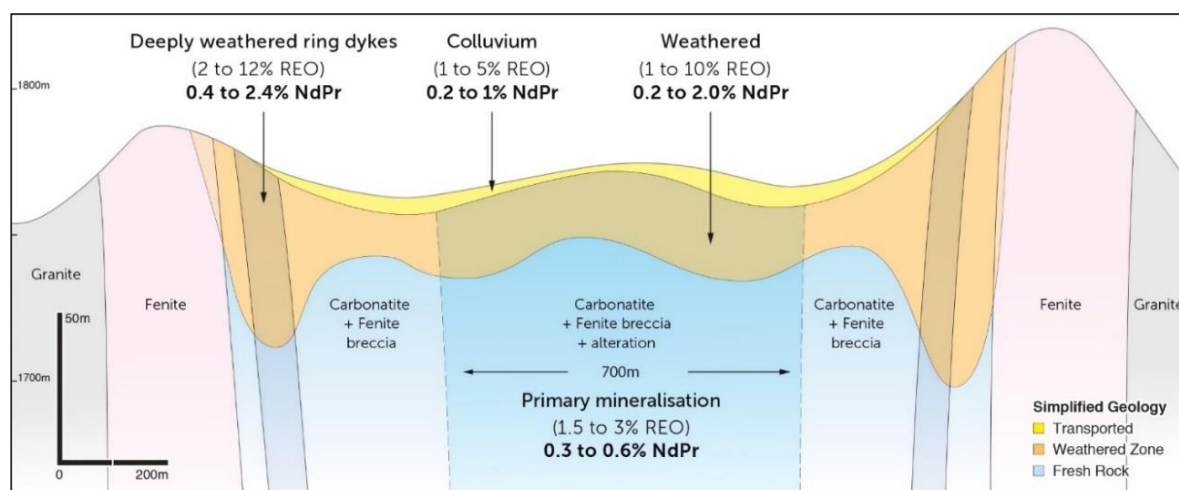


**Figure 3-4: Schematic east-west cross section**

Source: Pensana Management Information

The northern half of the diatreme is topographically elevated and retains a higher-level geological sequence compared to the south. Isolated blocks of carbonatite breccia and tuff with cross-bedding have been identified (Figure 3-5d). These are interpreted as exotic mega-blocks that form part of a mass debris flow (see polymictic conglomerate, below) derived from the northern margin of the diatreme. Cross-bedded pyroclastic rocks are diagnostic of pyroclastic surge and most likely originated from a proximal vent setting within the tuff ring that surrounds most diatremes (Sillitoe and Bonham-Carter, 1984). Other mega-blocks derived from the tuff ring facies are also represented by layered breccia and tuff (Figure 3-5f), with apparent soft-sediment deformation features at contacts.

Exposures of polymictic conglomerate are widely distributed through the northern half of the diatreme pipe. The best and most continuous outcrops form a broad arc that extends from west to east across the centre of the diatreme. These are matrix-supported breccias with a slightly sandy or gritty, though predominantly carbonate-rich, matrix. Clasts are angular and range up to at least tens of centimetres, and include carbonatite, K-feldspar fenite, specular hematite after magnetite, and quartzite. A typical feature of this unit is the presence of hollow clasts formed by a resistant rim of K-feldspar. The origin of these is uncertain but they may be related to pelletal features that are documented to exist elsewhere in Angolan carbonatites (Campeny et al., 2014). The characteristics of the polymictic breccia are interpreted as having been deposited by a mass debris flow, such as a landslide. Indeed, viewed from afar (e.g. from the church ruins on the eastern fenite ridge), the overall humped but elongated nature of the landslide deposit is still discernible. Irregular bodies of goethitic saprock after carbonatite within the polymictic conglomerate are interpreted as intrusions into the debris flow. Some irregular contacts between the carbonatite intrusions and the conglomerate host rock suggest a peperitic origin (i.e. emplacement of the carbonatite magma into wet, unconsolidated sediments).

Strongly banded carbonatite is exposed around the southern margin of the diatreme pipe. The banding is defined by alternating layers of goethite-rich and hematite-rich iron oxides, and can be extremely contorted and locally forms sheath folds. The banding appears to have been formed by viscous flow (*c.f.* pahoehoe or 'ropy' lava) but the banding has an overall steep to subvertical attitude, incompatible with a lava flow or pyroclastic rock. The implied high viscosity and the steep interpreted flow banding suggest this unit is possibly a near-surface lava dome.

Images showing several features of the Longonjo carbonatite are presented in Figure 3-5, with a description of each feature presented below the figure.

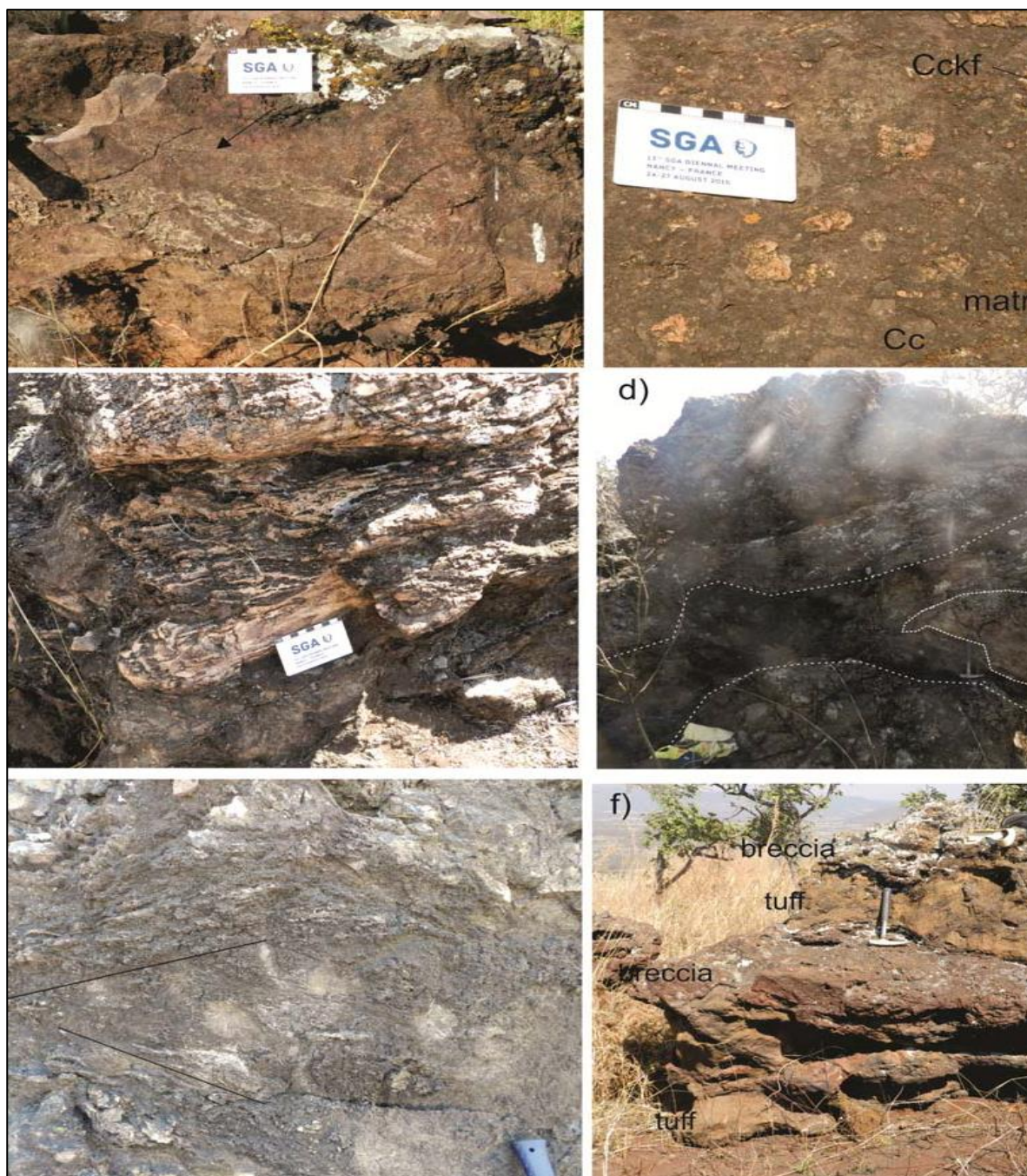


**Figure 3-5: Examples of Longonjo carbonatite**

- a. Fluidal structure in carbonatite breccia defined by alignment of elongated fenite clasts and trains of comminuted fenite (arrowed), waypoint 307
- b. Magmatic–hydrothermal explosion breccia with clasts of carbonatite and K-feldspar fenite, waypoint 307
- c. Finely laminated carbonatite mudstone or tuff, waypoint 240
- d. Mega-block of breccia above and below central layer of tuff containing large clast of K-feldspar fenite, waypoint 167
- e. Cross-bedding in tuff layer of photo d) indicating a pyroclastic surge origin
- f. Mega-block with alternating layers of carbonatite breccia and carbonatite tuff, waypoint 158 – Cc carbonatite and Cckf K-feldspar fenite.



### 3.3 Weathered zone

The weathered zone at Longonjo has particular significance as the highest grades of NdPr rare earth mineralisation occur within the saprolite over mineralised fresh carbonatite, as well as in the associated overlying, locally transported and often pisolitic colluvium.

The saprolite is ferruginous and leached of the carbonate minerals that form most of the primary rock, thereby residually enriching the rare earth mineralisation. The absence of carbonate minerals is a beneficial factor in the metallurgical process, as a mineral concentrate can be diluted by carbonate minerals that often follow the rare earth minerals in the beneficiation process. Downstream leach processes are also made less efficient by the presence of acid consuming carbonate (and apatite) minerals.

An image showing the depth of weathering contours is presented in Figure 3-6. The distribution of higher-grade NdPr rare earth mineralisation that has resulted from the enrichment process reflects to some degree the depth of weathering as shown in Figure 3-7 and Figure 3-8. The primary bedrock source adds further controls to the distribution of mineralisation in the regolith.

A set of Project-specific logging codes has been developed for the regolith. The saprolite is subdivided according to the dominant iron oxide minerals, manganese, and the amount of weathered silicate minerals. The highest NdPr and REO grades occur within black manganese-rich saprolite. Images of typical iron-rich and manganese-rich saprolite material are presented in Figure 3-9.

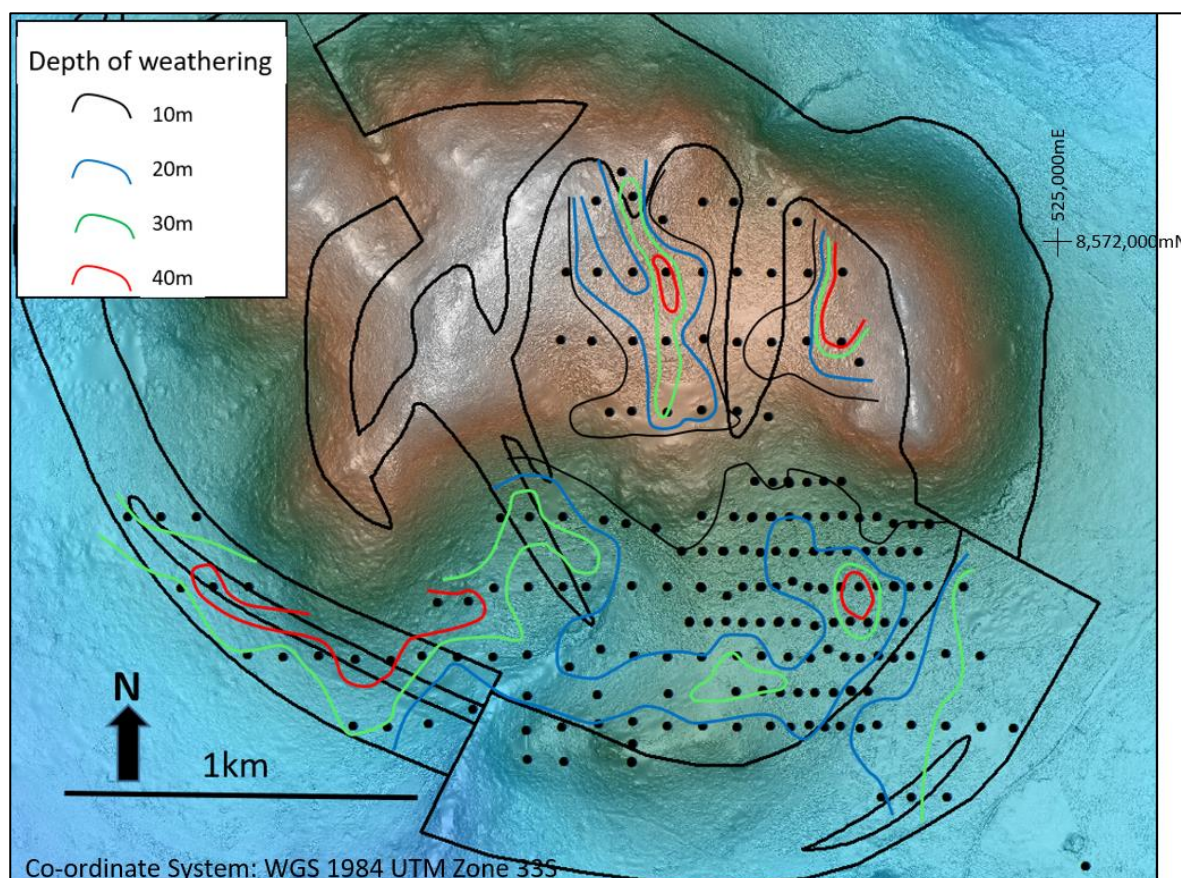


**Figure 3-6: Depth of weathering contours over topographic image**

Note: Drilling as at August 2019 shown

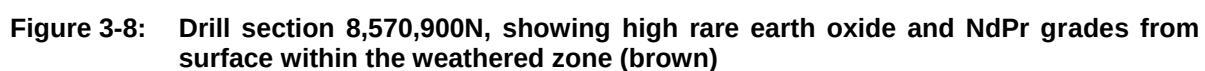
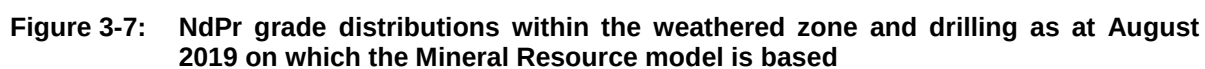






**Figure 3-9: Examples of mineralised saprolite material**

Notes: Left, iron-rich; right, manganese-rich

### 3.3.1 Mineralogy of the weathered zone mineralisation

Mineralogical testwork consisting of XRD with scanning electron microscope SEM analysis by Dr Roger Townend and 'QEMSCAN' style MLA by ALS Brisbane has been completed on a range of samples. Most of these were from the weathered zone NdPr mineralisation that is planned for initial development. Additional mineralogical tests have been completed on composite samples prepared for metallurgical development testwork.

The 28 MLA-tested samples represent 10 m composites sourced from single RC or DD holes, and selected from the main mineralised intersection in each drill hole. The results are summarised in a technical note entitled 'Mineralogical Summary of the weathered zone mineralisation at Longonjo' (M Haden, 2019). Results to date indicate that NdPr mineralisation is hosted predominantly within the hydrated monazite mineral rhabdophane, with subordinate bastnaesite and synchesite in some areas, and a range of other rare earth-hosting minerals forming a relatively minor constituent in some holes. A summary of the main NdPr host minerals in the weathered zone is presented in Table 3-1. Examples of MLA scans of rhabdophane (hydrated monazite) and some grains of mixed monazite–bastnaesite from LRC068 are shown in Figure 3-10.

In plan view, the NdPr concentrations define a central predominantly monazite-hosted NdPr zone with a peripheral arcuate mixed or bastnaesite-dominant zone around the southern contact of the carbonatite within the surrounding fenite (Figure 3-11).

A summary of the main gangue mineral groupings within this central (weathered) Main Monazite Zone is presented in Table 3-2

**Table 3-1: NdPr host minerals within the weathered main Monzonite zone**

| Mineral                         | Formulae                                                                                                                                                                                                                                                                                                          | Av % NdPr host |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Rhabdophane (hydrated Monazite) | $(\text{RE}, \text{Ca}, \text{Sr}, \text{Fe})\text{PO}_4 \cdot \text{H}_2\text{O}$                                                                                                                                                                                                                                | 76             |
| 'Mud-agglomerate'               | $\text{FeO}(\text{OH}) \cdot \text{AlO}(\text{OH}) \cdot (\text{Ba})\text{Mn}_8\text{O}_{16} \cdot (\text{Ce}, \text{La}, \text{Nd}, \text{Pr}, \text{Sm})\text{PO}_4 \cdot \text{K}_2\text{O} \cdot \text{CaO} \cdot \text{MgO} \cdot \text{SiO}_2 \cdot \text{SO}_4 \cdot \text{ZnO}$                           | 6.83           |
| Bastnaesite                     | $(\text{RE}, \text{Sr}, \text{Fe}, \text{Ca})\text{CO}_3(\text{F}, \text{OH}) \cdot \text{PO}_4$                                                                                                                                                                                                                  | 5.97           |
| Limonite                        | $\text{FeO}(\text{OH}) \cdot \text{AlO}(\text{OH}) \cdot (\text{Ba})\text{Mn}_8\text{O}_{16} \cdot (\text{Ce}, \text{La}, \text{Nd}, \text{Sm})\text{PO}_4 \cdot \text{K}_2\text{O} \cdot \text{MgO} \cdot \text{ZnO} \cdot \text{SiO}_2 \cdot \text{TiO}_2 \cdot \text{P}_2\text{O}_5 \cdot \text{SO}_4\text{S}$ | 4.08           |
| Crandallite                     | $(\text{Ba}, \text{Sr}, \text{Ca}, \text{RE})(\text{Al}, \text{Fe})_3(\text{PO}_4)(\text{PO}_3\text{OH})(\text{OH}, \text{F})_6$                                                                                                                                                                                  | 2.96           |
| Goyazite                        | $(\text{Sr}, \text{Ba}, \text{Ca}, \text{RE})(\text{Al}, \text{Fe})_3(\text{PO}_4, \text{SO}_4)(\text{PO}_3\text{OH})(\text{OH})_6$                                                                                                                                                                               | 2.50           |
| Cerianite                       | $(\text{RE}, \text{Fe}, \text{Mn})\text{O}_2$                                                                                                                                                                                                                                                                     | 0.88           |

| Mineral       | Formulae                                                                                                                                                       | Av % NdPr host |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Apatite       | $(\text{Ca}, \text{Sr}, \text{RE})_5(\text{PO}_4)_3(\text{F}, \text{OH})$                                                                                      | 0.52           |
| Synchesite    | $(\text{Ca}, \text{Sr})(\text{RE}, \text{Fe}, \text{Th})(\text{CO}_3)_2(\text{F}, \text{OH})$                                                                  | 0.19           |
| Pyrochlore    | $(\text{Zr}, \text{Ba}, \text{Sr}, \text{Pb}, \text{Y}, \text{Fe}, \text{Ce}, \text{La}, \text{Nd}, \text{Pr})_2(\text{Nb}, \text{Ti})_2\text{O}_6(\text{OH})$ | 0.06           |
| Churchite     | $\text{RE}(\text{PO}_4) \cdot 2\text{H}_2\text{O}$                                                                                                             | 0.02           |
| Daqingshanite | $(\text{Sr}, \text{Ca}, \text{Ba})_3(\text{RE})(\text{CO}_3)_3(\text{PO}_4)(\text{OH}, \text{F})_2$                                                            | 0.001          |
| Burbankite    | $(\text{Na}, \text{Ca})_3(\text{Sr}, \text{Ba}, \text{Ce})_3(\text{CO}_3)_5$                                                                                   | 0.0001         |

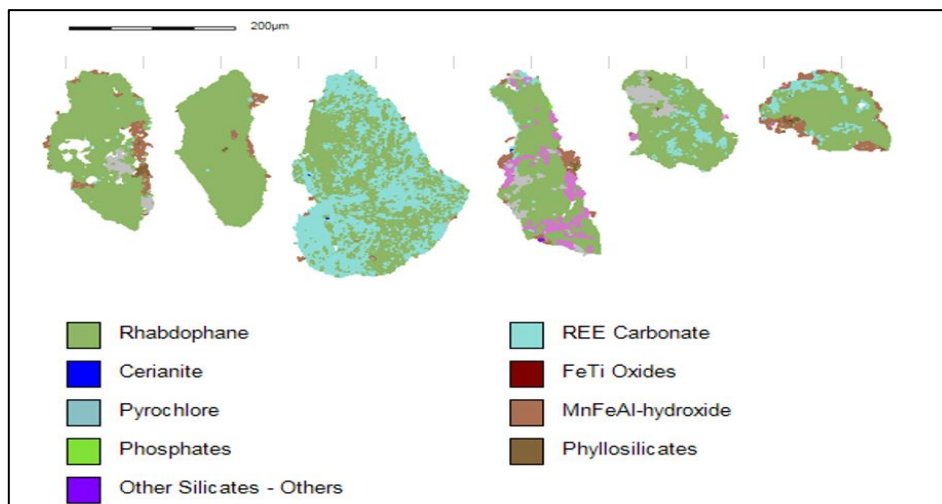


Figure 3-10: MLA scan examples of coarse-grained Monazite

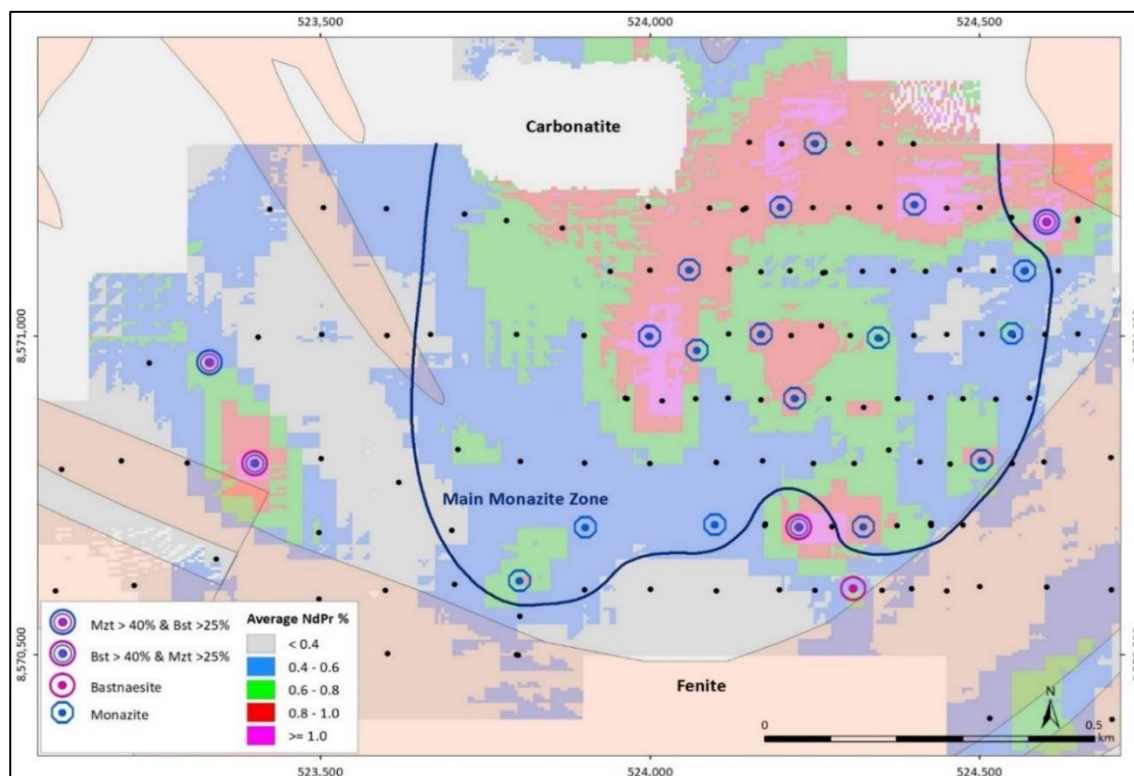


Figure 3-11: Summary map of the main NdPr host minerals in samples tested over the weathered main Monazite zone

The major gangue minerals are Iron hydroxide and the iron oxide-rich 'mud agglomerate', with a combined average concentration of 56%. Of the other common gangue mineral groupings, the phyllosilicates (mainly phlogopite and smectite with subordinate biotite) are next in order of abundance at 13.3%, followed by quartz and feldspar at 10.4% (mainly K-feldspar but quartz does reach 6% and more in some samples).

Sulphates and phosphates are next in abundance at a combined 8.5% average, with the most common individual minerals in the group being apatite, barite, and gorceixite.

Most samples are devoid of any carbonate minerals as a result of the strong weathering processes, but occasional remnant grains of mainly siderite occur in some samples.

The ore mineral rhabdophane is next in abundance in the samples tested, with an average concentration of 3.2%, followed by the minor mineral groupings shown in Table 3-1.

**Table 3-2: Major gangue mineral groupings within the main Monazite zone**

| Mineral Grouping                | Percentage  |
|---------------------------------|-------------|
| MnFeAl-hydroxide                | 34.5%       |
| Mud-agglomerate                 | 17.1%       |
| Phyllosilicates                 | 13.3%       |
| Quartz-Feldspar                 | 10.4%       |
| Sulphates-Phosphates            | 8.5%        |
| Carbonates                      | 4.9%        |
| Rhabdophane (Hydrated Monazite) | 3.2%        |
| Mn Oxides                       | 2.4%        |
| FeTi Oxides                     | 1.7%        |
| Crandallite Group               | 1.6%        |
| REE Carbonate                   | 1.6%        |
| Other Silicates                 | 0.4%        |
| Cerianite                       | 0.3%        |
| Pyrochlore                      | 0.1%        |
| Total                           | <b>100%</b> |

### 3.3.2 Geochemical variability of the weathered zone mineralisation

The drill samples were assayed for a total of 34 elements, which were also included in the Mineral Resource estimation block model. Geochemistry, combined with the mineralogical testwork results, is used as a proxy for both rare earth host and gangue mineralogy, to map variations in NdPr mineralisation and host rock lithology across the carbonatite.

Variations in both gangue and potential rare earth mineralogy are important due to their impact on the flotation process and composition of the final concentrate. Spatial variations in the geochemistry of NdPr mineralisation are imaged from the block model to assist in predicting variations in feed.

A study of the geochemical spatial variation of the 34 elements or equivalent oxides in weathered mineralisation above 0.2% NdPr has been completed and some illustrative examples are shown below. These plots were derived from the September 2019 resource model and show the average grade of selected analytes composited over the zone thickness and where NdPr exceeds 0.2%.

A summary of some observations is as follows:

- BaO is present largely as barite but also to a lesser extent within the manganese mineral hollandite. Low concentrations in the high NdPr grade central area where mining will commence are expected to reduce the barite pre-float requirements. Higher concentrations on the southern peripheries of the carbonatite coincide with arcuate carbonatite ring dykes. Markedly higher barite grades are observed in the northern part of the carbonatite.
- SiO<sub>2</sub>, together with other silicate mineral-bearing elements such as aluminium and potassium, can be used as useful litho-indicators to define areas of higher fenite bearing carbonatite – fenite breccia and the fenite rim and surrounding less altered granite, which has a higher SiO<sub>2</sub> content (the red area in the southwest). Note the co-incidence of low SiO<sub>2</sub> content with higher-grade NdPr mineralisation, which is predominantly hosted in the more carbonatite-dominated (low silicate, high iron) weathered lithologies.
- As well as the higher NdPr to TREO ratio mineralisation having a higher potential value in concentrate, individual rare earth ratios can indicate variable rare earth host mineral compositions. The high NdPr grade area in the centre of the carbonatite has a consistent NdPr to total REO ratio (blue, ~20%), supporting the consistent predominantly monazite rare earth host mineralogy in this Main Monazite Zone. NdPr mineralogy in the northern half of the carbonatite has a higher NdPr: REO ratio, (NdPr ~25% of TREO), with the southwestern peripheral zone of ring dykes being even higher with NdPr being 35% of TREO). Mineralogical tests still indicate monazite as the main rare earth mineral in this higher NdPr ratio mineralisation. Some mixed bastnaesite and monazite is present along the southern margins of the deposit, and some apatite-rich zones occur in the north-central zone and some bastnaesite in the west.

Analysis of other elemental distributions and ratios was observed to be similarly useful in defining the geology and mineralogy in both the weathered and fresh rock zones of the Longonjo Carbonatite.



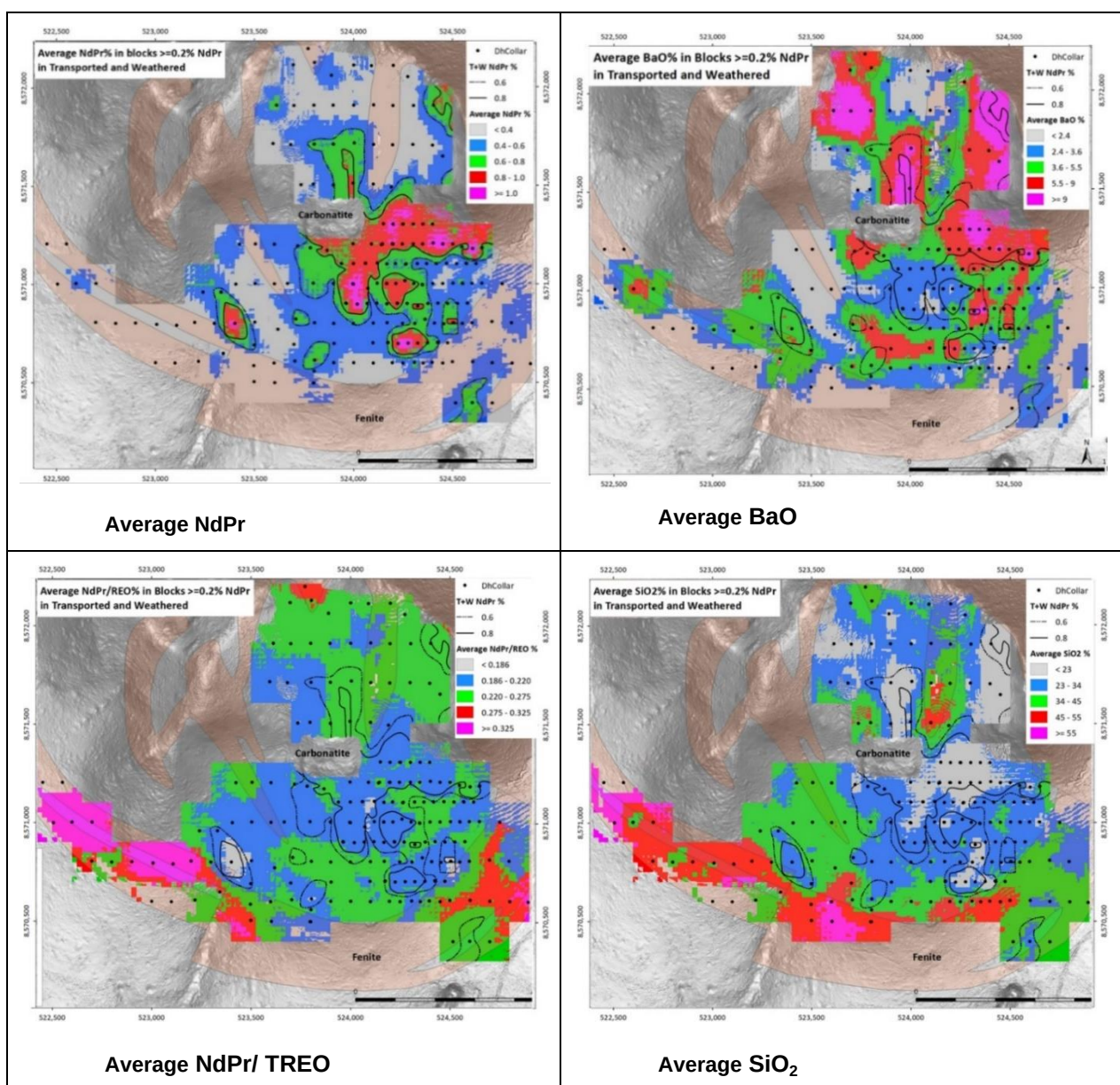


Figure 3-12: Geochemical variations in the weathered zone mineralisation (>0.2% NdPr)

### 3.4 Primary controls on NdPr rare earth mineralisation

In addition to the degree and depth of weathering, the ultimate source of the rare earth mineralisation is the underlying basement carbonatite-rich lithologies. Two primary controls can be observed:

- 1 A north–south mineralised structural corridor
- 2 Peripheral mineralised carbonatite ring dykes.

A consistent feature of the primary rare earth mineralisation in the central Mineral Resource area where DD has been completed is the replacement of aegirine fenite breccia by biotite fenite within carbonatite, probably under hydrothermal conditions (Figure 3-13). Late carbonate veins, probably also of hydrothermal origin, are also common in some intervals. The more uniform carbonatite intervals exhibit chilled margins and probably represent intrusions into the breccia.

The common presence of large fenite clasts within the carbonatite in this central area may indicate a component related to collapse of the fenitic diatreme margins. Intense hydrothermal activity, represented by biotite and carbonate, was probably caused by devolatilisation of an underlying

carbonatite intrusion.

Images showing examples of NdPr-rich breccias are presented in Figure 3-14, with a description of each (provided by Pensana) presented below the image.



**Figure 3-13: Biotite alteration rims and carbonatite veining around K-feldspar**

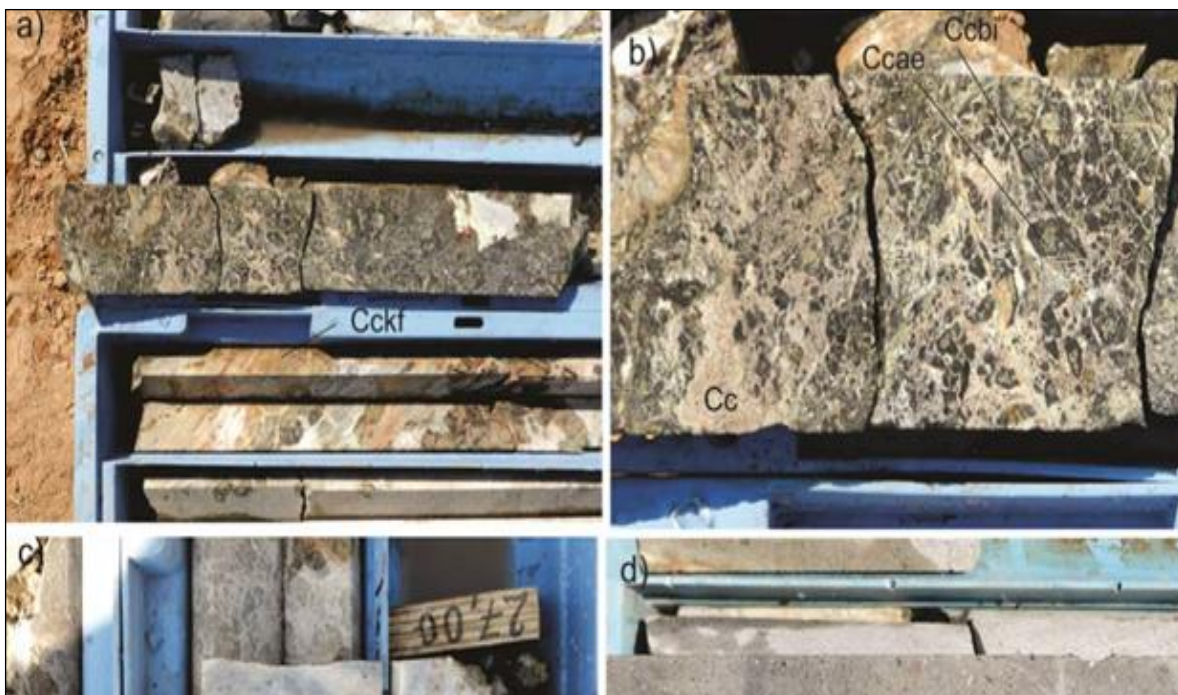


**Figure 3-14: Breccias containing NdPr mineralisation**

- Diverse clasts in (?collapsed) breccias
- Replacement of aegirine fenite by biotite fenite, and late-stage carbonate veins
- Chilled margin of carbonatite intrusion against breccia wallrock
- Fine-grained biotite-rich magmatic-hydrothermal explosion breccia.

### 3.5 SRK concluding remarks

Based on SRK's assessment of the exploration data, field observations, and discussions with Pensana staff, the geological interpretations and descriptions are considered to be reasonable and consistent with data and field observations. The descriptions of the geological setting and deposit characteristics presented by Pensana are consistent with the broadly accepted views within the



mining community of the regional geology and deposit style.

## 4 Longonjo Data Acquisition

### 4.1 Overview

The following sections present summaries of the main exploration and data collection activities that were conducted to investigate the NdPr mineralisation at the Project. These descriptions primarily focus on the programs used to acquire the data that were used for Mineral Resource estimation.

Pensana commenced an infill and extension drilling program in November 2019. None of the results from this program were available in time for inclusion in the August 2019 Mineral Resource estimates. This program has not yet been completed, but some of the interim results are discussed in Section 7.

### 4.2 Surface sampling and mapping

Between 2006 and 2016, geochemical surface sampling was conducted over the Longonjo area, resulting in the collection of a total of 1,258 geochemical samples, comprising 12 stream sediment samples, 167 rock chip samples, and 1,079 soil samples. These were used to identify REO soil anomaly targets for subsequent investigation by mapping and drilling (Figure 4-1).

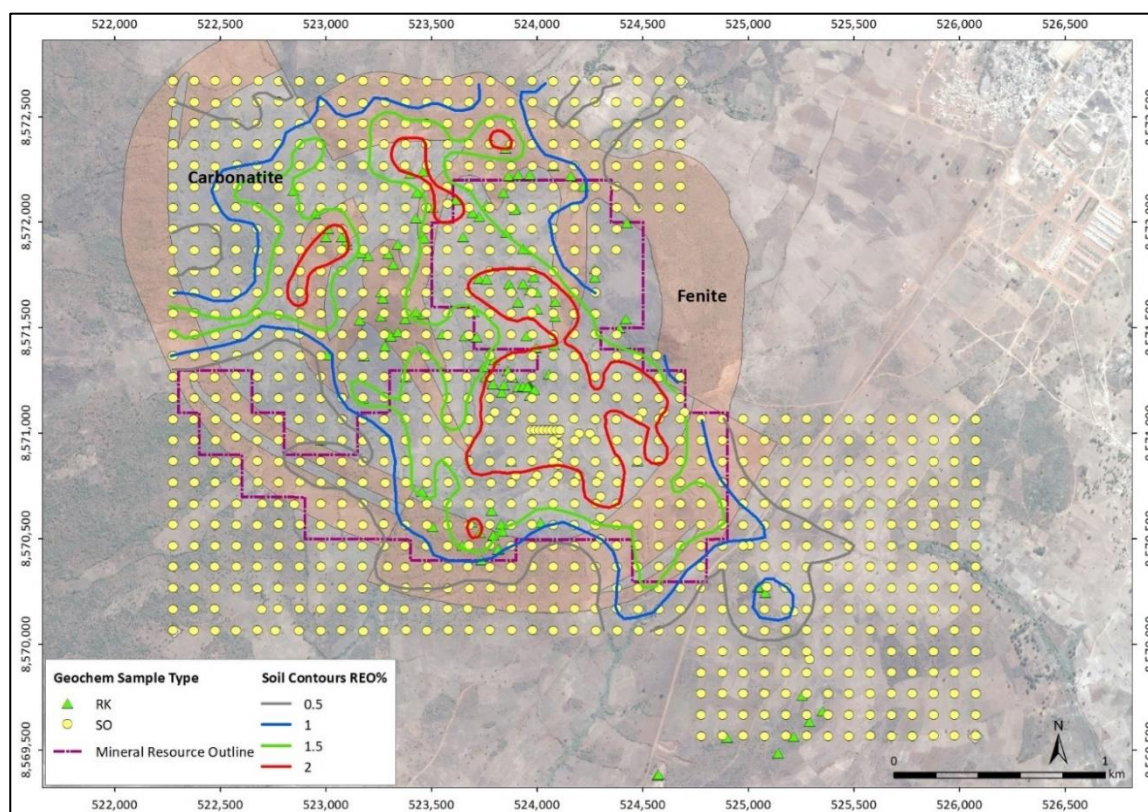


Figure 4-1: Soil sampling location plan and REO contours

### 4.3 Geophysical programs

In 2018, a ground penetrating radar (GPR) program was conducted over selected parts of the Project. The survey demonstrated that the weathering in the Mineral Resource area continued over large areas to the east, west and north. The GPR survey results correlated well with logged geology from diamond drilling (DD) in the Mineral Resource area (Figure 4-2). The geophysical profiles indicate a typically gently undulating interface of weathered to fresh rock in this karstic geological

environment. The results of the GPR survey were used to assist in the planning and prioritisation of targets in the 2018 reverse circulation (RC) drilling program. An example section showing the drill hole traces and base of weathering interpretation superimposed on the GPR data is presented in Figure 4-2.

In 2018, Pensana acquired high resolution satellite photographic imagery and topographic surface data over the entire carbonatite area. This dataset was used to prepare digital elevation models (DEMs), which were used for subsequent exploration, mineral resource estimation, and mine planning studies.

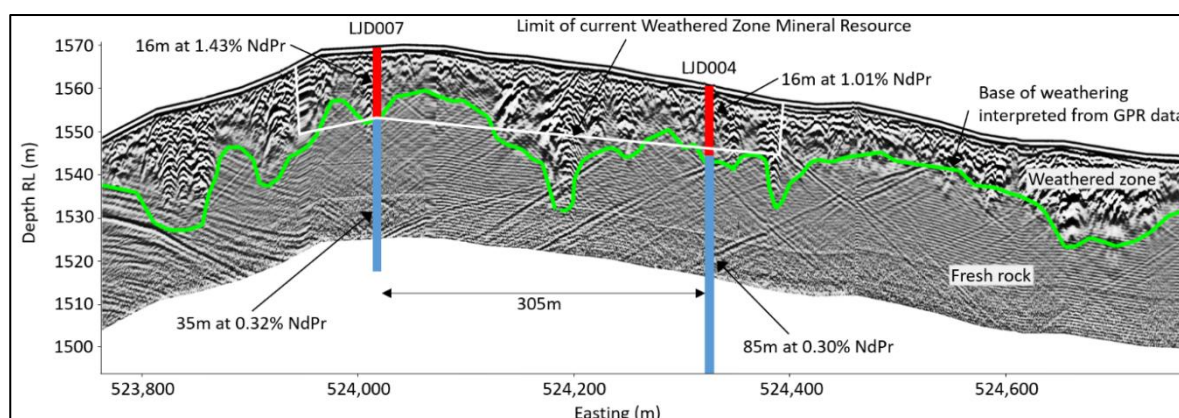


**Figure 4-2: Example GPR section**

## 4.4 Drilling and sampling

Mineral Resource estimates were prepared using data acquired from reverse circulation (RC) and DD drilling programs completed by Pensana from 2017 to May 2019. The database compiled for resource estimation also contains data derived from a rotary air blast (RAB) drilling program conducted in 2014. The RAB data were used to assist with the geological interpretation but were not used for grade estimation.

Summary descriptions of the major data collection activities are presented below. These summaries were prepared from more detailed descriptions of the data acquisition procedures and related field activities that are documented in Pensana's Longonjo Field Procedures report.

The DD and RAB drilling were confined to the central part of the Project, with a typical spacing of approximately 100 m. The 2018 RC drilling was conducted on 200 m east-west section lines using a nominal spacing of 200 m between sections and 100 m along section. The 2019 RC drilling infilled the previous RC drilling to a nominal spacing of 100 m between sections and 50 m along section over the central part of the Project targeted for feasibility studies. The 2019 DD holes were all twins of existing RC holes over the central part of the Project.

The drill quantities are summarised in Table 4-1. A drill hole collar plot is presented in Figure 4-3.

**Table 4-1: Resource estimation drill data summary**

| Hole type | Dates drilled        | Number of holes | Drilled metres | Typical depth (m) |
|-----------|----------------------|-----------------|----------------|-------------------|
| DD        | 2017                 | 10              | 655            | 50                |
| DD        | Apr-2019 to May-2019 | 17              | 481            | 30                |
| RC        | Aug-2018 to Nov-2018 | 108             | 4,208          | 45                |
| RC        | Feb-2019 to Mar-2019 | 66              | 2,032          | 30                |
| RAB       | 2014                 | 22              | 657            | 30                |





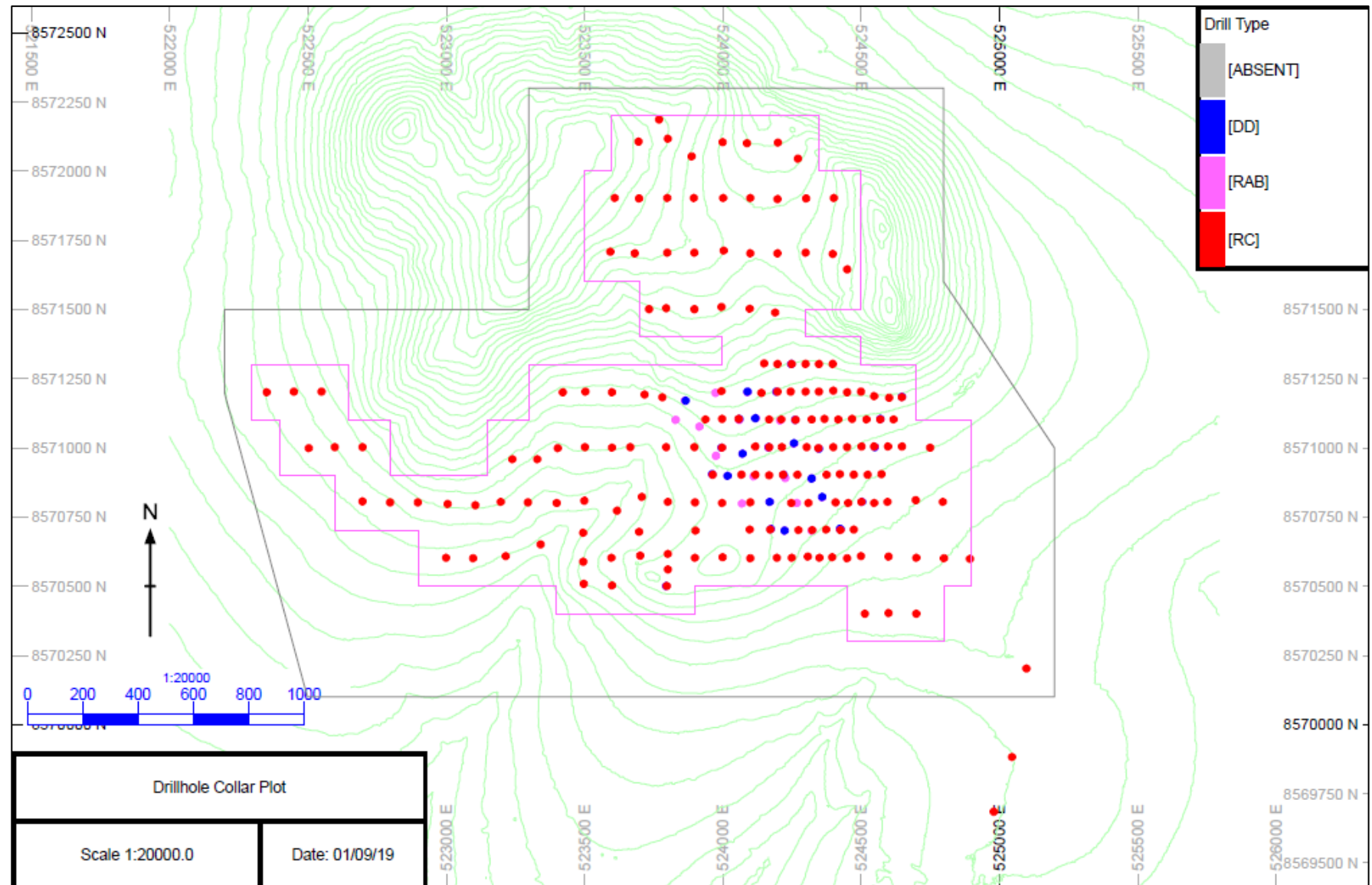


Figure 4-3: Longonjo

drill

hole

collar

plot

RC drilling was selected as the primary drilling technique due to its ability to cope with variably hard formations within the weathered profile. To improve sample recovery and quality, a 131 mm diameter bit was used, with a 'bladed bit' used for the first few metres (0–10 m on average, but in places up to 15 m) and then a 'face hammer sampling button bit' used to the end of hole.

DD drilling was undertaken using PQ3 diameter coring equipment, except for drill hole number LJD002, which was drilled to 51.85 m using PQ3 diameter equipment and then HQ3 diameter equipment for the final 48.6 m.

RAB drilling was carried out using a 114 mm blade bit size and 3 m rod lengths. Drilling continued until blade refusal or when the samples returned wet. The RAB geological logging data were used to assist in building the geological model, but assay data were not used to estimate the Mineral Resource.

DD core samples were collected over a nominal length of 2 m within lithological units and core runs. Quarter-core samples were submitted for sample preparation. The DD core samples were cut on site by an experienced field technician using a diamond saw blades. The less competent material, such as soil and weathered material, was quartered using a knife.

The RC samples were collected over 1 m intervals and a three-tier riffle splitter was used to obtain approximately 4 kg from each interval. The 1 m splits from contiguous 1 m samples were combined in the field to form 2 m composites, which were subsequently riffle split down to approximately 3–4 kg for assaying. All sample splitting was performed on dry samples. Wet samples were air-dried in a protected environment prior to sample splitting. Each drill hole was sampled over its entire length.

## 4.5 Sample recovery and geological logging

The DD core runs were marked and checked against the drillers' core blocks to ensure any loss was recorded. Triple-tube barrels were employed in the DD process to ensure maximum core recovery.

RC recoveries were monitored closely, recorded, and assessed regularly over the drilling program. Every 1 m sample from the rig was weighed and recorded for moisture content. The weigh scale was calibrated frequently. The RC sample weights were compared against expected weights derived from the drill diameter and observed geology.

Samples were geologically logged by trained geologists over the entire length of all holes. All relevant features such as lithology, mineralogy, weathering, structure, texture, grain-size, alteration, veining style and mineralisation were recorded in the geological log. All logging was quantitative. All diamond core trays and RC chip trays were photographed.

## 4.6 Sample preparation and assaying

The samples were prepared using conventional industry practices, which involved oven-drying the full 3–4 kg sample, splitting to a representative 1 kg sample, pulverising to 85% passing 75  $\mu$  and splitting to a representative sample pulp. The DD core samples were prepared by Nagrom (Perth) and the RC samples were prepared by Analabs (Windhoek). Nagrom is an accredited independent assay laboratory. All assaying was performed by Nagrom using laser ablation inductively coupled plasma mass spectrometry (LA ICP-MS).

The DD core test suite included the following analytes:

- Ag, Al, Ba, Be, Ca, Ce, Cu, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Li, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, Si, Sm, Sn, Sr, Ta, Tb, Th, Tm, U, W, Y, Yb, Zn, and Zr.

The RC sample test suite included the following analytes:

- Al, Ba, Ca, Ce, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, S, Si, Sm, Sr,

Ta, Tb, Th, Ti, Tm, U, Y, Yb, and Zn.

## 4.7 Bulk density testing

Bulk density tests were performed on a total of 231 samples sourced from 17 diamond core holes. The core samples were collected using PQ3 diameter coring equipment, and thus had a nominal diameter of 83.1 mm. Each core sample was approximately 200 mm in length. The tests were performed by estimating the volume of each sample from several calliper measurements of the length and diameter. Each sample was then weighed, oven-dried and then reweighed, with the wet and dry bulk densities and the moisture content estimated.

A geological log was prepared for each sample. Pensana used the logging codes to group the densities according to weathering and lithology, and a default density was defined for each major grouping. This generally equated to the dataset average. Several spurious values were identified and excluded from this assessment. A summary of the density data by weathering and lithology is presented in Table 4-2.

It was observed that, for approximately one third of the samples, the average measured core diameter exceeded the nominal PQ3 diameter (83.1 mm) by at least 1 mm. Most of these samples were acquired from the oxide domain, and it is possible that the clays had swelled after removal from the triple tube barrels (Figure 4-4). This could result in under-reporting of the dry bulk density. SRK estimates that this may result in under-reporting of Oxide tonnages by approximately 3%.

**Table 4-2: Dry bulk density test data summary**

| Weathering + Lithology | Dry in situ bulk density |      |      |         |          |
|------------------------|--------------------------|------|------|---------|----------|
|                        | Count                    | Min. | Max. | Average | Std Dev. |
| TSOIL                  | 17                       | 1.17 | 1.81 | 1.53    | 0.16     |
| SPC.CF                 | 17                       | 1.05 | 1.83 | 1.47    | 0.22     |
| SPC.CF+CC              | 3                        | 1.20 | 1.44 | 1.35    | 0.13     |
| SPOC.CC                | 13                       | 1.11 | 2.16 | 1.44    | 0.26     |
| SPOC.CF                | 3                        | 1.42 | 1.69 | 1.52    | 0.15     |
| SPOC.CF+CC             | 10                       | 1.09 | 1.70 | 1.37    | 0.22     |
| SPOF.CC                | 44                       | 0.81 | 2.03 | 1.32    | 0.25     |
| SPOF.CC+CF             | 5                        | 1.06 | 1.72 | 1.35    | 0.28     |
| SPOG.CC                | 4                        | 1.40 | 1.53 | 1.44    | 0.06     |
| SPOG.CC+CF             | 1                        | 1.16 | 1.16 | 1.16    | -        |
| SPOG.CF+CC             | 1                        | 1.20 | 1.20 | 1.20    | -        |
| SPOM.CC                | 22                       | 0.57 | 1.48 | 1.04    | 0.26     |
| SPOM.CC+CF             | 2                        | 1.12 | 1.47 | 1.30    | 0.25     |
| SR.CC                  | 10                       | 2.23 | 2.74 | 2.50    | 0.14     |
| SR.CC+CF               | 2                        | 2.20 | 2.43 | 2.32    | 0.16     |
| SR.CF                  | 6                        | 1.67 | 2.80 | 2.29    | 0.37     |
| FR.CC                  | 26                       | 2.45 | 2.98 | 2.77    | 0.14     |
| FR.CC+CF               | 7                        | 2.60 | 2.84 | 2.72    | 0.10     |
| FR.CF                  | 25                       | 2.30 | 2.91 | 2.65    | 0.13     |
| FR.CF+CC               | 7                        | 2.47 | 2.79 | 2.63    | 0.11     |
| FR.CFM                 | 1                        | 2.43 | 2.43 | 2.43    | -        |

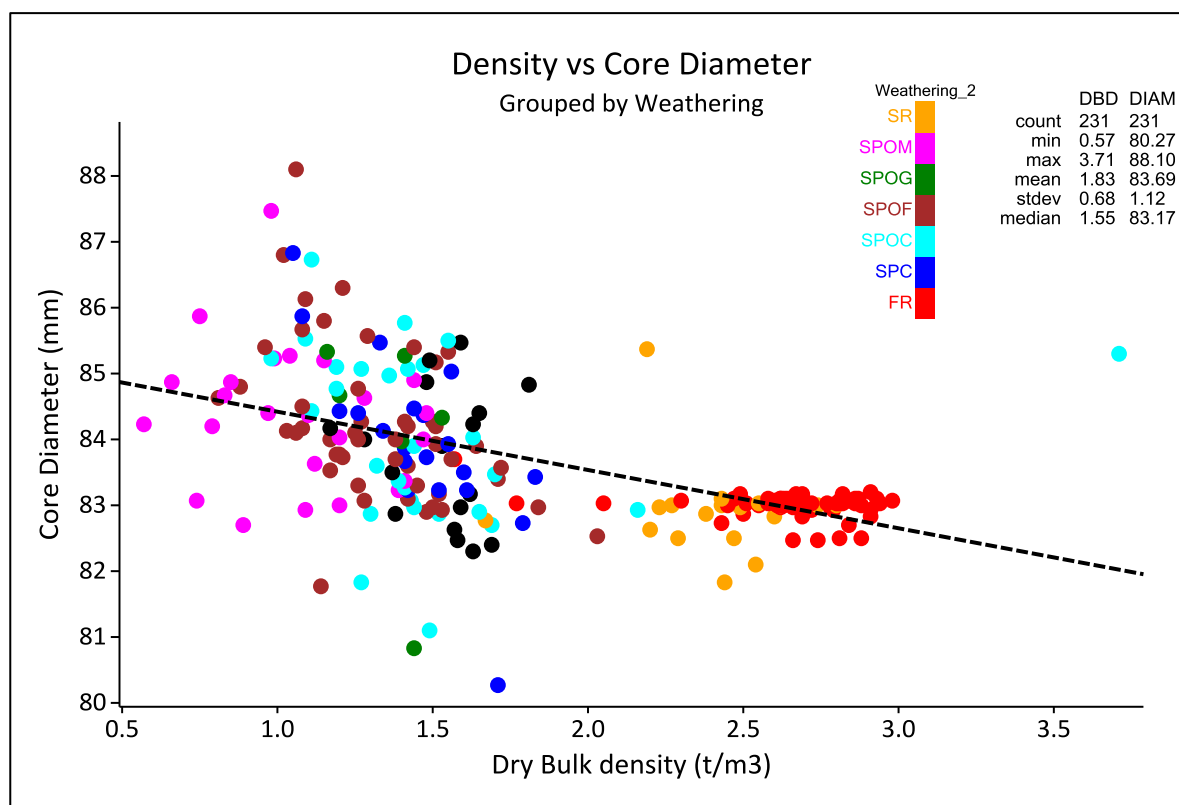


Figure 4-4: Dry bulk density vs core diameter

## 4.8 QAQC

Pensana inserted field duplicates, certified reference materials (CRMs) and blanks into the laboratory submission batches at an average frequency rate of approximately 1 in 30. The laboratories also performed and reported internal quality assurance/ quality control (QAQC) checks, including sample preparation and analytical duplicates. On a periodic basis, sample pulps were retrieved from the primary laboratory and submitted to an independent laboratory for check testing. All of the DD holes drilled in the last program twinned existing RC holes. These datasets were used to conduct twinned hole analyses to test for any grade biases that may have been introduced during sample extraction.

Pensana routinely assessed the QAQC data as each batch was received from the laboratory, with the results documented in separate QAQC reports for each program. A summary of the QAQC procedures is as follows:

- **Twinned hole assessment** – All of the DD holes drilled in the 2019 program twinned existing RC holes. For each hole pair, Pensana prepared strip logs and conducted visual comparisons of the logging and analytical data. SRK conducted check statistical comparisons of the RC and DD data for selected analytes in each domain. In general, performance was deemed to be acceptable. There was some evidence of conditional bias for some analytes, but this was not deemed to be a material issue.
- **Certified Reference Materials** – Three different CRMs were used during the program (OREA463, OREAS464, and OREAS465). CRMs were chosen at random and inserted at a frequency of approximately 1:30 primary samples. In general, relatively good performance was observed, with most results falling within the 2SD control limits and no evidence of significant bias.
- **Blanks** – Pensana prepared blank samples from sand material sourced from Luanda beach.

These were inserted as field samples at the drill rig at a frequency of approximately 1:30 primary samples. SRK understands that these samples have not been certified. Relatively high values were observed for some analytes, but it is quite possible that these are due to elevated concentrations in the source material, and not necessarily evidence of contamination or analytical inaccuracy.

- **Field Duplicates** – These represent a second split taken during drilling and were collected and prepared using the same sample procedures as those used for the primary sample. They were collected at an approximate frequency of 1:30 primary samples. In general, performance was deemed to be acceptable with no evidence of significant bias and acceptable levels of precision.
- **Laboratory Duplicates** – These represent duplicate pulps that were collected at an approximate frequency of 1:30 primary samples by the laboratory after pulverising. Performance was deemed to be acceptable with no evidence of significant bias and acceptable levels of precision.
- **Independent check** – Aliquots from the primary pulps were collected and submitted to an independent laboratory at an approximate frequency of 1:50 samples. The umpire laboratory used the same analytical techniques as those applied by the primary laboratory. Performance was deemed to be acceptable, with no evidence of significant bias.

SRK conducted an assessment of the QAQC results presented in Pensana's report and conducted some independent spot checking of the data. Based on the outcomes from these assessments, SRK considers that, in general, the primary drill data are sufficiently reliable for the preparation of Indicated and Inferred Mineral Resources.

## 4.9 Survey data

The survey data have been collected and reported using the WGS84 UTM Zone 33S grid system.

A DEM covering the Project area was prepared by Core GPX using data acquired from *Ortho-Ready Standard Level 2A WorldView-3* stereo imagery captured in September 2018. Ground control points were surveyed by Geosurveys Australia Pty Ltd (Geosurveys) using RTK DGPS equipment. The DEM covers an area of approximately 3.5 × 3.5 km centred over the Project region. For resource modelling, SRK extracted a sub-area of approximately 335 ha centred over the drilling and extending slightly beyond the planned model limits.

On completion of the drilling program, the drill hole collars were surveyed by Geosurveys using RTK DGPS equipment. All holes were planned and assumed to be vertical. A spirit level was used to confirm that the drill rig mast was vertical prior to drilling each hole. Downhole surveying was not conducted. For resource modelling, the drill hole collars were registered to the DEM, with the final collar elevations derived from the topographic data.

## 4.10 Database

The exploration master database was prepared and managed by Expedio, an independent professional database management company. The data are managed at Expedio's Perth office in an SQL Server relational database via OCRIS, Expedio's proprietary database interface.

The field data were logged directly into an OCRIS logging package, which has built-in validation settings and look-up codes. All field data and assay data were verified and validated by Pensana prior to handover to Expedio on a weekly basis. The data were subjected to further validation prior to being merged into the main database in Perth by Expedio.

For data that are not entered directly, the data entry is checked and validated against original field sheets. Data collection and entry procedures are documented, and training given to all staff.

The assay data were provided to Expedio in elemental form. Expedio converted the grade data to oxide equivalents by multiplying by the factors presented in Table 5-4.

#### **4.11 SRK concluding remarks**

The exploration data have been collected using conventional techniques that are widely used within the mining industry and are considered reasonable for this style of mineralisation. The sample spacing and coverage, and the geochemical, mineralogical, and physical properties datasets have been prepared to a sufficient quality standard are considered reasonable for the preparation of Mineral Resource estimates and models that can be used to support the various components of planned Pre-Feasibility and Feasibility studies.

The data acquisition programs contain a comprehensive set of QAQC protocols that demonstrate that the data are reasonable for the resource classifications that have been assigned to the Mineral Resource estimates.

## 5 Longonjo Resource Estimation

### 5.1 Historical estimates

SRK understands that the maiden Mineral Resource estimates for the Project were prepared by AMEC in September 2017, with the following quantities reported:

- Total Inferred Mineral Resource: 44.7 Mt at 2.50% REO
- Weathered portion of Total Mineral Resource: 11.6 Mt at 4.30% REO.

The estimates are based on a 1% REO cut-off grade. The model, which was limited to the central portion of the carbonatite, was prepared using the DD and RAB drilling data. Only the data derived from core samples were used for grade estimation. SRK has not reviewed the maiden resource model, nor attempted a comparison with the current model.

In February 2019, SRK used additional drilling data collected by Pensana to prepare a new Mineral Resource model. Compared to the previous model, the February 2019 model covered a larger area and was prepared using significantly more data. Pensana reported the updated model estimates to the Australian Securities Exchange (ASX) using a 0.1% NdPr cut-off grade, with the following quantities declared:

- Total Inferred Mineral Resource: 240 Mt at 1.60% REO and 0.35% NdPr.

### 5.2 Current Mineral Resource estimates

SRK updated the Mineral Resource estimates for the Project in September 2019 using additional drilling data collected by Pensana during late 2018 – early 2019. These estimates were reported to the ASX by Pensana as part of the PFS in November 2019.

**Table 5-1: Mineral Resource estimates**

| Mineral Resource estimate category | Tonnes (million) | REO grade (%) | NdPr grade (%) | Contained REO (tonnes) | Contained NdPr (tonnes) |
|------------------------------------|------------------|---------------|----------------|------------------------|-------------------------|
| Indicated                          | 59.9             | 1.86          | 0.39           | 1,100,000              | 230,000                 |
| Inferred                           | 167              | 1.33          | 0.30           | 2,230,000              | 504,000                 |
| <b>Total</b>                       | <b>226</b>       | <b>1.47</b>   | <b>0.33</b>    | <b>3,320,000</b>       | <b>735,000</b>          |

Note: The above estimates are based on a 0.1% NdPr lower cut-off grade applied to individual model cells. All rare earth element concentrations (including NdPr) in this report are expressed as oxide equivalents.

A description of the Mineral Resource estimation procedures and outcomes is presented in the following sections.

#### 5.2.1 Mineral Resource data sources

The data used for the current Mineral Resource estimation were provided by Pensana. The Mineral Resource estimates were independently prepared by SRK using the data provided by Pensana. A summary of the main data source files is presented in Table 5-2.



**Table 5-2: Main input data files**

| Data Type         | Source                                   | Date         |
|-------------------|------------------------------------------|--------------|
| Drill hole collar | DhCollar_Longonjo.xlsx                   | 26 June 2019 |
| Downhole survey   | DhDownholeSurvey_Longonjo.xlsx           | 26 June 2019 |
| Assay             | DhAssayOxides_Longonjo.xlsx              | 26 June 2019 |
| Lithology         | DhLithology_Longonjo.xlsx                | 26 June 2019 |
| Density           | DhLithology_Bulk Density.xlsx            | 26 June 2019 |
| Topography        | Longonjo_subset_DTM_3DFace_5m_SUTM33.dxf | 11 Jan 2019  |
| Geology           | 2019-06_Apatite.dxf                      | 2 July 2019  |
|                   | 2019-06_BOT.dxf                          | 2 July 2019  |
|                   | 2019-06_BOW.dxf                          | 2 July 2019  |
|                   | 2019-06_High CaO in Sp.dxf               | 2 July 2019  |
|                   | 2019-06_Base of model.dxf                | 2 July 2019  |

## 5.2.2 Geological and topographical modelling

### Geological model

The geological model that was used for Mineral Resource estimation was prepared by Pensana, and provided to SRK as wireframe surfaces and solids defining the following main lithological units:

- Transported
- Oxide
- Fresh.

Pensana used the lithological logging data and the geological data to assign a lithology code to each sample interval and observed that these three lithological units could be readily identified in the core and RC chip sample logging, and that the contacts were generally very sharp. For this reason, the geological model has been prepared primarily from the core and RC chip logging codes. The units also have significantly different geochemical characteristics, and the assay data were used to assist with the interpretation.

Within the Oxide material, the following two sub-horizons were identified:

- High calcite zone
- High apatite zone.

Both horizons are of limited extent and restricted to specific parts of the deposit. The high calcite zone, which occurs within the oxide zone, was identified in four drill holes. The high apatite zone usually occurs near the Oxide/ Fresh interface and was identified in 25 drill holes. Both calcite and apatite can affect processing and/ or local rare earth grades and, to enable adequate control during estimation, these zones were separately delineated as wireframe solids.

The base of fresh carbonatite was not encountered in any of the drill holes and a nominal modelling base was delineated approximately 10 m below the local base of drilling.

A total of five separate lithological domains were defined for Mineral Resource estimation; the domain numbers, codes and descriptions are given in Table 5-3.

**Table 5-3: Domain codes and descriptions**

| Domain number (LCODE) | Domain code (LITH) | Domain description            |
|-----------------------|--------------------|-------------------------------|
| 20                    | TR                 | Transported (colluvium)       |
| 30                    | OX                 | Oxide (weathered carbonatite) |
| 33                    | HCA                | Oxide – high calcite          |
| 36                    | HAP                | Oxide – high apatite          |
| 40                    | FR                 | Fresh carbonatite             |

### Topographic model

The topographic data were provided by Pensana in the form of a DEM in dxf format. The model covered an area of approximately 3.5 × 3.5 km centred over the Project region. SRK extracted a sub-area of approximately 335 ha centred over the drilling and extending just beyond the planned model limits. SRK compared the drill collar elevations with coincident points on the topographic surface and observed no material differences, and no adjustments were applied to either the collar or topographic data.

### 5.2.3 Drill hole data preparation

The drill hole data used for Mineral Resource estimation were sourced from database extracts provided by Pensana in June 2019. The drill hole collar file contained data for 222 holes, comprising a mix of DD, RC and RAB holes. All 222 holes were located within the defined study area and used to assist with the preparation of the geological model.

Only RC holes and some of the DD holes were used for exploratory data analysis (EDA) and grade estimation. The DD holes that twinned existing RC holes were removed from the estimation dataset. Three RC holes are located immediately outside of the defined model boundary. These were retained in the drill hole file but have minimal impact on the estimates. A total of 183 holes, comprising 10 DD holes and 173 RC holes, were retained in the estimation dataset.

As described in Section 4, the laboratory reported the analyte concentrations in elemental form, and these were converted by Expedio to oxide equivalents. Table 5-4 lists the elements included in the dataset, along with their oxide equivalents and the conversion factors used by Expedio.

**Table 5-4: Elements included in the estimation dataset**

| Element                                                          | Symbol | Unit | Form                           | Factor |
|------------------------------------------------------------------|--------|------|--------------------------------|--------|
| Rare Earth Oxide                                                 | REO    | %    | Total REO *                    | NA     |
| Nd <sub>2</sub> O <sub>3</sub> + Pr <sub>6</sub> O <sub>11</sub> | NdPr   | %    | Nd + Pr Oxide                  | NA     |
| Aluminium                                                        | Al     | %    | Al <sub>2</sub> O <sub>3</sub> | 1.8895 |
| Barium                                                           | Ba     | %    | BaO                            | 1.1165 |
| Calcium                                                          | Ca     | %    | CaO                            | 1.3992 |
| Cerium                                                           | Ce     | ppm  | CeO <sub>2</sub>               | 1.228  |
| Copper                                                           | Cu     | ppm  | CuO                            | 1.252  |
| Dysprosium                                                       | Dy     | ppm  | Dy <sub>2</sub> O <sub>3</sub> | 1.148  |
| Erbium                                                           | Er     | ppm  | Er <sub>2</sub> O <sub>3</sub> | 1.143  |
| Europium                                                         | Eu     | ppm  | Eu <sub>2</sub> O <sub>3</sub> | 1.158  |
| Iron                                                             | Fe     | %    | Fe <sub>2</sub> O <sub>3</sub> | 1.4297 |
| Iron                                                             | Fe     | %    | FeO                            | 1.2865 |

| Element      | Symbol | Unit | Form                            | Factor |
|--------------|--------|------|---------------------------------|--------|
| Gadolinium   | Gd     | ppm  | Gd <sub>2</sub> O <sub>3</sub>  | 1.153  |
| Holmium      | Ho     | ppm  | Ho <sub>2</sub> O <sub>3</sub>  | 1.146  |
| Potassium    | K      | %    | K <sub>2</sub> O                | 1.2045 |
| Lanthanum    | La     | ppm  | La <sub>2</sub> O <sub>3</sub>  | 1.173  |
| Lutetium     | Lu     | ppm  | Lu <sub>2</sub> O <sub>3</sub>  | 1.137  |
| Magnesium    | Mg     | %    | MgO                             | 1.6582 |
| Manganese    | Mn     | %    | MnO                             | 1.2912 |
| Niobium      | Nb     | ppm  | Nb <sub>2</sub> O <sub>5</sub>  | 1.431  |
| Neodymium    | Nd     | ppm  | Nd <sub>2</sub> O <sub>3</sub>  | 1.166  |
| Phosphorous  | P      | %    | P <sub>2</sub> O <sub>5</sub>   | 2.291  |
| Lead         | Pb     | ppm  | PbO                             | 1.077  |
| Praseodymium | Pr     | ppm  | Pr <sub>6</sub> O <sub>11</sub> | 1.208  |
| Silicon      | Si     | %    | SiO <sub>2</sub>                | 2.1392 |
| Samarium     | Sm     | ppm  | Sm <sub>2</sub> O <sub>3</sub>  | 1.16   |
| Strontium    | Sr     | ppm  | SrO                             | 1.185  |
| Tantalum     | Ta     | ppm  | Ta <sub>2</sub> O <sub>5</sub>  | 1.221  |
| Terbium      | Tb     | ppm  | Tb <sub>4</sub> O <sub>7</sub>  | 1.176  |
| Thorium      | Th     | ppm  | ThO <sub>2</sub>                | 1.1379 |
| Thulium      | Tm     | ppm  | Tm <sub>2</sub> O <sub>3</sub>  | 1.142  |
| Uranium      | U      | ppm  | U <sub>3</sub> O <sub>8</sub>   | 1.179  |
| Yttrium      | Y      | ppm  | Y <sub>2</sub> O <sub>3</sub>   | 1.27   |
| Ytterbium    | Yb     | ppm  | Yb <sub>2</sub> O <sub>3</sub>  | 1.139  |
| Zinc         | Zn     | ppm  | ZnO                             | 1.245  |

Notes:

\* REO = La<sub>2</sub>O<sub>3</sub> + CeO<sub>2</sub> + Pr<sub>6</sub>O<sub>11</sub> + Nd<sub>2</sub>O<sub>3</sub> + Sm<sub>2</sub>O<sub>3</sub> + Eu<sub>2</sub>O<sub>3</sub> + Gd<sub>2</sub>O<sub>3</sub> + Tb<sub>4</sub>O<sub>7</sub> + Dy<sub>2</sub>O<sub>3</sub> + Ho<sub>2</sub>O<sub>3</sub> + Er<sub>2</sub>O<sub>3</sub> + Tm<sub>2</sub>O<sub>3</sub> + Yb<sub>2</sub>O<sub>3</sub> + Lu<sub>2</sub>O<sub>3</sub> + Y<sub>2</sub>O<sub>3</sub>.

NdPr refers to the combined concentrations of Neodymium Oxide and Praseodymium Oxide

## 5.2.4 Sample compositing

Approximately 98% of the samples were collected over 2 m intervals (Figure 5-1), with most of the remainder collected over 1 m intervals. Compositing was not applied prior to estimation because no significant correlation between sample length and (major) analyte grades were observed and, because most of the 1 m samples represent the final interval in the hole, they would remain as residuals anyway.

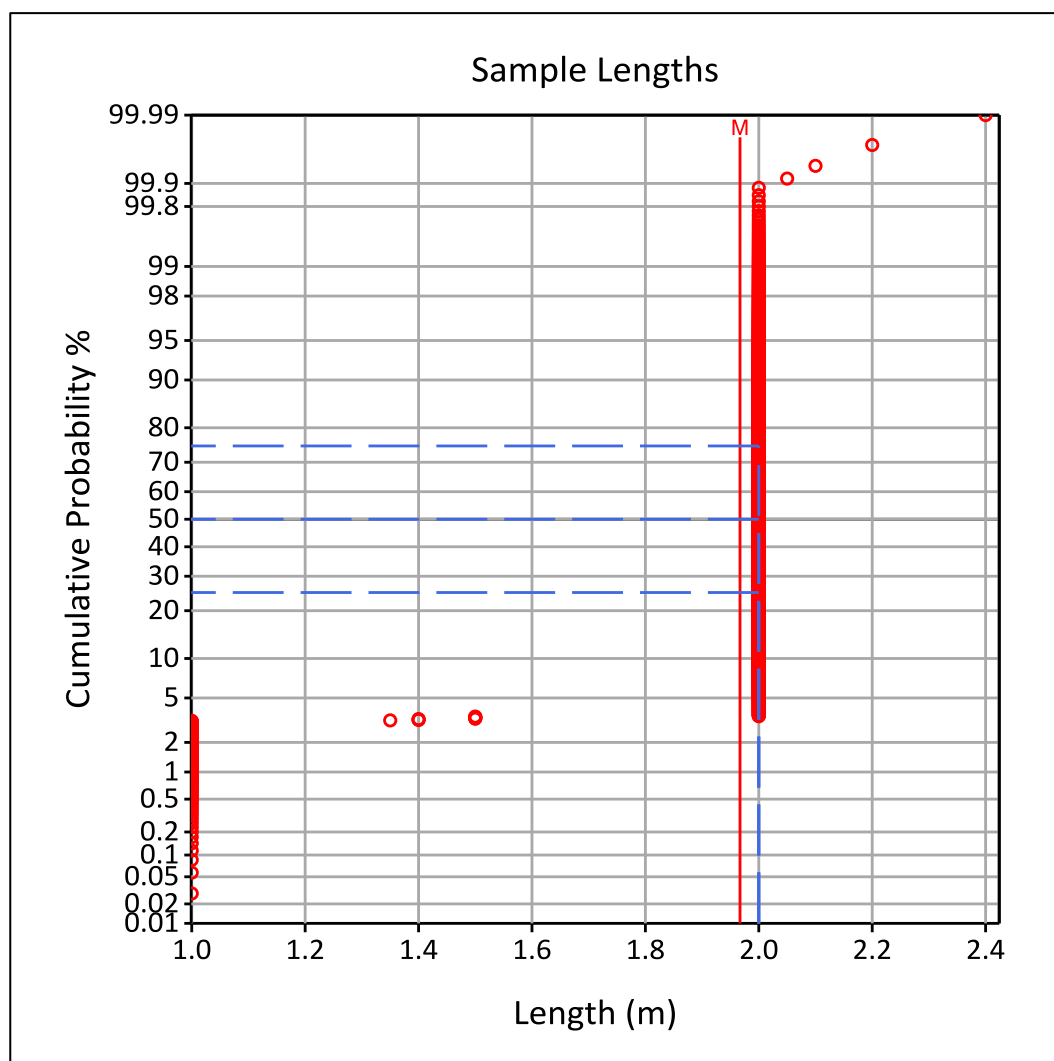


Figure 5-1: Sample lengths

### 5.2.5 Statistical analysis

Statistical analyses were conducted on the 2 m samples used for grade estimation and grouped according to the domain coding. The analyses were conducted using Datamine, Supervisor, X10, and MS Excel.

#### Univariate and bivariate statistics

Summary statistics, histograms, and cumulative frequency plots for each analyte in the five domain datasets were prepared and assessed. An example of each is presented in Table 5-5, Figure 5-2, and Figure 5-3, respectively. Most of the rare earth oxides show log-normal to weakly log-normal distributions, generally with marked differences between the weathering domains (the *Shape* column describes the approximate shape of the histogram).

For most of the analytes, a small number of anomalously high grades were identified in each domain, and top-cuts were applied to reduce the likelihood that they would significantly impact upon the local estimates. The *Cut* column in the statistical tables indicates the top-cut values that were applied.

**Table 5-5: Summary statistics – oxide domain analytes**

| Analyte                         | Count | Minimum | Maximum | Mean  | Std Dev. | CV   | Median | Shape     | Cut    |
|---------------------------------|-------|---------|---------|-------|----------|------|--------|-----------|--------|
| TREO                            | 1514  | 0.03    | 15.90   | 1.96  | 2.14     | 1.09 | 1.22   | log       |        |
| LREO                            | 1514  | 0.02    | 15.24   | 1.81  | 2.07     | 1.15 | 1.10   | log       |        |
| HREO                            | 1514  | 0.01    | 0.80    | 0.15  | 0.12     | 0.82 | 0.11   | log       |        |
| La <sub>2</sub> O <sub>3</sub>  | 1514  | 21      | 46,268  | 4,711 | 6,218    | 1.32 | 2,478  | log       | 45,000 |
| CeO <sub>2</sub>                | 1514  | 61      | 77,693  | 8,953 | 10,603   | 1.18 | 5,292  | log       | 56,000 |
| Pr <sub>6</sub> O <sub>11</sub> | 1514  | 9       | 8,022   | 982   | 1,023    | 1.04 | 633    | log       | 7,000  |
| Nd <sub>2</sub> O <sub>3</sub>  | 1514  | 44      | 26,229  | 3,429 | 3,179    | 0.93 | 2,418  | log       | 23,000 |
| Sm <sub>2</sub> O <sub>3</sub>  | 1514  | 21      | 3,552   | 487   | 387      | 0.80 | 365    | W Log     | 2,250  |
| Eu <sub>2</sub> O <sub>3</sub>  | 1514  | 6       | 758     | 108   | 88       | 0.82 | 81     | W Log     | 600    |
| Gd <sub>2</sub> O <sub>3</sub>  | 1514  | 2       | 1,408   | 228   | 189      | 0.83 | 168    | W Log     | 1,250  |
| Tb <sub>4</sub> O <sub>7</sub>  | 1514  | 1       | 126     | 23    | 21       | 0.89 | 17     | W Log     |        |
| Dy <sub>2</sub> O <sub>3</sub>  | 1514  | 5       | 749     | 105   | 99       | 0.95 | 72     | W Log     | 600    |
| Ho <sub>2</sub> O <sub>3</sub>  | 1514  | 1       | 127     | 16    | 16       | 0.97 | 11     | Log       | 100    |
| Er <sub>2</sub> O <sub>3</sub>  | 1514  | 2       | 307     | 36    | 35       | 0.98 | 24     | Log       | 250    |
| Tm <sub>2</sub> O <sub>3</sub>  | 1514  | 0       | 33      | 4     | 4        | 0.94 | 3      | Log       | 25     |
| Yb <sub>2</sub> O <sub>3</sub>  | 1514  | 1       | 157     | 19    | 18       | 0.91 | 13     | W Log     | 120    |
| Lu <sub>2</sub> O <sub>3</sub>  | 1514  | 0       | 40      | 3     | 3        | 0.97 | 2      | W Log     | 16     |
| Y <sub>2</sub> O <sub>3</sub>   | 1514  | 29      | 3,883   | 465   | 451      | 0.97 | 314    | Log       |        |
| Al <sub>2</sub> O <sub>3</sub>  | 1514  | 0.09    | 27.72   | 11.14 | 4.43     | 0.40 | 11.81  | NS Normal |        |
| BaO                             | 1514  | 0.10    | 28.80   | 4.40  | 4.40     | 1.00 | 2.80   | Log       | 25     |
| CaO                             | 1514  | 0.07    | 32.18   | 1.68  | 2.84     | 1.69 | 0.56   | Log       | 20     |
| FeO                             | 1514  | 1.51    | 64.12   | 17.72 | 9.46     | 0.53 | 15.95  | PS normal |        |
| Fe <sub>2</sub> O <sub>3</sub>  | 1514  | 1.67    | 71.26   | 19.69 | 10.51    | 0.53 | 17.73  | PS Normal |        |
| MgO                             | 1514  | 0.06    | 13.04   | 1.61  | 1.70     | 1.06 | 1.00   | Log       | 12     |
| MnO                             | 1514  | 0.05    | 19.10   | 3.13  | 2.69     | 0.86 | 2.29   | W Log     | 18     |

| Analyte                        | Count | Minimum | Maximum | Mean  | Std Dev. | CV   | Median | Shape       | Cut    |
|--------------------------------|-------|---------|---------|-------|----------|------|--------|-------------|--------|
| Nb <sub>2</sub> O <sub>5</sub> | 1514  | 0.00    | 1.64    | 0.15  | 0.17     | 1.15 | 0.09   | Log         | 1      |
| P <sub>2</sub> O <sub>5</sub>  | 1514  | 0.01    | 14.50   | 2.05  | 2.21     | 1.08 | 1.24   | log         | 12     |
| SiO <sub>2</sub>               | 1514  | 0.34    | 76.27   | 39.57 | 17.46    | 0.44 | 41.03  | NS normal   |        |
| SrO                            | 1514  | 0       | 29      | 0     | 1        | 2.55 | 0      | log         | 5      |
| Ta <sub>2</sub> O <sub>5</sub> | 1514  | 1       | 410     | 11    | 21       | 1.89 | 5      | log         | 250    |
| ThO <sub>2</sub>               | 1514  | 36      | 5,241   | 742   | 715      | 0.96 | 500    | log         | 5,000  |
| U <sub>3</sub> O <sub>8</sub>  | 1514  | 0       | 369     | 19    | 21       | 1.11 | 14     | log         | 150    |
| K <sub>2</sub> O               | 1514  | 0.06    | 11.444  | 4.646 | 2.511    | 0.54 | 4.939  | mixed       |        |
| CuO                            | 81    | 63      | 250     | 67    | 29       | 0.44 | 63     | not defined |        |
| PbO                            | 1514  | 54      | 5,601   | 536   | 576      | 1.07 | 323    | W Log       | 5,000  |
| ZnO                            | 1514  | 249     | 11,825  | 2,593 | 1,800    | 0.69 | 2,116  | Log         | 11,000 |

Notes: PS – positively skewed; NS – negatively skewed; Log – log-normal; W Log – weakly log-normal

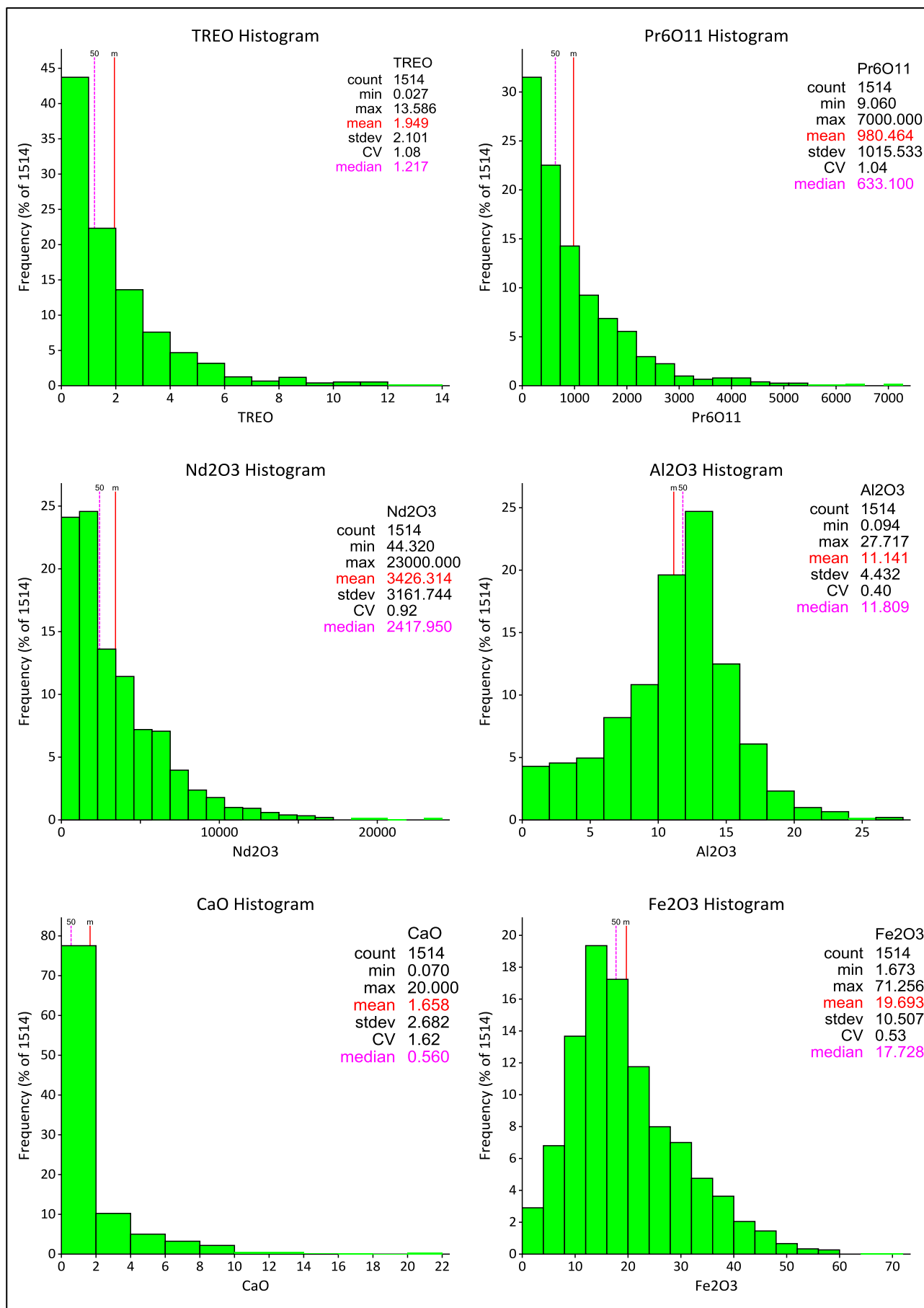


Figure 5-2: Histograms for selected analytes – Oxide zone

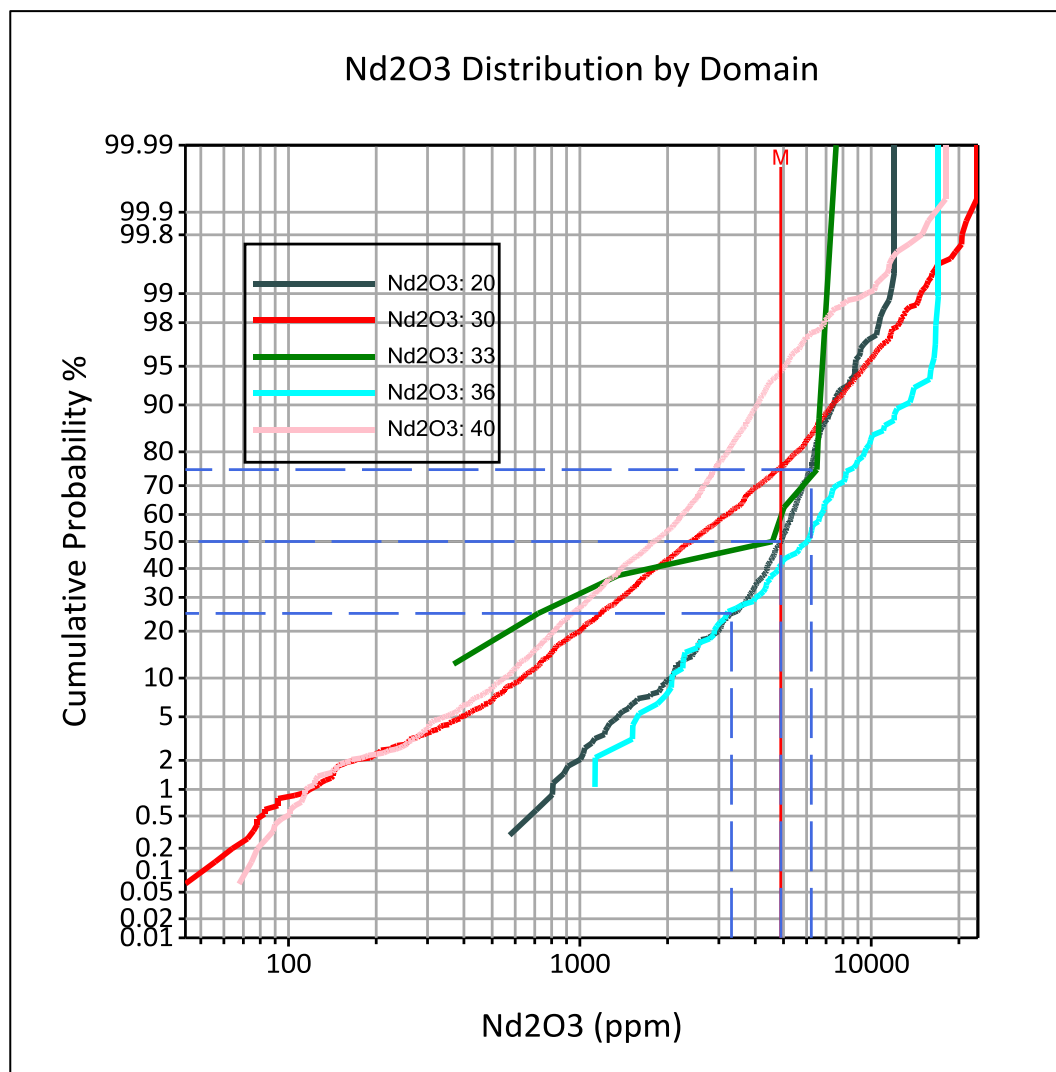


Figure 5-3:  $\text{Nd}_2\text{O}_3$  distribution by weathering domain

### 5.2.6 Continuity analysis

A variographic study was undertaken to quantify the grade continuity of selected analyte grades for each domain. Supervisor software was used to generate the experimental variograms and to fit the theoretical models. The variogram models were used to select appropriate kriging parameters and suitable dimensions and orientations for the search ellipsoids that were used for grade estimation.

The variography was undertaken using the unfolded 2.0 m sample grade within each lithological unit. The experimental variograms were generated using normal-score transformed data and fitted using nested spherical models. The model parameters were then back-transformed and used as kriging inputs.

Despite the relatively wide exploration drill spacing, variogram definition was reasonable. For each domain, the same variogram model was used for all constituents to minimise the occurrence of spurious grade totals, and to ensure that any grade relationships in the estimation dataset grades were reproduced in the model. The main analytes of interest ( $\text{TREO}$ ,  $\text{Nd}_2\text{O}_3$ , and  $\text{Pr}_6\text{O}_{11}$ ) exhibit very similar variograms, whereas acceptable matches were observed for several other analytes that were examined, including some of the major oxides. The theoretical models used for estimation were derived from the  $\text{TREO}$  data within the infill drilling area. An example of the experimental and theoretical models for  $\text{TREO}$  are presented in Figure 5-4. The theoretical model parameters used for estimation are presented in Table 5-6.



**Table 5-6: Variogram parameters**

| Domain | Direction<br>(Major, Mid, Minor) |         |        | Nugget | Structure 1<br>a1 a2 a3 C1 |     |    |      | Structure 2<br>a1 a2 a3 C1 |     |    |      | Structure 3<br>a1 a2 a3 C1 |     |     |      |
|--------|----------------------------------|---------|--------|--------|----------------------------|-----|----|------|----------------------------|-----|----|------|----------------------------|-----|-----|------|
| 20     | 00/070                           | 00/3400 | 90/000 | 0.13   | 35                         | 35  | 10 | 0.23 | 125                        | 330 | 20 | 0.29 | 405                        | 560 | 70  | 0.34 |
| 30     | 00/070                           | 00/3400 | 90/000 | 0.14   | 25                         | 35  | 10 | 0.25 | 190                        | 220 | 20 | 0.30 | 600                        | 500 | 70  | 0.30 |
| 36     | 00/070                           | 00/3400 | 90/000 | 0.22   | 80                         | 100 | 7  | 0.15 | 130                        | 450 | 30 | 0.23 | 840                        | 610 | 110 | 0.40 |
| 40     | 00/070                           | 00/3400 | 90/000 | 0.22   | 80                         | 100 | 7  | 0.15 | 130                        | 450 | 30 | 0.23 | 840                        | 610 | 110 | 0.40 |

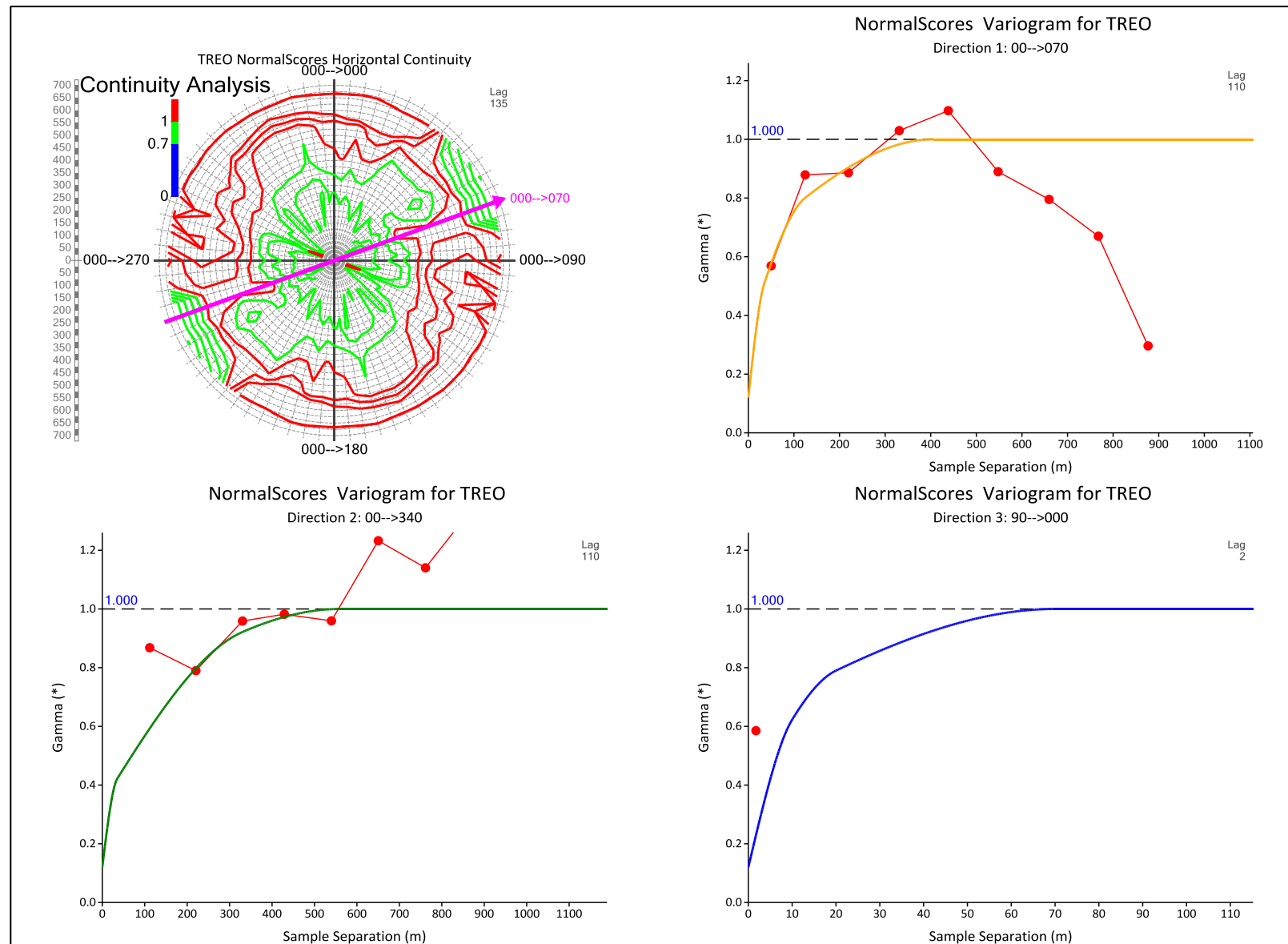


**Figure 5-4: Variography TREO – Transported domain**

## 5.2.7 Volume modelling

A single block model was created to cover the defined extents of the Longonjo deposit. When choosing appropriate model cell dimensions, consideration was given to the drill spacing and sampling interval, the interpreted geometry and thickness of the lithological units, and the expected end-user requirements for the Mineral Resource models. Kriging Neighbourhood Analysis (KNA) studies were used to check that the cell size was adequate compared to other plausible sizes (Figure 5-7). Subcelling was applied to ensure that the model volumes accurately represented the domain wireframe volumes. The model framework parameters are presented in Table 5-7.

The domain wireframes were used to assign a domain code to each cell. Cells located above the topographic surface defined by the topography wireframe were removed from the model. The final model framework contains the codes presented in Table 5-8.

Although the drill spacing is too wide to accurately define the local structural trends in the deposit, there is some evidence that the mineralisation broadly follows the ring geometry of the carbonatite pipe. SRK used lateral *dynamic anisotropy* to enable these observations to be factored into the grade estimates. This entailed interpreting the expected direction of major continuity in each part of the deposit and then aligning the search ellipsoid with these directions during grade estimation. Figure 5-5 shows a schematic representation of the local orientations.

The degree of weathering also has a significant impact on the mineralisation characteristics, with the expectation that samples located in stratigraphically similar parts of the profile will have similar grades. To enable these characteristics to be considered during estimation, the model cells were spatially transformed (flattened and dilated) prior to grade estimation. The following horizontal datum planes were used for these spatial transformations:

- Transported: Flattened down to the Transported/ Oxide surface
- Oxide: Flattened and dilated between the upper and lower Oxide surfaces
- High Calcite: Not transformed (default grades assigned)
- High Apatite: Flattened and dilated between the upper and lower surfaces
- Fresh: Flattened up to the Oxide/ Fresh Surface.

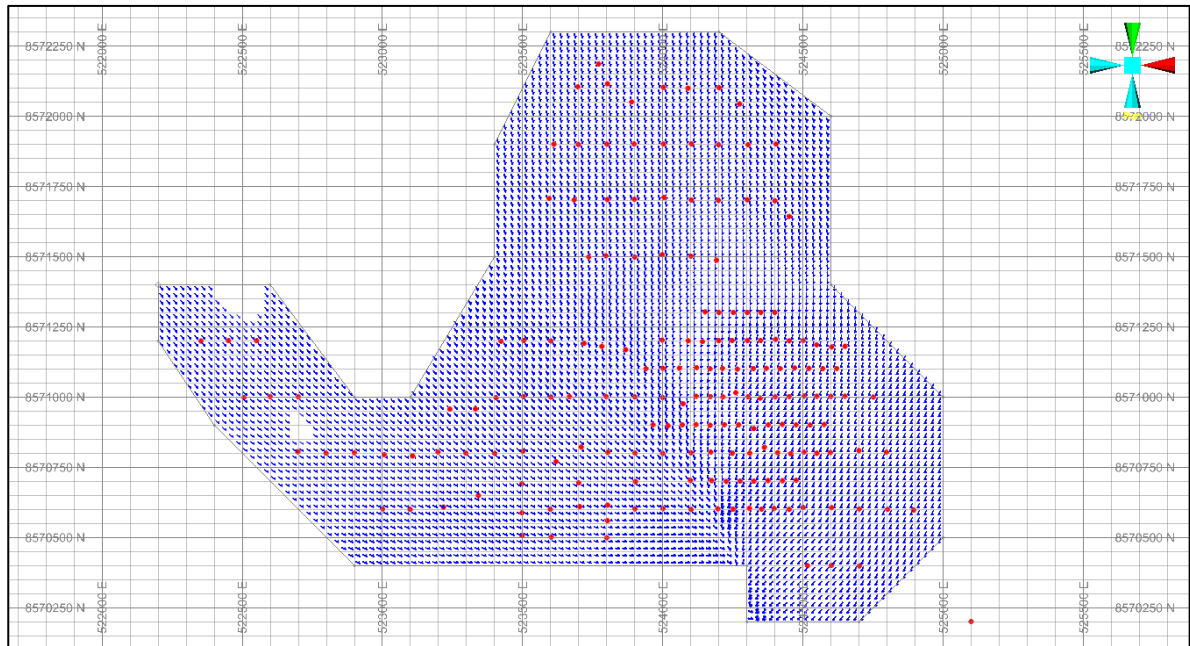
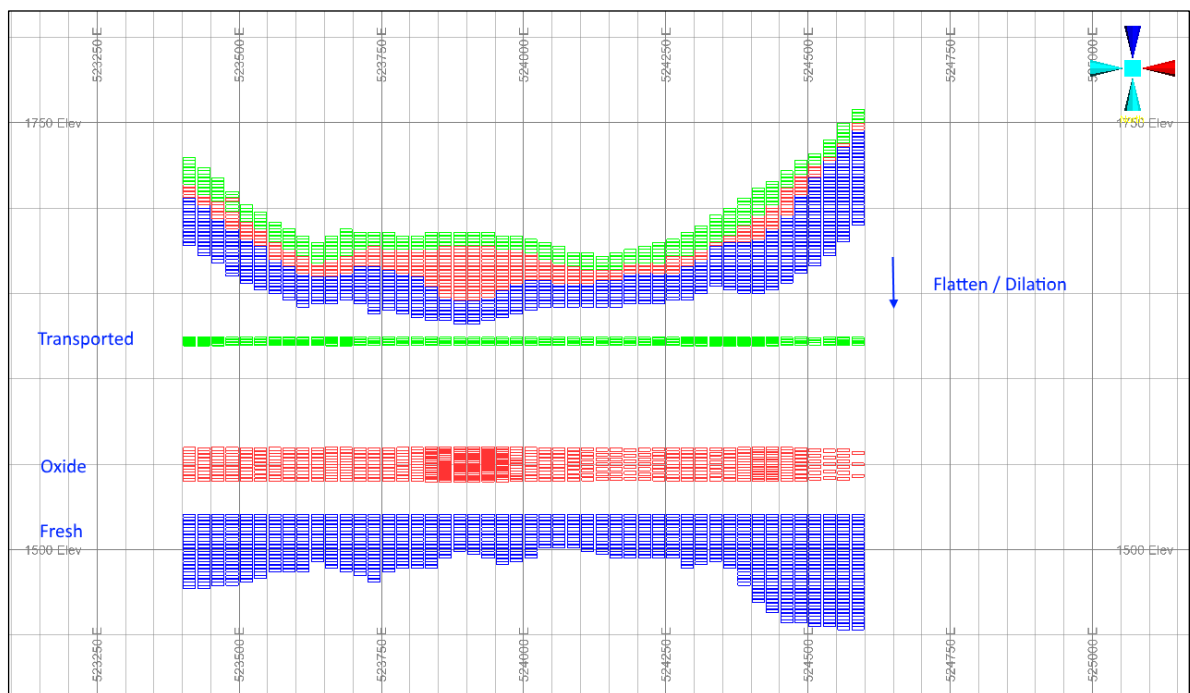
Identical transforms were applied to the drill hole data such that the original geometric relationship between the samples and model cells was retained. After the completion of grade estimation (described below), back-transformations were applied to return the cells to their original locations. A schematic representation of an example of a transformation applied to the model cells is presented in Figure 5-6.

**Table 5-7: Model framework parameters**

| Parameter        | Value                                                 |
|------------------|-------------------------------------------------------|
| Model origin     | East: 522,100. North: 8,570,100 m. Elevation: 1,400 m |
| Model extents    | East: 3,000 m. North: 2,500 m. Elevation: 400 m       |
| Parent cell size | East: 25 m. North: 25 m. Elevation: 2 m               |
| Subcelling       | East: 5 m. North: 5 m. Elevation: 1 m                 |
| Rotation         | None. Orthogonal to the UTM – WGS Zone 33S grid       |

**Table 5-8: Volume model codes**

| LITH | LCODE | Description                     |
|------|-------|---------------------------------|
| TR   | 20    | Transported                     |
| OX   | 30    | Oxide carbonatite               |
| HCA  | 33    | High calcite oxide              |
| HAP  | 36    | High apatite oxide              |
| FR   | 40    | Fresh carbonatite               |
| FRF  | 45    | Fresh carbonatite in Oxide zone |

**Figure 5-5: Lateral dynamic anisotropy directions****Figure 5-6: Model cell flattening and dilation**

### 5.2.8 Grade estimation

Local grades were estimated for the complete range of constituents listed below within all domains listed in Table 5-8, except for HCA. Ordinary Block Kriging (OK) was used for grade interpolation, and all domains were treated as *hard boundary constraints*, meaning that model cells in a given domain were estimated using only the samples within the same domain. Because very limited data were available for the HCA domain, default grades equivalent to the approximate dataset averages were assigned to the model cells.

The complete range of constituents is listed below:

- TREO, LREO, HREO, NdPr, La<sub>2</sub>O<sub>3</sub>, CeO<sub>2</sub>, Pr<sub>6</sub>O<sub>11</sub>, Nd<sub>2</sub>O<sub>3</sub>, Sm<sub>2</sub>O<sub>3</sub>, Eu<sub>2</sub>O<sub>3</sub>, Gd<sub>2</sub>O<sub>3</sub>, Tb<sub>4</sub>O<sub>7</sub>, Dy<sub>2</sub>O<sub>3</sub>, Ho<sub>2</sub>O<sub>3</sub>, Er<sub>2</sub>O<sub>3</sub>, Tm<sub>2</sub>O<sub>3</sub>, Yb<sub>2</sub>O<sub>3</sub>, Lu<sub>2</sub>O<sub>3</sub>, Y<sub>2</sub>O<sub>3</sub>, Al<sub>2</sub>O<sub>3</sub>, BaO, CaO, FeO, Fe<sub>2</sub>O<sub>3</sub>, MgO, MnO, Nb<sub>2</sub>O<sub>5</sub>, P<sub>2</sub>O<sub>5</sub>, SiO<sub>2</sub>, SrO, Ta<sub>2</sub>O<sub>5</sub>, ThO<sub>2</sub>, U<sub>3</sub>O<sub>8</sub>, K<sub>2</sub>O, CuO, PbO, ZnO.

Estimates were made to the (notional) location of the parent cell using a 3 × 3 × 3 discretisation matrix.

The search ellipsoid orientations and dimensions were primarily based on the results from the variography studies. As described in Section 5.2.6, the same theoretical variogram model for each domain was used for all analytes in the domain, with the dynamic anisotropy estimates controlling the local orientations.

A multi-pass search strategy was implemented, which entailed conducting the first interpolation pass using stringent sample selection parameters. For subsequent passes, less stringent parameters were used to estimate the grades of the cells that did not meet the first-pass criteria. This ensures that, where possible, cells are estimated using the maximum number of appropriate samples.

The geological logging data indicate that localised areas within the oxide domain can comprise a mix of lithology types (associated with the explosion and collapse breccias). In places, this comprises a mixing of carbonatite and fenite, which means large grade changes can be observed over relatively short distances. SRK investigated a number of approaches aimed at ensuring that these differences were adequately reproduced in the model. These approaches included:

- The selection of tightly constrained estimation parameters to moderate the amount of smoothing imparted to the estimates
- The use of a probabilistic estimation approach (lithological indicators) to estimate the proportion of fenite and carbonatite in each model cell, and the expected grades of each portion.

A comparison of the results from these two approaches indicated very similar grade–tonnage curves, and SRK elected to use constrained estimation to retain consistency with the approach used for the other domains. SRK used the results from a KNA study to ensure that the estimation parameters were acceptable and not excessively constrained (Figure 5-7).

SRK did not consider clustering to be an issue given that the data are quite regularly gridded; a limit on the maximum number of samples that could be sourced from a single drill hole was applied, and some declustering is inherent in the OK algorithm. Octant searching was used to reduce edge artefacts, and extrapolation was limited by excluding all model cells that were located more than approximately half the grid spacing beyond the outermost drill holes.

A summary of the search parameters is presented in Table 5-9.

**Table 5-9: Estimation search parameters**

| Domain | Search radius (m) |              |       | Search Volume × 1 samples |      | Search Volume × 2 samples |      | Search Volume × 3 samples |      | Max. per hole |
|--------|-------------------|--------------|-------|---------------------------|------|---------------------------|------|---------------------------|------|---------------|
|        | Major             | Intermediate | Minor | Min.                      | Max. | Min.                      | Max. | Min.                      | Max. |               |
| 20     | 200               | 100          | 3     | 4                         | 15   | 3                         | 15   | 2                         | 15   | 2             |
| 30     | 200               | 100          | 6     | 4                         | 15   | 3                         | 15   | 2                         | 15   | 4             |
| 36     | 200               | 100          | 6     | 4                         | 15   | 3                         | 15   | 2                         | 15   | 4             |
| 40     | 200               | 100          | 10    | 4                         | 15   | 3                         | 15   | 2                         | 15   | 8             |

Default grades were assigned to model cells that did not receive a kriged grade. The default grades were based on the estimation dataset grade averages for each domain. To enable cells that received default grades to be identified, the search pass fields were assigned a value of 4. Additional fields were added to the model to store estimation performance data, including the number of samples, distance to the nearest sample, kriging variance, kriging efficiency, slope of regression, and the search pass number. A summary of the number of cells estimated in each search pass, and those assigned default grades, is presented in Section 5.2.10.

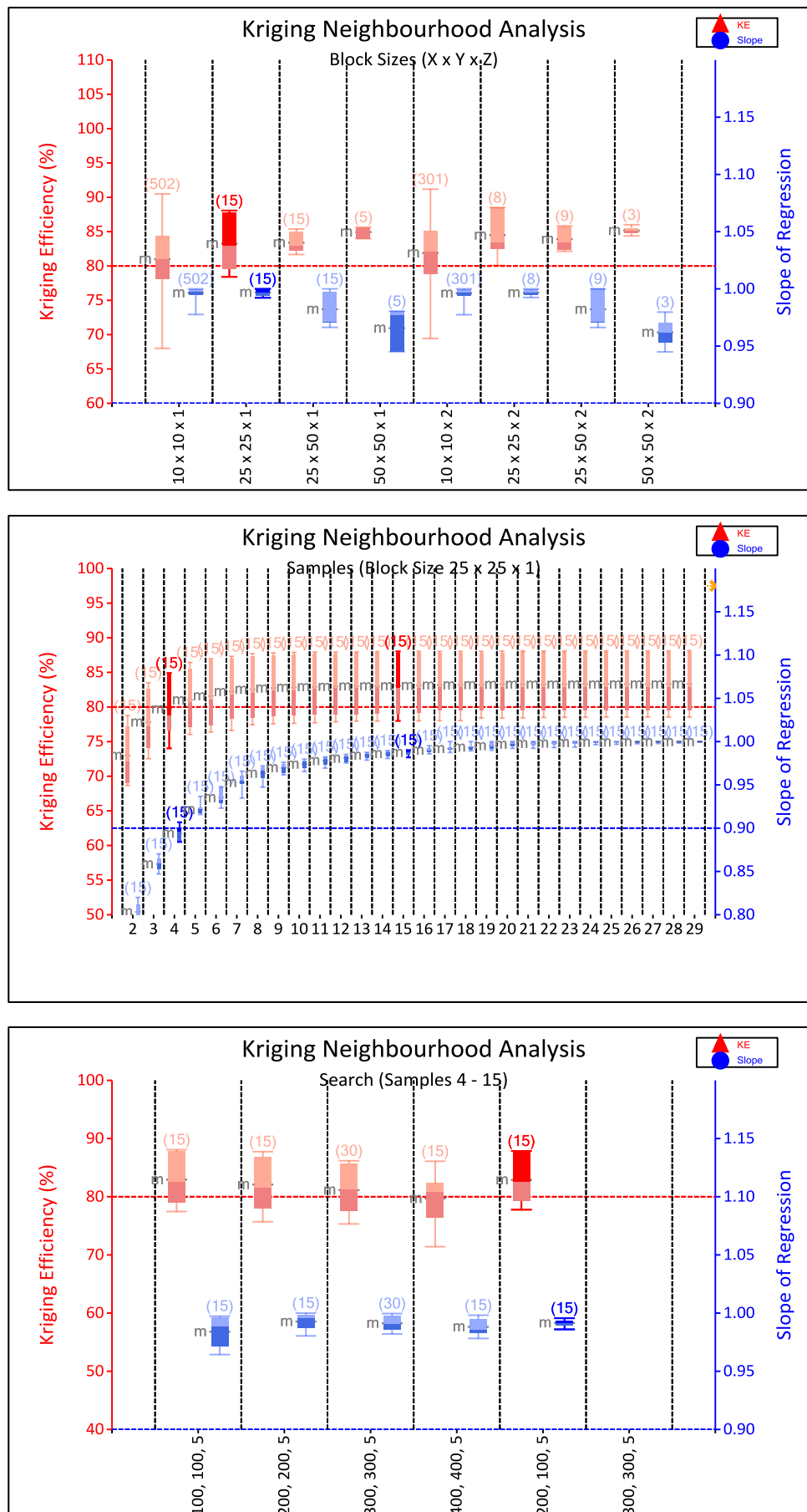


Figure 5-7: KNA results – Domain 30 indicated region

## 5.2.9 Dry in situ bulk density and tonnage estimation

As described in Section 4.7, a total of 231 dry in situ bulk density results were available. These results were grouped according to material type (based on the weathering and rock type logging codes) and the dataset averages were used to define a default density for each of the major lithologies. These defaults were then used to assign a density value to each interval in the estimation datasets according to the interval's logging codes. A box plot and statistical summary of the density values within each domain is shown in Figure 5-8.

These datasets were used to estimate the local dry bulk density for each parent cell in the volume model. The local densities were estimated using the same domain control, estimation approach, and estimation parameters that were used for the local geochemical grade estimates.

A dry tonnage was estimated for each model cell using the local density estimate and the cell volume. As described in in Section 4.7, the densities may be slightly conservative because of the possibility that the core samples swelled upon extraction from the core barrels.

The drilling logs do not indicate the presence of significant voids within the carbonatite and no void modelling or tonnage adjustments have been applied.

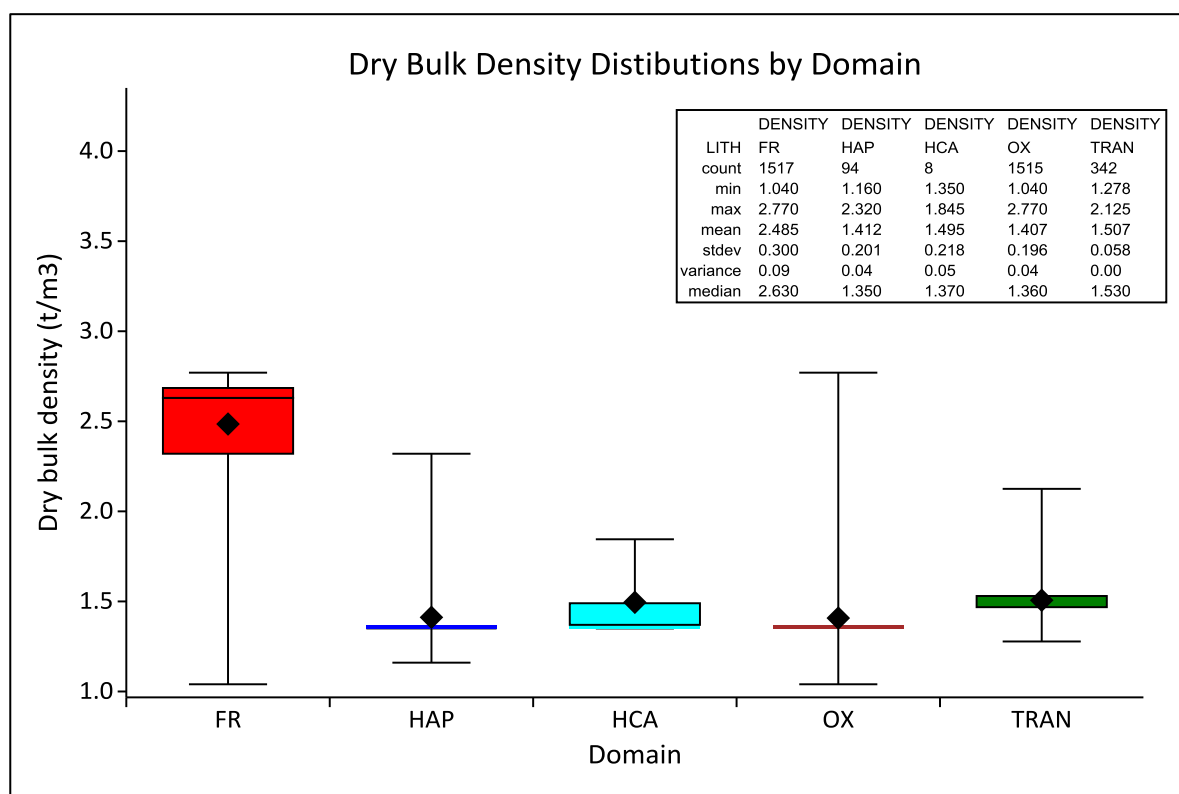


**Figure 5-8: Dry bulk density distributions by domain**

## 5.2.10 Model validation

The methods used to validate the Longonjo Mineral Resource model are summarised below.

### Visual assessment

Interpolated cell grades were visually compared to the drill hole sample grades to ensure that the cell grade estimates appeared consistent with the drill hole data. There was generally good correlation between the estimated grades and the composite grades, with the regional grade trends observed in the composites also evident in the model cells. No significant issues were identified, with the local grade characteristics in the sample data being adequately reproduced in the model.



Example section and plan plots showing the sample grades superimposed on the model cell grades are presented in Figure 5-9 and Figure 5-10, respectively. These plan plots represent the sample and model grades averaged over the domain thickness.

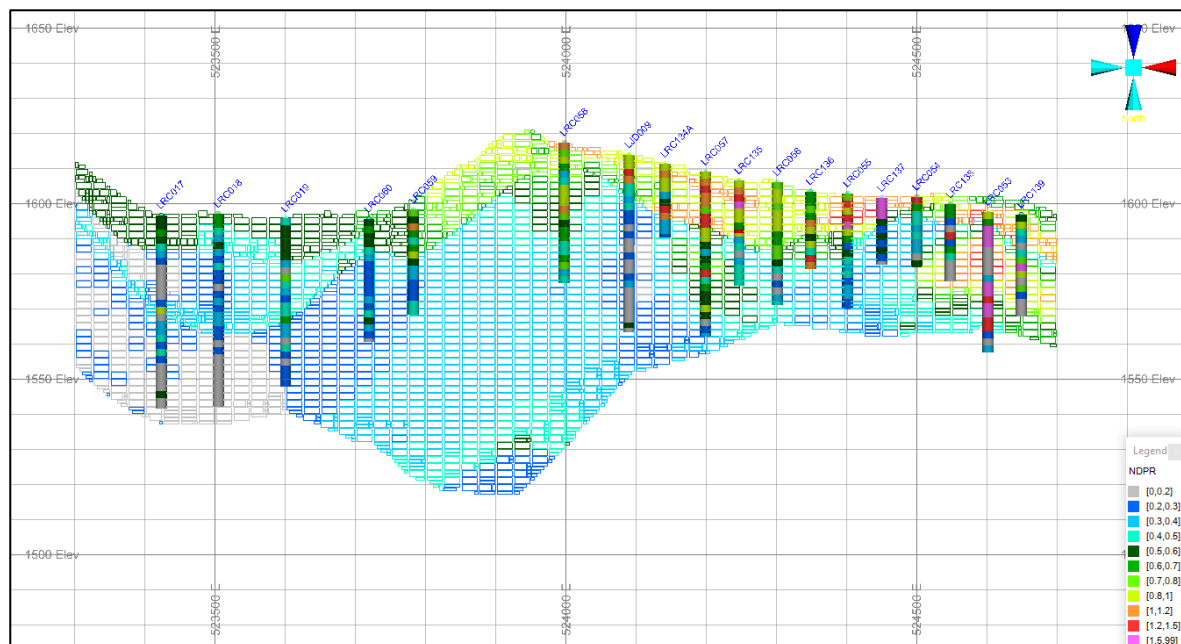


**Figure 5-9: Section N8571200 – NdPr**

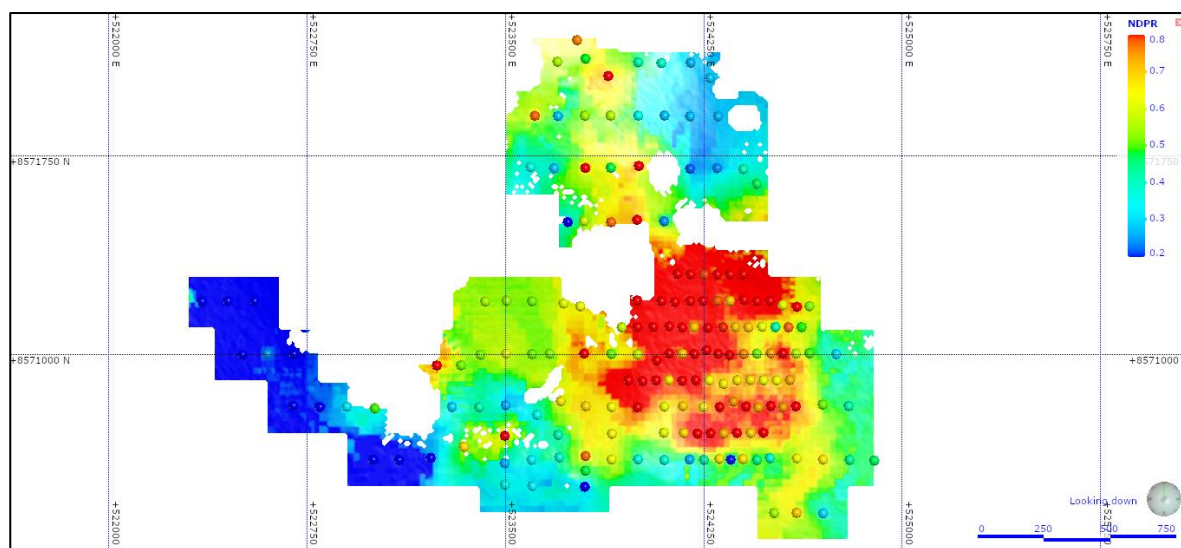


**Figure 5-10: Sample vs model grades – NdPr transported domain**

### Estimation performance data

The estimation performance data were assessed to ensure that most of the model cells were estimated using adequate numbers of samples. A summary of the percentage of model cells estimated in each search pass, and the average number of samples used for estimation, is presented in Table 5-10. These results are based on the  $\text{Nd}_2\text{O}_3$  estimates; however, they should be similar for most of the other analytes, given that a similar dataset and the same estimation parameters were used.

The summaries indicate that almost all of the Indicated Mineral Resource model cells were estimated using the first search pass, with at least 12 samples informing the estimates. For Inferred, most of the model cells were estimated using the first or second pass. Very few model cells were estimated using the third search pass or were assigned default grades.

All model cells in the HCA domain were assigned default grades because there were insufficient samples to enable robust local estimation.

**Table 5-10: Estimation performance data for Nd<sub>2</sub>O<sub>3</sub> estimates**

| Indicated Mineral Resources |                                     |        |        |         |                           |        |        |
|-----------------------------|-------------------------------------|--------|--------|---------|---------------------------|--------|--------|
| Domain                      | Resource estimated in each pass (%) |        |        |         | Average number of samples |        |        |
|                             | Pass 1                              | Pass 2 | Pass 3 | Default | Pass 1                    | Pass 2 | Pass 3 |
| Transported                 | 96.1                                | 3.9    | 0.0    | 0.0     | 12                        | 15     | 0      |
| Oxide                       | 99.1                                | 0.9    | 0.0    | 0.0     | 13                        | 15     | 0      |
| High CaO                    | 0.0                                 | 0.0    | 0.0    | 100.0   | 0                         | 0      | 0      |
| High Apatite                | 94.2                                | 5.5    | 0.4    | 5.5     | 10                        | 14     | 15     |
| Fresh                       | 76.3                                | 20.8   | 2.7    | 0.2     | 12                        | 14     | 15     |

| Inferred Mineral Resources |                                     |        |        |         |                           |        |        |
|----------------------------|-------------------------------------|--------|--------|---------|---------------------------|--------|--------|
| Domain                     | Resource estimated in each pass (%) |        |        |         | Average number of samples |        |        |
|                            | Pass 1                              | Pass 2 | Pass 3 | Default | Pass 1                    | Pass 2 | Pass 3 |
| Transported                | 54.0                                | 45.4   | 0.5    | 0.0     | 6                         | 11     | 13     |
| Oxide                      | 85.5                                | 14.4   | 0.2    | 0.0     | 10                        | 13     | 15     |
| High CaO                   | 0.0                                 | 0.0    | 0.0    | 0.0     | 0                         | 0      | 0      |
| High Apatite               | 97.7                                | 2.3    | 0.0    | 2.3     | 9                         | 13     | 0      |
| Fresh                      | 60.4                                | 28.8   | 7.4    | 3.3     | 11                        | 13     | 13     |

The Slope of Regression (SoR) provides a measure of the correlation between the true block grade and the estimated block grade. Although the true block grade is not known, the correlation coefficient can be estimated from the variogram and sample configuration. An SoR = 1 indicates conditional unbiasedness. Within the industry, SoR thresholds of 0.8 and 0.6 are often quoted as '*rule-of-thumb norms*' for the definition of Measured and Indicated Resources, respectively.

Cumulative probability plots showing the SoR distributions for the TREO estimates for parent cells in the four estimation domains are presented in Figure 5-11, with separate overlays showing the Indicated and Inferred regions. The plots indicate acceptable estimation performance, with over 80% of the Indicated Resource reporting an SoR exceeding 0.8.

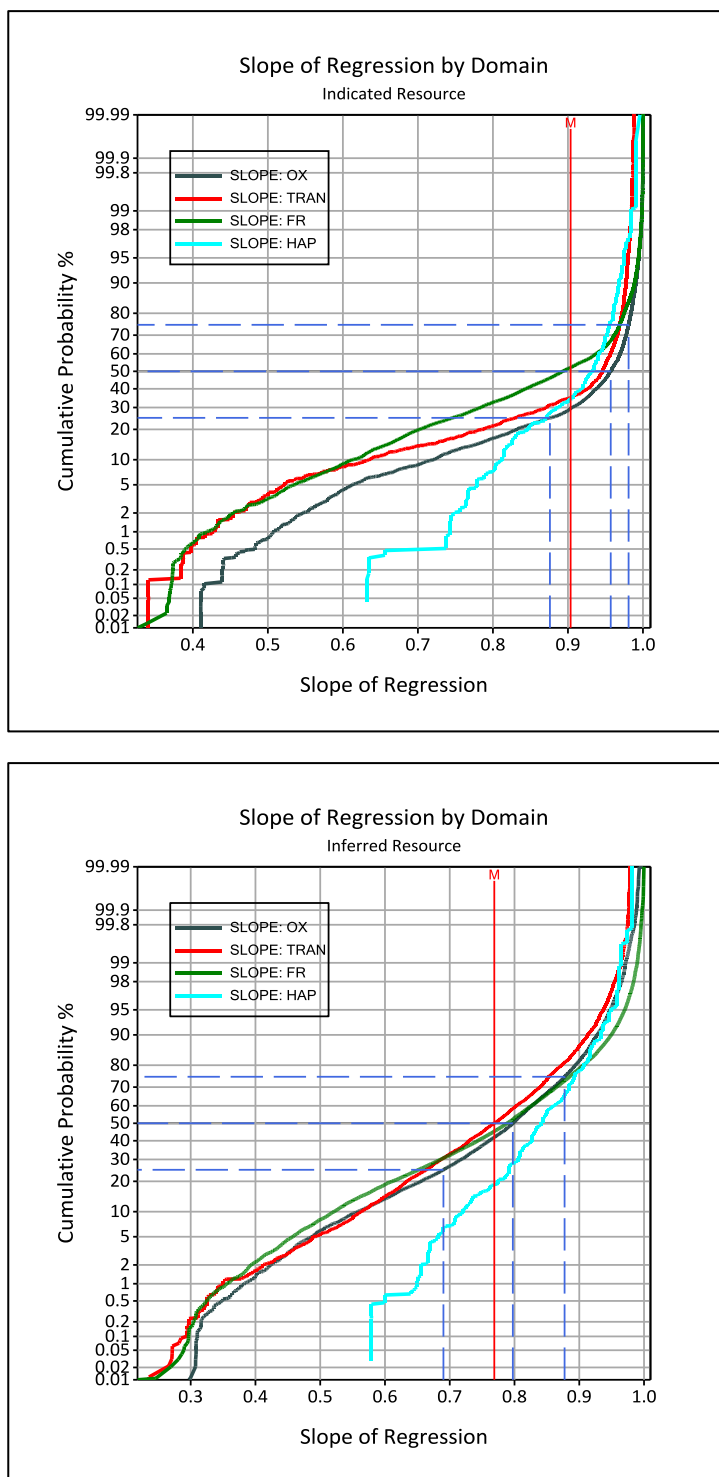


**Figure 5-11: Slope of regression for parent cell estimates**

### Check estimates

SRK prepared check estimates for NdPr and TREO using nearest neighbour (NN) interpolation. The two interpolation techniques gave very similar domain averages but, as expected, the NN estimates reported larger variances.

### Statistical comparisons

Statistical comparisons were conducted between the interpolated model cell grades and the sample composite grades. The summaries indicate acceptable correlation between the model and sample grades, with relative differences of less than 10% for most analytes. Checks were also conducted to

confirm that the standard deviations for the model cell grades were less than those for the composite grades, and the model cell grade ranges were bracketed within the composite grade ranges, providing some confirmation that the estimation process has performed as intended.

The relative differences between the composite and model cell averages are presented in Table 5-11. Some differences are expected (particularly in the Inferred region) because the sample data are not regularly gridded and hard-boundary lateral constraints were not used when estimating the *Indicated* and *Inferred* sub-regions.

**Table 5-11: Relative differences (average model grade – average composite grade)\***

| Indicated                       |       |       |         |        | Inferred                        |        |        |         |        |
|---------------------------------|-------|-------|---------|--------|---------------------------------|--------|--------|---------|--------|
| Analyte                         | Trans | Oxide | High Ap | Fresh  | Analyte                         | Trans  | Oxide  | High Ap | Fresh  |
| Al <sub>2</sub> O <sub>3</sub>  | 0.76  | 0.84  | -0.12   | -7.80  | Al <sub>2</sub> O <sub>3</sub>  | 0.76   | 2.71   | 28.42   | -3.87  |
| BaO                             | -6.85 | -3.20 | 3.97    | 1.90   | BaO                             | -3.34  | -6.91  | -7.35   | 1.27   |
| CaO                             | 2.84  | -9.95 | -0.97   | 3.84   | CaO                             | -5.50  | -4.66  | -7.33   | 2.58   |
| CeO <sub>2</sub>                | -2.12 | -7.54 | 8.71    | -2.64  | CeO <sub>2</sub>                | -3.41  | -11.27 | -4.02   | -11.68 |
| CuO                             | 1.02  | 1.07  | 1.05    | -0.29  | CuO                             |        | 3.23   |         | -1.62  |
| Density                         | 0.06  | 0.12  | -0.04   | 2.81   | Density                         | 0.23   | 1.59   | -1.03   | 2.24   |
| Dy <sub>2</sub> O <sub>3</sub>  | -2.91 | -5.19 | -1.79   | 5.97   | Dy <sub>2</sub> O <sub>3</sub>  | -1.28  | -4.25  | 3.95    | -2.39  |
| Er <sub>2</sub> O <sub>3</sub>  | -3.61 | -5.40 | -1.73   | 5.28   | Er <sub>2</sub> O <sub>3</sub>  | -0.90  | -3.46  | 9.79    | -3.03  |
| Eu <sub>2</sub> O <sub>3</sub>  | -2.35 | -4.43 | 2.25    | 3.34   | Eu <sub>2</sub> O <sub>3</sub>  | -2.34  | -5.44  | -1.76   | -2.06  |
| Fe <sub>2</sub> O <sub>3</sub>  | -1.29 | -3.55 | 1.53    | -2.57  | Fe <sub>2</sub> O <sub>3</sub>  | 0.10   | -4.73  | 4.30    | 0.43   |
| Gd <sub>2</sub> O <sub>3</sub>  | -2.56 | -4.50 | 1.07    | 3.14   | Gd <sub>2</sub> O <sub>3</sub>  | -2.41  | -5.28  | -0.87   | -2.70  |
| Ho <sub>2</sub> O <sub>3</sub>  | -3.25 | -5.64 | -2.17   | 5.53   | Ho <sub>2</sub> O <sub>3</sub>  | -0.95  | -4.14  | 5.65    | -2.70  |
| K <sub>2</sub> O                | 15.09 | 4.70  | -1.23   | -5.88  | K <sub>2</sub> O                | -6.26  | 1.87   | 29.51   | -4.58  |
| La <sub>2</sub> O <sub>3</sub>  | -3.39 | -8.34 | 10.01   | -2.26  | La <sub>2</sub> O <sub>3</sub>  | -3.27  | -10.96 | -6.70   | -13.37 |
| Lu <sub>2</sub> O <sub>3</sub>  | -4.72 | -5.33 | 1.94    | -5.62  | Lu <sub>2</sub> O <sub>3</sub>  | 0.33   | -1.13  | 12.62   | -0.84  |
| MgO                             | 1.32  | -2.63 | -1.66   | 5.91   | MgO                             | -10.76 | -6.40  | -17.19  | 7.44   |
| MnO                             | -2.18 | -5.92 | 5.40    | -2.42  | MnO                             | -1.76  | -12.54 | -8.49   | -1.63  |
| Nb <sub>2</sub> O <sub>5</sub>  | -3.60 | -6.30 | 8.92    | 2.73   | Nb <sub>2</sub> O <sub>5</sub>  | 0.79   | 7.51   | 9.66    | -5.25  |
| Nd <sub>2</sub> O <sub>3</sub>  | -2.72 | -6.32 | 6.25    | -1.61  | Nd <sub>2</sub> O <sub>3</sub>  | -3.41  | -9.71  | -3.10   | -7.92  |
| P <sub>2</sub> O <sub>5</sub>   | -5.57 | -3.99 | 2.80    | -4.02  | P <sub>2</sub> O <sub>5</sub>   | -2.58  | -0.73  | 6.27    | -7.43  |
| PbO                             | -2.88 | -2.38 | 4.21    | 3.54   | PbO                             | 2.18   | -0.25  | 9.77    | -1.21  |
| Pr <sub>6</sub> O <sub>11</sub> | -2.85 | -7.14 | 7.55    | -2.48  | Pr <sub>6</sub> O <sub>11</sub> | -3.46  | -10.55 | -3.97   | -9.82  |
| SiO <sub>2</sub>                | 4.74  | 4.91  | -5.20   | -6.27  | SiO <sub>2</sub>                | 1.26   | 4.33   | 18.62   | -2.64  |
| Sm <sub>2</sub> O <sub>3</sub>  | -2.45 | -4.77 | 3.53    | 1.57   | Sm <sub>2</sub> O <sub>3</sub>  | -2.39  | -6.48  | -1.62   | -2.98  |
| SrO                             | -2.16 | -8.31 | 2.59    | 6.70   | SrO                             | -5.92  | -10.58 | -17.62  | -6.13  |
| Ta <sub>2</sub> O <sub>5</sub>  | -5.33 | -9.80 | 0.31    | -15.08 | Ta <sub>2</sub> O <sub>5</sub>  | -2.61  | -2.94  | 37.54   | -1.28  |
| Tb <sub>4</sub> O <sub>7</sub>  | -2.57 | -4.89 | 0.02    | 4.76   | Tb <sub>4</sub> O <sub>7</sub>  | -1.75  | -4.54  | 1.34    | -2.58  |
| ThO <sub>2</sub>                | -3.13 | -4.83 | 5.28    | 0.97   | ThO <sub>2</sub>                | 1.34   | -4.45  | 3.48    | 1.29   |
| Tm <sub>2</sub> O <sub>3</sub>  | -3.75 | -5.22 | -0.96   | 4.03   | Tm <sub>2</sub> O <sub>3</sub>  | -0.45  | -3.36  | 10.72   | -3.66  |
| TREO                            | -2.63 | -7.39 | 8.26    | -2.03  | TREO                            | -3.24  | -10.23 | -4.18   | -10.63 |
| U <sub>3</sub> O <sub>8</sub>   | -1.51 | -5.19 | -0.28   | -3.73  | U <sub>3</sub> O <sub>8</sub>   | 0.93   | -0.73  | 0.40    | -6.57  |
| Y <sub>2</sub> O <sub>3</sub>   | -4.43 | -5.88 | -2.25   | 5.22   | Y <sub>2</sub> O <sub>3</sub>   | -1.24  | -3.80  | 7.94    | -2.91  |
| Yb <sub>2</sub> O <sub>3</sub>  | -3.88 | -4.06 | 0.71    | 2.43   | Yb <sub>2</sub> O <sub>3</sub>  | 0.45   | -3.12  | 12.07   | -3.45  |
| ZnO                             | -1.94 | -2.28 | 2.01    | -0.89  | ZnO                             | -1.64  | -2.81  | -3.46   | -4.94  |

Note: \* ((kriged grade – composite grade) \*100)/ composite grade

Easting, northing and elevation swath plots were created for selected elements for each domain. These plots compare the average grades for the samples (red), kriged estimates (blue), and the NN estimates (green). The NN estimates have been included to highlight any differences that may be due to the irregular sample coverage. In general, good correlation is observed between the kriged and NN estimates, with the grade trends evident in the sample data adequately reproduced in the model. The differences between the sample grades and the model grades are primarily due to the variable data spacing. An example swath plot for NdPr is presented in Figure 5-12.

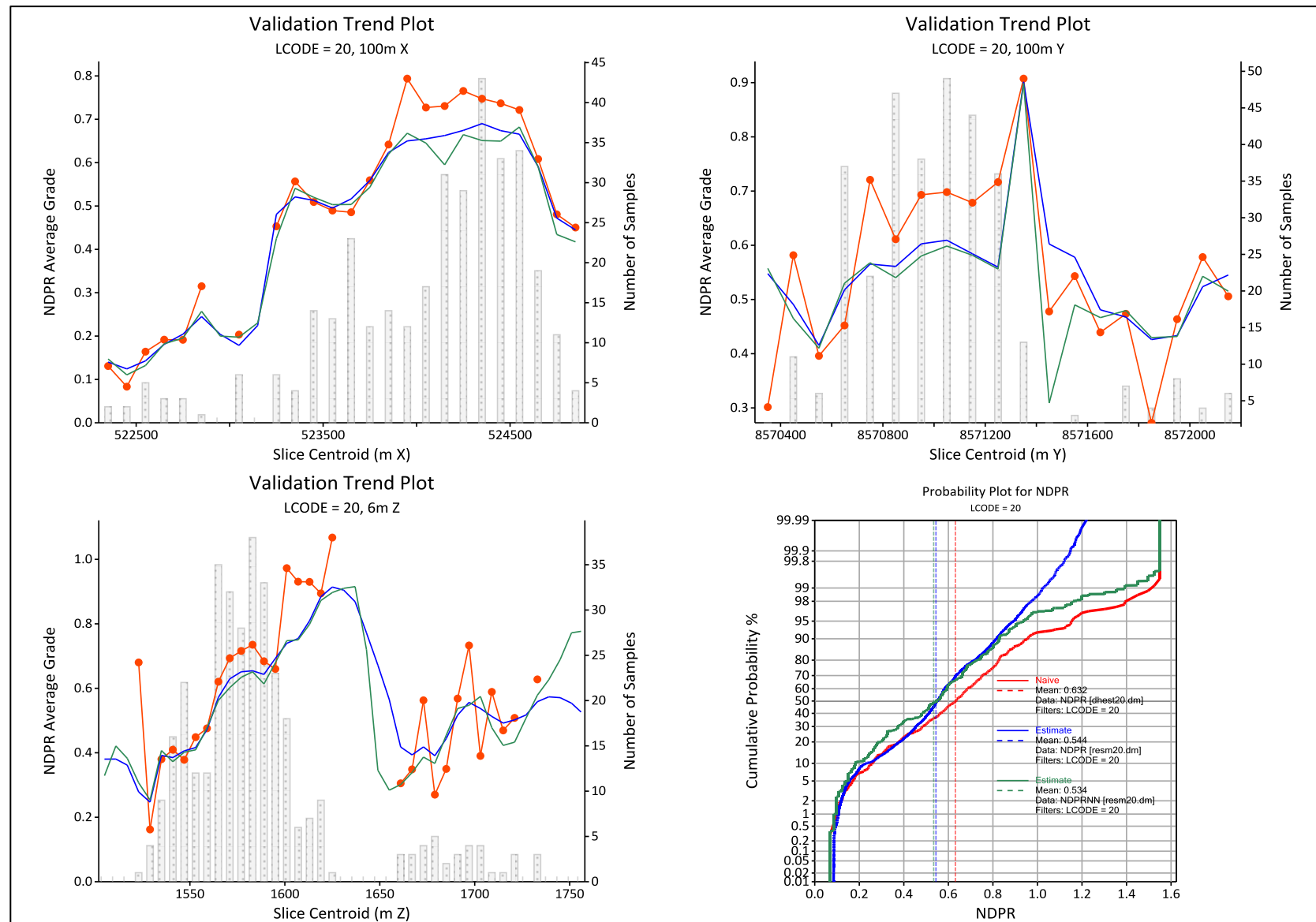


Figure 5-12: NdPr swath plots – Transported domain

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### 5.2.11 Mineral Resource classification

The Mineral Resource estimates have been classified in accordance with the JORC Code, 2012. The classifications have been applied to the Mineral Resource estimates based on consideration of the confidence in the geological interpretation, the quantity and quality of the input data, the confidence in the estimation technique, and the likely economic viability of the material.

**Geological interpretation** – Both the colluvial blanket and the underlying oxide zone are generally uniform in thickness, with good continuity of at least several hundred metres evident between drill holes. However, there are insufficient close-spaced data to form an opinion on the short-scale variability (i.e. the prevalence of any karstic structures), which adds to the uncertainty in the local tonnage estimates.

**Grade continuity** – The variography studies indicate that grade continuity is well defined for most oxides, with low nugget values and ranges in the major continuity directions of up to several hundred metres.

**Data quality** – SRK considers that the QAQC data demonstrate that the primary data are sufficiently reliable for the delineation of Indicated and Inferred Mineral Resource.

**Grade modelling** – The model validation checks show a good match between the input data and estimated grades, indicating that the estimation procedures have performed as intended, and the confidence in the estimates is consistent with the classifications that have been applied.

SRK considers that the largest source of uncertainty is the reliability of the local estimates and the accuracy of the lithological interpretation, both of which are influenced by drill hole spacing. Based on these considerations, SRK has assigned a classification of Indicated to the Mineral Resource estimates in the area with a nominal drill hole spacing of 100 × 50 m and a classification of Inferred to the Mineral Resource estimates in the surrounding areas with a nominal drill hole spacing of up to 200 × 100 m.

The Mineral Resource estimates are limited to the areas covered by a uniform drill spacing of 200 × 100 m (or closer), with lateral extrapolation beyond the drill coverage limited to approximately half the drill spacing. Vertical extrapolation was constrained by defining a resource basal surface located several metres below the lowermost sample in each drill hole.

The model has been extended a few hundred metres beyond the area of uniform drilling to ensure adequate coverage for any subsequent mine planning studies. Although the grades of the model cells located outside of the resource boundaries were estimated using the same parameters as those within the boundaries, the estimates are of reduced confidence because of the large extrapolation distances. These estimates have not been classified as Mineral Resources and should be used with caution.

The resource classification assigned to individual model cells is defined by the RESCAT field, where:

- Indicated: RESCAT = 2
- Inferred: RESCAT = 3
- Not classified: RESCAT = 4.

Figure 5-13 shows the Mineral Resource boundaries (red = Indicated, lilac = Inferred) superimposed on the drill hole collar plot and model extents.

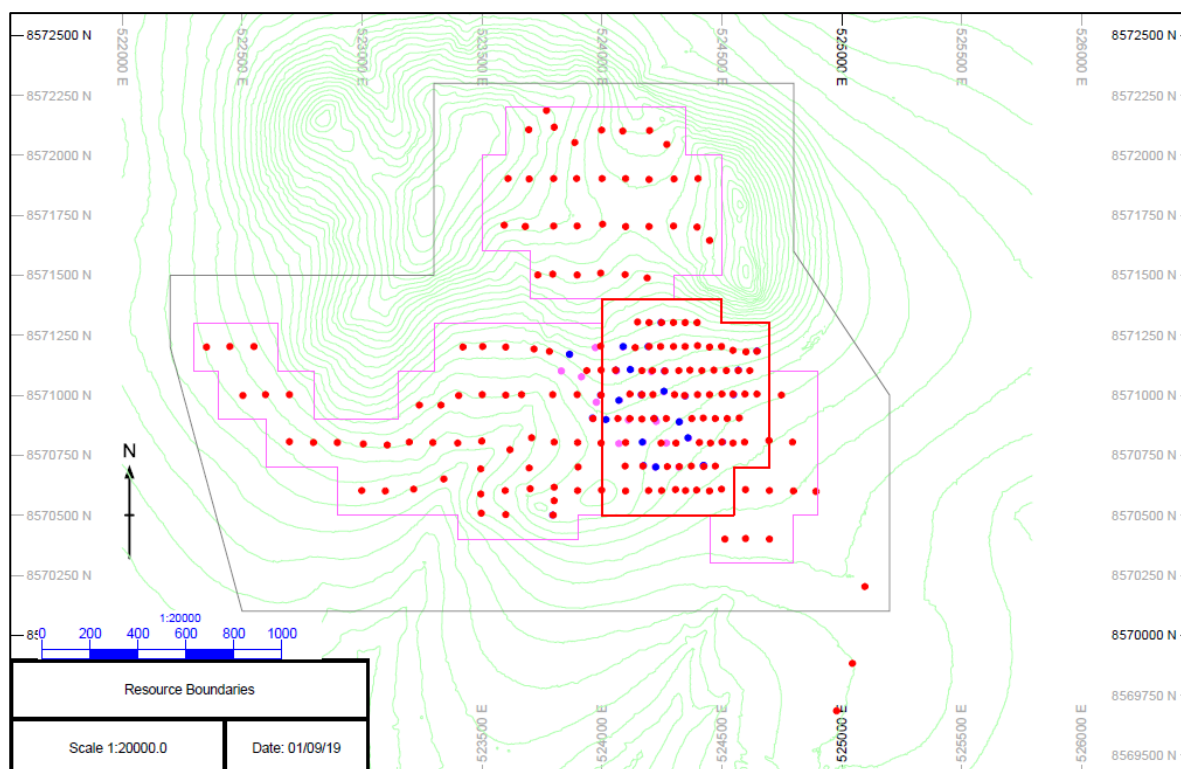


**Figure 5-13: Mineral Resource classification boundaries**

## 5.2.12 Mineral Resource tabulations

Summaries of the Mineral Resource estimates derived from the Longonjo Mineral Resource model prepared in August are presented in Table 5-12 through Table 5-16, with separate tabulations for the various material types. The summaries are based on the application of NdPr cut-off grade criteria to individual model cells. The estimates are expressed on a dry tonnage basis. All tonnage estimates are reported to three significant figures, and all grade estimates are reported to two decimal places.

The Mineral Resource estimates are classified in accordance with the JORC Code (2012). The JORC Code – Table 1 is included in Appendix A.

The individual rare earth oxide grades and their percentage of the total REO grade for Mineral Resource blocks equal to or exceeding 0.1% NdPr are listed in Table 5-17. Grade-tonnage curves based on NdPr cut-off grades are presented in Figure 5-14 and Figure 5-15.



**Table 5-12: Mineral Resource tabulations – all domains August 2019**

| Cut-off<br>NdPr<br>(%) | Indicated     |             |            |             |            | Inferred      |             |            |             |            | Total         |             |            |             |            |
|------------------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|
|                        | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) |
| 0.0                    | 59,700,000    | 0.39        | 1.84       | 231,000     | 1,100,000  | 188,000,000   | 0.27        | 1.21       | 517,000     | 2,270,000  | 248,000,000   | 0.30        | 1.36       | 748,000     | 3,370,000  |
| 0.1                    | 58,900,000    | 0.39        | 1.86       | 230,000     | 1,100,000  | 167,000,000   | 0.30        | 1.33       | 504,000     | 2,230,000  | 226,000,000   | 0.33        | 1.47       | 735,000     | 3,320,000  |
| 0.2                    | 48,300,000    | 0.44        | 2.13       | 214,000     | 1,030,000  | 119,000,000   | 0.36        | 1.62       | 430,000     | 1,920,000  | 167,000,000   | 0.39        | 1.77       | 644,000     | 2,950,000  |
| 0.3                    | 35,500,000    | 0.51        | 2.47       | 182,000     | 880,000    | 67,100,000    | 0.45        | 2.04       | 301,000     | 1,370,000  | 103,000,000   | 0.47        | 2.19       | 483,000     | 2,250,000  |
| 0.4                    | 20,800,000    | 0.63        | 3.01       | 131,000     | 625,000    | 31,700,000    | 0.56        | 2.55       | 178,000     | 808,000    | 52,500,000    | 0.59        | 2.73       | 309,000     | 1,430,000  |
| 0.5                    | 13,100,000    | 0.74        | 3.51       | 96,500      | 460,000    | 18,100,000    | 0.65        | 2.96       | 118,000     | 535,000    | 31,200,000    | 0.69        | 3.19       | 214,000     | 995,000    |
| 0.6                    | 9,010,000     | 0.82        | 3.93       | 74,200      | 354,000    | 9,520,000     | 0.75        | 3.42       | 71,000      | 325,000    | 18,500,000    | 0.78        | 3.67       | 145,000     | 679,000    |
| 0.7                    | 6,530,000     | 0.89        | 4.25       | 58,200      | 278,000    | 4,620,000     | 0.85        | 3.97       | 39,400      | 184,000    | 11,100,000    | 0.88        | 4.14       | 97,600      | 461,000    |
| 0.8                    | 4,180,000     | 0.97        | 4.62       | 40,500      | 193,000    | 2,320,000     | 0.96        | 4.58       | 22,300      | 106,000    | 6,500,000     | 0.97        | 4.60       | 62,800      | 299,000    |
| 0.9                    | 2,440,000     | 1.06        | 5.03       | 25,800      | 123,000    | 1,010,000     | 1.10        | 5.63       | 11,100      | 56,800     | 3,450,000     | 1.07        | 5.21       | 36,900      | 180,000    |
| 1.0                    | 1,350,000     | 1.15        | 5.46       | 15,600      | 74,000     | 569,000       | 1.22        | 6.45       | 6,920       | 36,700     | 1,920,000     | 1.17        | 5.75       | 22,500      | 111,000    |
| 1.1                    | 705,000       | 1.24        | 5.92       | 8,760       | 41,700     | 347,000       | 1.32        | 7.04       | 4,600       | 24,500     | 1,050,000     | 1.27        | 6.29       | 13,400      | 66,200     |
| 1.2                    | 362,000       | 1.33        | 6.36       | 4,830       | 23,000     | 235,000       | 1.41        | 7.59       | 3,320       | 17,800     | 597,000       | 1.36        | 6.84       | 8,140       | 40,900     |
| 1.3                    | 180,000       | 1.42        | 6.76       | 2,560       | 12,100     | 144,000       | 1.52        | 7.99       | 2,190       | 11,500     | 324,000       | 1.47        | 7.31       | 4,750       | 23,600     |
| 1.4                    | 94,700        | 1.49        | 6.94       | 1,410       | 6,570      | 75,000        | 1.67        | 8.48       | 1,260       | 6,360      | 170,000       | 1.57        | 7.62       | 2,670       | 12,900     |
| 1.5                    | 30,500        | 1.59        | 7.19       | 485         | 2,200      | 52,300        | 1.77        | 8.76       | 924         | 4,580      | 82,800        | 1.70        | 8.18       | 1,410       | 6,780      |
| 1.6                    | 10,400        | 1.68        | 7.08       | 174         | 738        | 46,800        | 1.79        | 8.92       | 836         | 4,180      | 57,200        | 1.77        | 8.59       | 1,010       | 4,910      |
| 1.7                    | 5,540         | 1.72        | 6.90       | 95          | 381        | 40,100        | 1.81        | 9.10       | 726         | 3,650      | 45,600        | 1.80        | 8.83       | 821         | 4,030      |
| 1.8                    | -             | 0.00        | 0.00       | -           | -          | 18,300        | 1.91        | 9.75       | 349         | 1,780      | 18,300        | 1.91        | 9.75       | 349         | 1,780      |
| 1.9                    | -             | 0.00        | 0.00       | -           | -          | 11,300        | 1.92        | 9.89       | 217         | 1,120      | 11,300        | 1.92        | 9.89       | 217         | 1,120      |

**Table 5-13: Mineral Resource tabulations – Transported – August 2019**

| Cut-off<br>NdPr<br>(%) | Indicated     |             |            |             |            | Inferred      |             |            |             |            | Total         |             |            |             |            |
|------------------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|
|                        | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) |
| 0.0                    | 3,130,000     | 0.75        | 3.60       | 23,500      | 113,000    | 8,340,000     | 0.47        | 2.15       | 39,000      | 179,000    | 11,500,000    | 0.54        | 2.55       | 62,500      | 292,000    |
| 0.1                    | 3,130,000     | 0.75        | 3.60       | 23,500      | 113,000    | 8,270,000     | 0.47        | 2.17       | 38,900      | 179,000    | 11,400,000    | 0.55        | 2.56       | 62,400      | 292,000    |
| 0.2                    | 3,130,000     | 0.75        | 3.60       | 23,500      | 113,000    | 7,400,000     | 0.51        | 2.35       | 37,600      | 174,000    | 10,500,000    | 0.58        | 2.72       | 61,100      | 287,000    |
| 0.3                    | 3,130,000     | 0.75        | 3.60       | 23,500      | 113,000    | 6,830,000     | 0.53        | 2.46       | 36,200      | 168,000    | 9,960,000     | 0.60        | 2.82       | 59,700      | 281,000    |
| 0.4                    | 3,070,000     | 0.76        | 3.64       | 23,200      | 112,000    | 5,900,000     | 0.56        | 2.60       | 32,900      | 154,000    | 8,960,000     | 0.63        | 2.96       | 56,100      | 265,000    |
| 0.5                    | 2,860,000     | 0.78        | 3.75       | 22,300      | 107,000    | 4,320,000     | 0.60        | 2.77       | 25,700      | 120,000    | 7,180,000     | 0.67        | 3.16       | 48,000      | 227,000    |
| 0.6                    | 2,600,000     | 0.80        | 3.85       | 20,900      | 100,000    | 1,620,000     | 0.67        | 3.07       | 10,900      | 49,800     | 4,220,000     | 0.75        | 3.55       | 31,700      | 150,000    |
| 0.7                    | 2,100,000     | 0.84        | 4.03       | 17,600      | 84,700     | 353,000       | 0.77        | 3.59       | 2,740       | 12,700     | 2,460,000     | 0.83        | 3.97       | 20,400      | 97,400     |
| 0.8                    | 1,220,000     | 0.90        | 4.31       | 11,000      | 52,600     | 98,800        | 0.88        | 4.20       | 871         | 4,150      | 1,320,000     | 0.90        | 4.30       | 11,800      | 56,700     |
| 0.9                    | 510,000       | 0.98        | 4.65       | 4,990       | 23,700     | 34,600        | 0.95        | 4.48       | 329         | 1,550      | 544,000       | 0.98        | 4.64       | 5,310       | 25,200     |
| 1.0                    | 169,000       | 1.06        | 5.03       | 1,790       | 8,480      | 6,320         | 1.03        | 4.82       | 64          | 304        | 175,000       | 1.06        | 5.02       | 1,850       | 8,790      |
| 1.1                    | 31,900        | 1.14        | 5.53       | 364         | 1,760      | -             | -           | -          | -           | -          | 31,900        | 1.14        | 5.53       | 364         | 1,760      |
| 1.2                    | 1,530         | 1.22        | 6.06       | 18          | 92         | -             | -           | -          | -           | -          | 1,530         | 1.22        | 6.06       | 18          | 92         |
| 1.3                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |
| 1.4                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |
| 1.5                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |
| 1.6                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |
| 1.7                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |
| 1.8                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |
| 1.9                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          |

**Table 5-14: Mineral Resource tabulations – Oxide – August 2019**

| Cut-off<br>NdPr<br>(%) | Indicated     |             |            |             |            | Inferred      |             |            |             |            | Total         |             |            |             |            |
|------------------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|
|                        | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) |
| 0.0                    | 12,900,000    | 0.53        | 2.49       | 67,900      | 321,000    | 52,900,000    | 0.33        | 1.38       | 177,000     | 728,000    | 65,800,000    | 0.37        | 1.59       | 245,000     | 1,050,000  |
| 0.1                    | 12,900,000    | 0.53        | 2.49       | 67,900      | 321,000    | 47,400,000    | 0.37        | 1.52       | 174,000     | 719,000    | 60,300,000    | 0.40        | 1.73       | 242,000     | 1,040,000  |
| 0.2                    | 11,700,000    | 0.56        | 2.67       | 66,100      | 314,000    | 36,500,000    | 0.43        | 1.81       | 157,000     | 662,000    | 48,300,000    | 0.46        | 2.02       | 223,000     | 975,000    |
| 0.3                    | 9,430,000     | 0.64        | 3.07       | 60,300      | 289,000    | 24,700,000    | 0.52        | 2.23       | 128,000     | 551,000    | 34,100,000    | 0.55        | 2.46       | 188,000     | 841,000    |
| 0.4                    | 7,510,000     | 0.71        | 3.46       | 53,600      | 260,000    | 16,400,000    | 0.60        | 2.65       | 99,200      | 435,000    | 23,900,000    | 0.64        | 2.90       | 153,000     | 695,000    |
| 0.5                    | 6,000,000     | 0.78        | 3.80       | 46,800      | 228,000    | 10,600,000    | 0.69        | 3.08       | 73,200      | 327,000    | 16,600,000    | 0.72        | 3.34       | 120,000     | 555,000    |
| 0.6                    | 4,640,000     | 0.85        | 4.16       | 39,300      | 193,000    | 6,770,000     | 0.77        | 3.48       | 52,200      | 236,000    | 11,400,000    | 0.80        | 3.76       | 91,500      | 429,000    |
| 0.7                    | 3,420,000     | 0.92        | 4.52       | 31,400      | 154,000    | 3,860,000     | 0.87        | 3.97       | 33,400      | 153,000    | 7,270,000     | 0.89        | 4.23       | 64,700      | 308,000    |
| 0.8                    | 2,300,000     | 1.00        | 4.93       | 23,000      | 113,000    | 2,080,000     | 0.97        | 4.51       | 20,100      | 93,600     | 4,380,000     | 0.98        | 4.73       | 43,100      | 207,000    |
| 0.9                    | 1,510,000     | 1.08        | 5.33       | 16,300      | 80,700     | 907,000       | 1.10        | 5.59       | 10,000      | 50,700     | 2,420,000     | 1.09        | 5.43       | 26,300      | 131,000    |
| 1.0                    | 929,000       | 1.16        | 5.74       | 10,800      | 53,400     | 520,000       | 1.23        | 6.42       | 6,370       | 33,400     | 1,450,000     | 1.18        | 5.99       | 17,200      | 86,800     |
| 1.1                    | 529,000       | 1.25        | 6.17       | 6,590       | 32,600     | 327,000       | 1.33        | 7.00       | 4,350       | 22,900     | 856,000       | 1.28        | 6.49       | 10,900      | 55,500     |
| 1.2                    | 289,000       | 1.33        | 6.56       | 3,840       | 19,000     | 216,000       | 1.43        | 7.58       | 3,090       | 16,400     | 506,000       | 1.37        | 7.00       | 6,920       | 35,400     |
| 1.3                    | 142,000       | 1.42        | 6.98       | 2,010       | 9,910      | 144,000       | 1.52        | 7.99       | 2,190       | 11,500     | 286,000       | 1.47        | 7.49       | 4,200       | 21,400     |
| 1.4                    | 69,300        | 1.49        | 7.24       | 1,030       | 5,020      | 75,000        | 1.67        | 8.48       | 1,260       | 6,360      | 144,000       | 1.58        | 7.88       | 2,290       | 11,400     |
| 1.5                    | 21,500        | 1.57        | 7.45       | 338         | 1,600      | 52,300        | 1.77        | 8.76       | 924         | 4,580      | 73,800        | 1.71        | 8.38       | 1,260       | 6,190      |
| 1.6                    | 5,890         | 1.64        | 7.25       | 96          | 426        | 46,800        | 1.79        | 8.92       | 836         | 4,180      | 52,700        | 1.77        | 8.74       | 933         | 4,600      |
| 1.7                    | 992           | 1.71        | 7.03       | 16          | 69         | 40,100        | 1.81        | 9.10       | 726         | 3,650      | 41,100        | 1.81        | 9.05       | 743         | 3,720      |
| 1.8                    | -             | -           | -          | -           | -          | 18,300        | 1.91        | 9.75       | 349         | 1,780      | 18,300        | 1.91        | 9.75       | 349         | 1,780      |
| 1.9                    | -             | -           | -          | -           | -          | 11,300        | 1.92        | 9.89       | 217         | 1,120      | 11,300        | 1.92        | 9.89       | 217         | 1,120      |

**Table 5-15: Mineral Resource tabulations – Fresh – August 2019**

| Cut-off<br>NdPr<br>(%) | Indicated     |             |            |             |            | Inferred      |             |            |             |            | Total         |             |            |             |            |
|------------------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|
|                        | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) |
| 0.0                    | 43,700,000    | 0.32        | 1.52       | 140,000     | 666,000    | 127,000,000   | 0.24        | 1.08       | 301,000     | 1,370,000  | 171,000,000   | 0.26        | 1.19       | 441,000     | 2,030,000  |
| 0.1                    | 42,900,000    | 0.32        | 1.54       | 139,000     | 663,000    | 111,000,000   | 0.26        | 1.19       | 291,000     | 1,330,000  | 154,000,000   | 0.28        | 1.29       | 430,000     | 1,990,000  |
| 0.2                    | 33,400,000    | 0.37        | 1.80       | 125,000     | 600,000    | 74,800,000    | 0.31        | 1.45       | 235,000     | 1,090,000  | 108,000,000   | 0.33        | 1.56       | 359,000     | 1,690,000  |
| 0.3                    | 23,000,000    | 0.43        | 2.08       | 98,500      | 477,000    | 35,600,000    | 0.38        | 1.83       | 137,000     | 651,000    | 58,600,000    | 0.40        | 1.93       | 235,000     | 1,130,000  |
| 0.4                    | 10,200,000    | 0.53        | 2.49       | 53,900      | 254,000    | 9,390,000     | 0.49        | 2.33       | 46,200      | 219,000    | 19,600,000    | 0.51        | 2.41       | 100,000     | 473,000    |
| 0.5                    | 4,240,000     | 0.65        | 2.94       | 27,400      | 125,000    | 3,130,000     | 0.60        | 2.84       | 18,800      | 89,000     | 7,370,000     | 0.63        | 2.90       | 46,100      | 214,000    |
| 0.6                    | 1,770,000     | 0.79        | 3.44       | 14,000      | 61,000     | 1,130,000     | 0.71        | 3.51       | 8,000       | 39,800     | 2,900,000     | 0.76        | 3.47       | 22,000      | 101,000    |
| 0.7                    | 1,010,000     | 0.91        | 3.82       | 9,170       | 38,600     | 406,000       | 0.81        | 4.35       | 3,290       | 17,700     | 1,420,000     | 0.88        | 3.97       | 12,500      | 56,200     |
| 0.8                    | 659,000       | 0.99        | 4.11       | 6,550       | 27,100     | 148,000       | 0.94        | 5.76       | 1,390       | 8,540      | 807,000       | 0.98        | 4.41       | 7,940       | 35,600     |
| 0.9                    | 420,000       | 1.08        | 4.43       | 4,520       | 18,600     | 67,800        | 1.06        | 6.66       | 719         | 4,520      | 487,000       | 1.08        | 4.74       | 5,240       | 23,100     |
| 1.0                    | 257,000       | 1.16        | 4.72       | 2,980       | 12,100     | 42,500        | 1.12        | 7.09       | 477         | 3,020      | 299,000       | 1.16        | 5.06       | 3,460       | 15,100     |
| 1.1                    | 144,000       | 1.25        | 5.10       | 1,810       | 7,360      | 20,200        | 1.21        | 7.62       | 244         | 1,540      | 164,000       | 1.25        | 5.41       | 2,050       | 8,900      |
| 1.2                    | 71,500        | 1.36        | 5.55       | 969         | 3,970      | 18,900        | 1.22        | 7.66       | 229         | 1,440      | 90,400        | 1.33        | 5.99       | 1,200       | 5,410      |
| 1.3                    | 37,900        | 1.45        | 5.92       | 550         | 2,240      | -             | -           | -          | -           | -          | 37,900        | 1.45        | 5.92       | 550         | 2,240      |
| 1.4                    | 25,400        | 1.51        | 6.13       | 383         | 1,560      | -             | -           | -          | -           | -          | 25,400        | 1.51        | 6.13       | 383         | 1,560      |
| 1.5                    | 9,000         | 1.63        | 6.58       | 146         | 592        | -             | -           | -          | -           | -          | 9,000         | 1.63        | 6.58       | 146         | 592        |
| 1.6                    | 4,540         | 1.73        | 6.87       | 78          | 312        | -             | -           | -          | -           | -          | 4,540         | 1.73        | 6.87       | 78          | 312        |
| 1.7                    | 4,540         | 1.73        | 6.87       | 78          | 312        | -             | -           | -          | -           | -          | 4,540         | 1.73        | 6.87       | 78          | 312        |
| 1.8                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | 0.00        | 0.00       | -           | -          |
| 1.9                    | -             | -           | -          | -           | -          | -             | -           | -          | -           | -          | -             | 0.00        | 0.00       | -           | -          |

**Table 5-16: Mineral Resource tabulations – Weathered – August 2019**

| Cut-off<br>NdPr<br>(%) | Indicated     |             |            |             |            | Inferred      |             |            |             |            | Total         |             |            |             |            |
|------------------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|---------------|-------------|------------|-------------|------------|
|                        | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) | Tonnes<br>(t) | NdPr<br>(%) | REO<br>(%) | NdPr<br>(t) | REO<br>(t) |
| 0.0                    | 16,000,000    | 0.57        | 2.71       | 91,400      | 433,000    | 61,300,000    | 0.35        | 1.48       | 216,000     | 908,000    | 77,300,000    | 0.40        | 1.74       | 308,000     | 1,340,000  |
| 0.1                    | 16,000,000    | 0.57        | 2.71       | 91,400      | 433,000    | 55,700,000    | 0.38        | 1.61       | 213,000     | 899,000    | 71,700,000    | 0.42        | 1.86       | 304,000     | 1,330,000  |
| 0.2                    | 14,900,000    | 0.60        | 2.86       | 89,600      | 426,000    | 43,900,000    | 0.44        | 1.90       | 195,000     | 836,000    | 58,800,000    | 0.48        | 2.15       | 284,000     | 1,260,000  |
| 0.3                    | 12,600,000    | 0.67        | 3.20       | 83,800      | 402,000    | 31,500,000    | 0.52        | 2.28       | 164,000     | 719,000    | 44,100,000    | 0.56        | 2.54       | 248,000     | 1,120,000  |
| 0.4                    | 10,600,000    | 0.73        | 3.51       | 76,800      | 371,000    | 22,300,000    | 0.59        | 2.64       | 132,000     | 589,000    | 32,900,000    | 0.63        | 2.92       | 209,000     | 960,000    |
| 0.5                    | 8,860,000     | 0.78        | 3.79       | 69,100      | 335,000    | 14,900,000    | 0.66        | 2.99       | 99,000      | 446,000    | 23,800,000    | 0.71        | 3.29       | 168,000     | 782,000    |
| 0.6                    | 7,230,000     | 0.83        | 4.05       | 60,100      | 293,000    | 8,390,000     | 0.75        | 3.40       | 63,000      | 286,000    | 15,600,000    | 0.79        | 3.70       | 123,000     | 579,000    |
| 0.7                    | 5,520,000     | 0.89        | 4.33       | 49,000      | 239,000    | 4,210,000     | 0.86        | 3.94       | 36,100      | 166,000    | 9,730,000     | 0.87        | 4.16       | 85,100      | 405,000    |
| 0.8                    | 3,520,000     | 0.96        | 4.71       | 34,000      | 166,000    | 2,170,000     | 0.96        | 4.50       | 20,900      | 97,800     | 5,700,000     | 0.96        | 4.63       | 54,900      | 264,000    |
| 0.9                    | 2,020,000     | 1.05        | 5.16       | 21,300      | 104,000    | 942,000       | 1.10        | 5.55       | 10,300      | 52,300     | 2,970,000     | 1.07        | 5.28       | 31,700      | 157,000    |
| 1.0                    | 1,100,000     | 1.15        | 5.63       | 12,600      | 61,900     | 526,000       | 1.22        | 6.40       | 6,440       | 33,700     | 1,620,000     | 1.17        | 5.88       | 19,000      | 95,600     |
| 1.1                    | 561,000       | 1.24        | 6.13       | 6,950       | 34,400     | 327,000       | 1.33        | 7.00       | 4,350       | 22,900     | 888,000       | 1.27        | 6.45       | 11,300      | 57,300     |
| 1.2                    | 291,000       | 1.33        | 6.56       | 3,860       | 19,100     | 216,000       | 1.43        | 7.58       | 3,090       | 16,400     | 507,000       | 1.37        | 6.99       | 6,940       | 35,500     |
| 1.3                    | 142,000       | 1.42        | 6.98       | 2,010       | 9,910      | 144,000       | 1.52        | 7.99       | 2,190       | 11,500     | 286,000       | 1.47        | 7.49       | 4,200       | 21,400     |
| 1.4                    | 69,300        | 1.49        | 7.24       | 1,030       | 5,020      | 75,000        | 1.67        | 8.48       | 1,260       | 6,360      | 144,000       | 1.58        | 7.88       | 2,290       | 11,400     |
| 1.5                    | 21,500        | 1.57        | 7.45       | 338         | 1,600      | 52,300        | 1.77        | 8.76       | 924         | 4,580      | 73,800        | 1.71        | 8.38       | 1,260       | 6,190      |
| 1.6                    | 5,890         | 1.64        | 7.25       | 96          | 426        | 46,800        | 1.79        | 8.92       | 836         | 4,180      | 52,700        | 1.77        | 8.74       | 933         | 4,600      |
| 1.7                    | 992           | 1.71        | 7.03       | 16          | 69         | 40,100        | 1.81        | 9.10       | 726         | 3,650      | 41,100        | 1.81        | 9.05       | 743         | 3,720      |
| 1.8                    | -             | -           | -          | -           | -          | 18,300        | 1.91        | 9.75       | 349         | 1,780      | 18,300        | 1.91        | 9.75       | 349         | 1,780      |
| 1.9                    | -             | -           | -          | -           | -          | 11,300        | 1.92        | 9.89       | 217         | 1,120      | 11,300        | 1.92        | 9.89       | 217         | 1,120      |

**Table 5-17: Individual rare earth oxide grades and percentage total REO at 0.1% NdPr cut-off**

| Rare earth oxide |                                 | Transported  |                       | Oxide        |                       | Fresh        |                       |
|------------------|---------------------------------|--------------|-----------------------|--------------|-----------------------|--------------|-----------------------|
|                  |                                 | Grade (%)    | Percentage of REO (%) | Grade (%)    | Percentage of REO (%) | Grade (%)    | Percentage of REO (%) |
| Lanthanum        | La <sub>2</sub> O <sub>3</sub>  | 0.581        | 22.71                 | 0.400        | 23.20                 | 0.316        | 24.48                 |
| Cerium           | CeO <sub>2</sub>                | 1.224        | 47.82                 | 0.770        | 44.63                 | 0.597        | 46.21                 |
| Praseodymium     | Pr <sub>6</sub> O <sub>11</sub> | <b>0.122</b> | <b>4.77</b>           | <b>0.087</b> | <b>5.05</b>           | <b>0.063</b> | <b>4.91</b>           |
| Neodymium        | Nd <sub>2</sub> O <sub>3</sub>  | <b>0.425</b> | <b>16.61</b>          | <b>0.314</b> | <b>18.22</b>          | <b>0.215</b> | <b>16.68</b>          |
| Samarium         | Sm <sub>2</sub> O <sub>3</sub>  | 0.062        | 2.41                  | 0.048        | 2.77                  | 0.030        | 2.34                  |
| Europium         | Eu <sub>2</sub> O <sub>3</sub>  | 0.014        | 0.56                  | 0.011        | 0.63                  | 0.007        | 0.55                  |
| Gadolinium       | Gd <sub>2</sub> O <sub>3</sub>  | 0.031        | 1.22                  | 0.023        | 1.34                  | 0.015        | 1.18                  |
| Terbium          | Tb <sub>4</sub> O <sub>7</sub>  | 0.003        | 0.14                  | 0.002        | 0.14                  | 0.002        | 0.13                  |
| Dysprosium       | Dy <sub>2</sub> O <sub>3</sub>  | 0.016        | 0.63                  | 0.011        | 0.64                  | 0.007        | 0.58                  |
| Holmium          | Ho <sub>2</sub> O <sub>3</sub>  | 0.002        | 0.10                  | 0.002        | 0.10                  | 0.001        | 0.09                  |
| Erbium           | Er <sub>2</sub> O <sub>3</sub>  | 0.006        | 0.22                  | 0.004        | 0.22                  | 0.003        | 0.20                  |
| Thulium          | Tm <sub>2</sub> O <sub>3</sub>  | 0.001        | 0.02                  | 0.000        | 0.02                  | 0.000        | 0.02                  |
| Ytterbium        | Yb <sub>2</sub> O <sub>3</sub>  | 0.003        | 0.13                  | 0.002        | 0.12                  | 0.001        | 0.11                  |
| Lutetium         | Lu <sub>2</sub> O <sub>3</sub>  | 0.000        | 0.02                  | 0.000        | 0.02                  | 0.000        | 0.02                  |
| Yttrium          | Y <sub>2</sub> O <sub>3</sub>   | 0.068        | 2.65                  | 0.050        | 2.89                  | 0.032        | 2.50                  |
| Total REO        | <b>TREO</b>                     | <b>2.559</b> | <b>100.00</b>         | <b>1.726</b> | <b>100.00</b>         | <b>1.291</b> | <b>100.00</b>         |

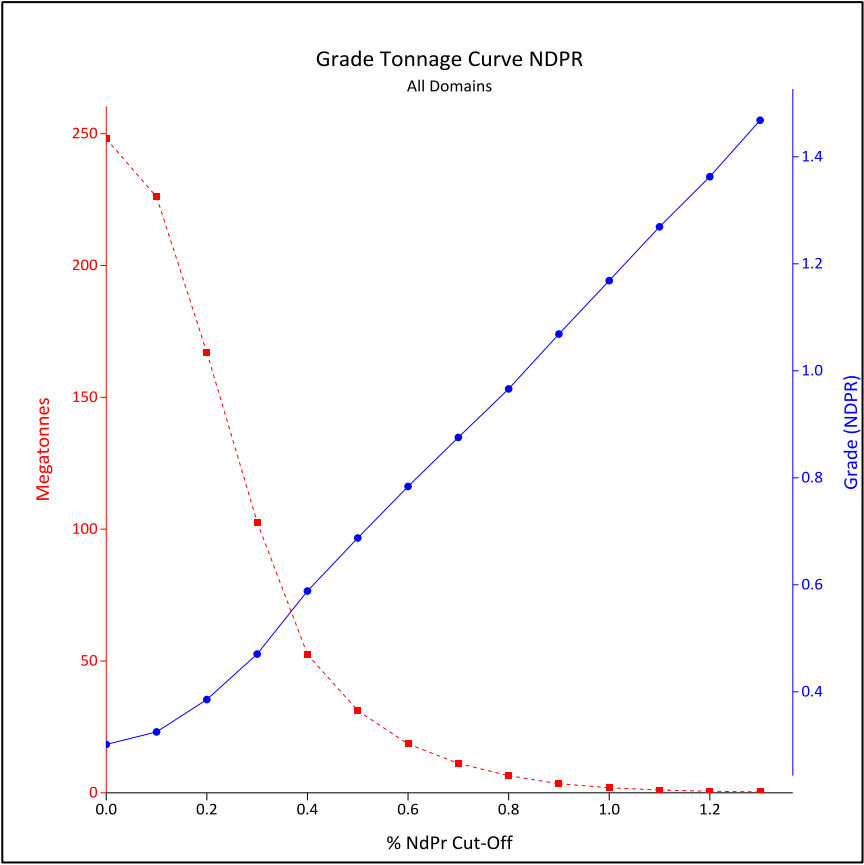


Figure 5-14: NdPr grade-tonnage curves – All domains

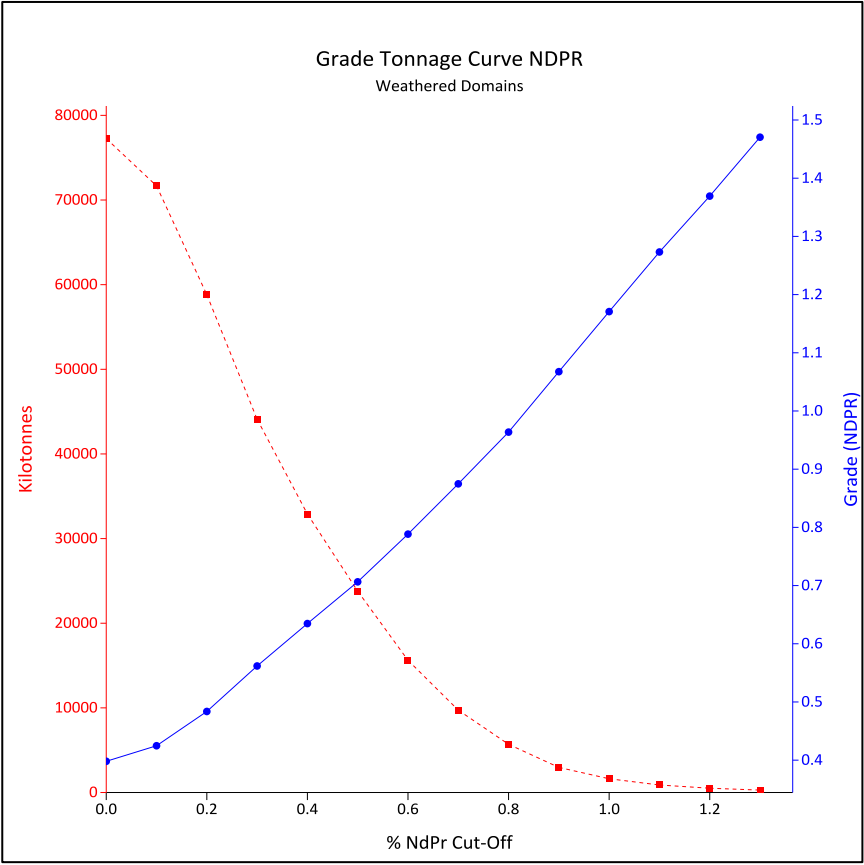


Figure 5-15: NdPr grade-tonnage curves – Transported and Oxide domains

### 5.2.13 Assumptions pertaining to reasonable prospects of eventual economic extraction

A metallurgical process to produce a high-grade concentrate has been developed and demonstrated at bench scale and in locked cycle testing by Pensana for the weathered zone mineralisation. Less rigorous metallurgical testwork has been completed for the processing of fresh material. However, the mineralisation styles and grade tenor are similar to other known deposits for which effective metallurgical treatment processes have been developed.

The cut-off grades used for the reporting of the Mineral Resource estimates are based on discussions with Pensana, and account for expected processing and mining costs, long-term historical and predicted rare earth prices, and the expected demand for rare earth products.

As with many other REO occurrences, the Longonjo material contains elevated concentrations of thorium that may impact processing, transportation, and disposal activities. Table 5-18 shows the resource model thorium and uranium concentrations at a nominal 0.1% NdPr cut-off. Thorium grade exhibits a weak positive correlation with NdPr grade in all domains

**Table 5-18: Resource model ThO<sub>2</sub> and U<sub>3</sub>O<sub>8</sub> concentrations at 0.1% NdPr cut-off**

| Domain      | ThO <sub>2</sub> (ppm) | U <sub>3</sub> O <sub>8</sub> (ppm) |
|-------------|------------------------|-------------------------------------|
| Transported | 1,270                  | 30                                  |
| Oxide       | 798                    | 19                                  |
| Fresh       | 476                    | 15                                  |

SRK is not aware of any environmental factors that may preclude the mining and processing of the materials included in the resource estimates. Acid rock drainage is not considered to be an issue given the oxidised nature of the mineralisation within a carbonate host rock, and the low levels of sulphide mineralisation.

### 5.2.14 SRK concluding remarks

SRK has used the exploration data collected by Pensana and the geology interpretations provided by Pensana to prepare Mineral Resource estimates and models for the Project. The estimates have been prepared using conventional 3D block modelling and distance weighting (OK) estimation techniques. SRK considers that sufficient investigation has been performed to ensure that the chosen estimation techniques and parameters are appropriate for the specific geometry and controls on mineralisation of the Project. Sufficient validation has been conducted to demonstrate that the local grade and tonnage estimates are consistent with input datasets.

The Mineral Resource estimates have been prepared to a sufficient quality standard and classified in accordance with the JORC Code (2012), and SRK considers that the classifications reasonably reflect the Competent Person's confidence in the estimates.



## 6 Longonjo study status

### 6.1 Overview

Pensana (then RVR) completed Scoping Studies on the Project December 2017 with lead engineers AMEC (now part of Wood Group). The Scoping Study considered the production of separated rare earth oxides on site at the Project. The initial results justified further technical work.

The Company subsequently identified an opportunity for a potentially lower capital cost project, using the existing infrastructure available in the region, to produce a high-grade processed concentrate for direct export.

In March 2019, Pensana appointed Wood Group to manage a PFS for the Project. The PFS, which was underpinned by the Mineral Resource estimates described in this CPR, was completed in November 2019. An assessment of the PFS is outside of SRK's agreed scope of work and is not covered in this CPR.

Pensana has commenced additional work on some study components for inclusion in a DFS. A summary of the status of the main additional study components in progress, as advised by Pensana, is presented in the following sections.

### 6.2 Mine planning

The mine planning work has been designed to assess the feasibility of a 1.5 Mtpa project. The planning has focused on the weathered material defined in the 2019 Mineral Resource model. The material is expected to be mined on 5 m benches using conventional shallow open pit mining techniques. It is expected that the material will be mined using hydraulic excavators without the need for blasting, with a fleet of small haul trucks used to transport the material to the processing plant.

Ore Reserves have not yet been declared for the Longonjo Project.

### 6.3 Geotechnical assessment

Option studies are currently underway for the selection of a preferred site for a tailings storage facility (TSF). A total of 45 test pits have been excavated under the supervision of geotechnical consultants, ARQ Geotech Pty Ltd, with geotechnical samples logged, collected and submitted for laboratory testing (Figure 6-1). Pensana has commissioned Omamanya Laboratory Services and Geotechnical Consultants in Windhoek to conduct the laboratory testwork.



**Figure 6-1: Geotechnical site investigations – August 2019**

## 6.4 Hydrogeological assessment

Pensana anticipates that mine and process water will be sourced from pit dewatering and borefields. Drill hole monitoring during both the wet and dry seasons indicates that the water table is approximately 13 m below surface in the initial open pit area. In August 2019, Pensana commenced a groundwater exploration program that included the drilling and pump testing of water bores in prospective areas (Figure 6-2).



**Figure 6-2: Water bore drilling – August 2019**

## 6.5 Environmental and Social Impact Assessment study

The Project requires an environmental and social impact assessment (ESIA) to be conducted in compliance with Angolan legislation and regulations, and in conformance with international standards. Pensana has appointed HCV Africa to conduct the international (bankable) ESIA, while Angola-based consultancy, Grupo Simples, has been appointed to conduct the regulatory ESIA. To date, dry- and wet-season flora and fauna baseline surveys have been completed.

The Project has been registered with the Angolan Ministry of Environment, and Terms of Reference have been specified by the Ministry for the ESIA studies.

## 6.6 Metallurgical testwork and process design

Pensana has completed metallurgical testwork on samples sourced from the DD drilling programs. The test data derived from bench-scale and locked cycle test programs have been used to develop a conceptual flowsheet for the preparation of a high-grade NdPr concentrate using primary crushing and grinding followed by a two-stage flotation process (Figure 6-3). Pensana has recently collected approximately 64 tonnes of bulk sample material from a total of 23 test pits excavated in the Project area (Figure 6-4).

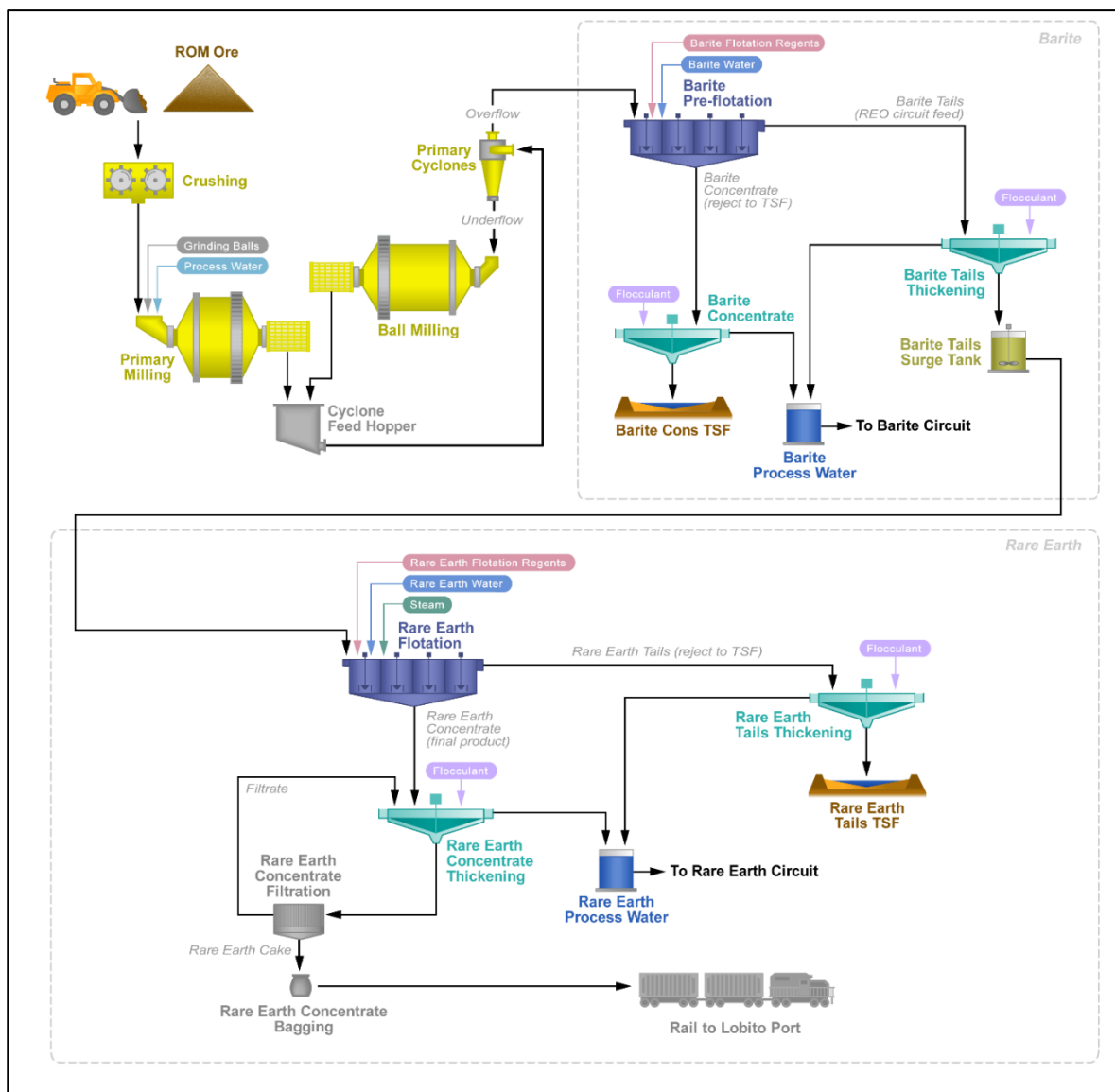


Figure 6-3: Preliminary process flowsheet



Figure 6-4: Bulk sample collection for pilot plant testing – August 2019

## 7 Prospectivity Opinion

The following descriptions of the Longonjo prospectivity potential are summarised from notes provided by Pensana. Based on SRK's assessment of the exploration data and observations made during the site visit, SRK considers Pensana's opinions on exploration potential and targeting to be reasonable.

### 7.1 Prospectivity opinion – Longonjo

#### 7.1.1 Recent drilling program

In November 2019, Pensana commenced an infill and extension drilling program comprising a total of 195 RC holes equating to 7,987 m. Given the program commenced well after of the August 2019 Mineral Resource estimation study, none of the results were used to prepare the Mineral Resource estimates described in Section 5.2.

The main aims of this program included:

- Conversion of a significant amount of the weathered zone Inferred Mineral Resource to Indicated to allow its inclusion into an extended mine plan for Longonjo.
- Conversion of some of the weathered zone Indicated Mineral Resource to Measured to support feasibility studies and future project financing.
- Expanding the current weathered zone Mineral Resource by testing the immediate strike extensions to mineralisation that remains open in several positions.
- Systematically testing an area of high-grade fresh rock mineralisation immediately beneath the weathered zone.

The field activities were completed in early March 2020 but, as of 25 May 2020, assay results have only been received for 75 holes (2,591 m). A plan showing the new drill hole collar locations superimposed on the existing drill hole collar locations and the August 2019 resource model is presented in Figure 7-1.



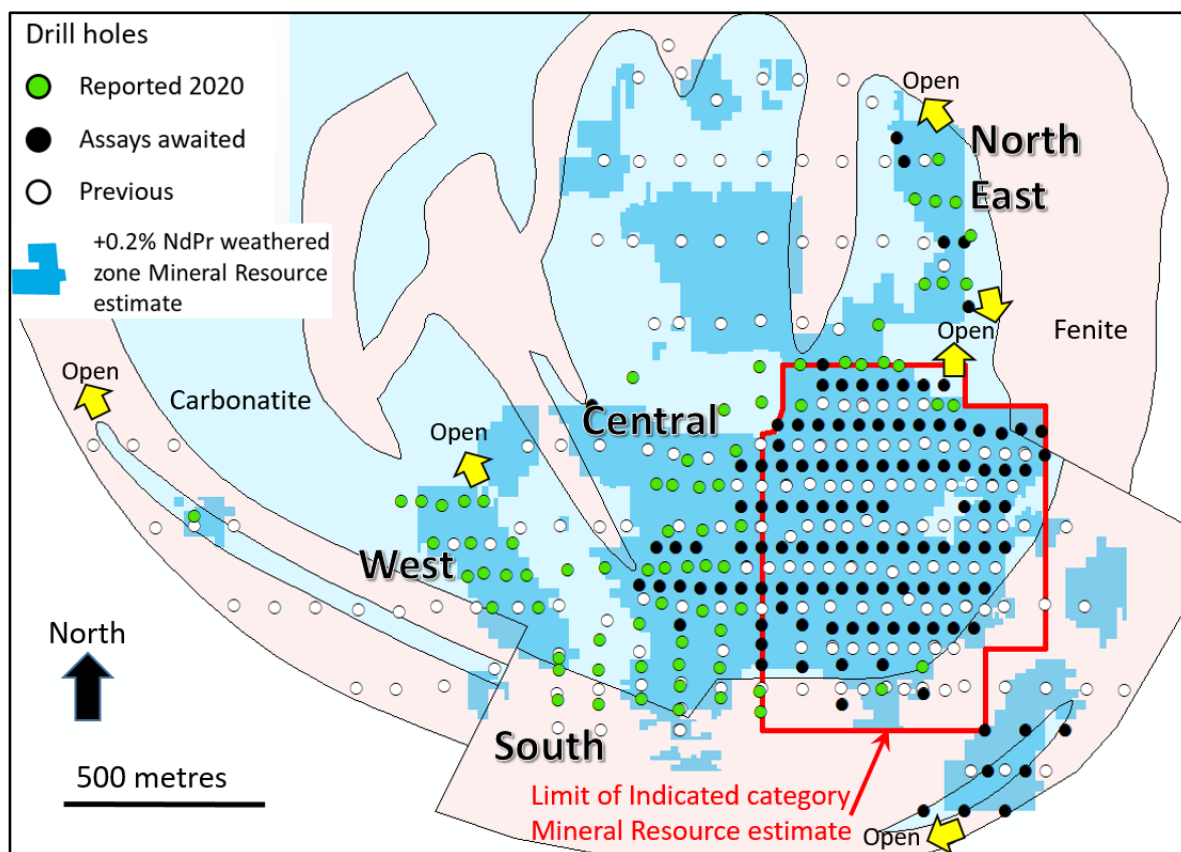


**Figure 7-1: Longonjo infill and extension drilling**

Source: Pensana Management Information

The selected drill intersections from the November 2019 program are summarised below. These intersections are based on a 0.4% NdPr lower cut-off grade.

### Central Area

Immediately west of the current PFS open pit design, new results define a 250 m × 450 m area of high-grade weathered zone mineralisation.

New intersection highlights include:

| Drill hole | Intersection                                                        |
|------------|---------------------------------------------------------------------|
| LRC175:    | 16 m at 4.19% REO including 0.93% NdPr from surface                 |
| LRC180:    | 18 m at 5.69% REO including 1.06% NdPr from surface                 |
| LRC182:    | 16 m at 6.53% REO including 1.27% NdPr from surface to end of hole  |
| LRC189:    | 13 m at 6.19% REO including 1.01% NdPr from surface to end of hole. |

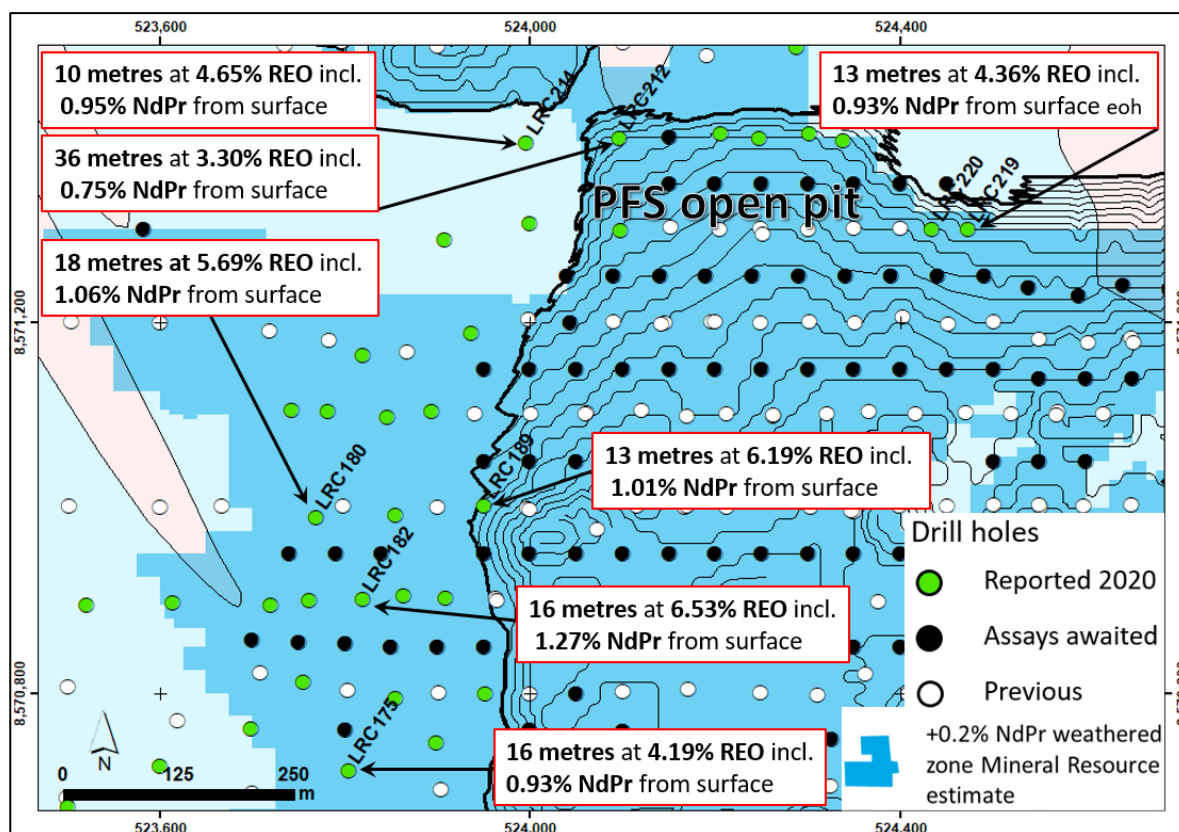


**Figure 7-2: Longonjo Central Area recent drilling highlights**

Source: Pensana Management Information

## Western Area

Lying 600 m west of the PFS open pit, the continuity of this 400 m long zone of high grade mineralisation is confirmed by the new infill drilling. The zone remains open to the north.

New intersection highlights included:

| Drill hole | Intersection                                     |
|------------|--------------------------------------------------|
| LRC197:    | 14 m at 5.85% REO including 1.07% NdPr from 4 m  |
| LRC203:    | 36 m at 6.74% REO including 1.10% NdPr from 16 m |
| LRC204:    | 22 m at 3.61% REO including 0.83% NdPr from 2 m. |

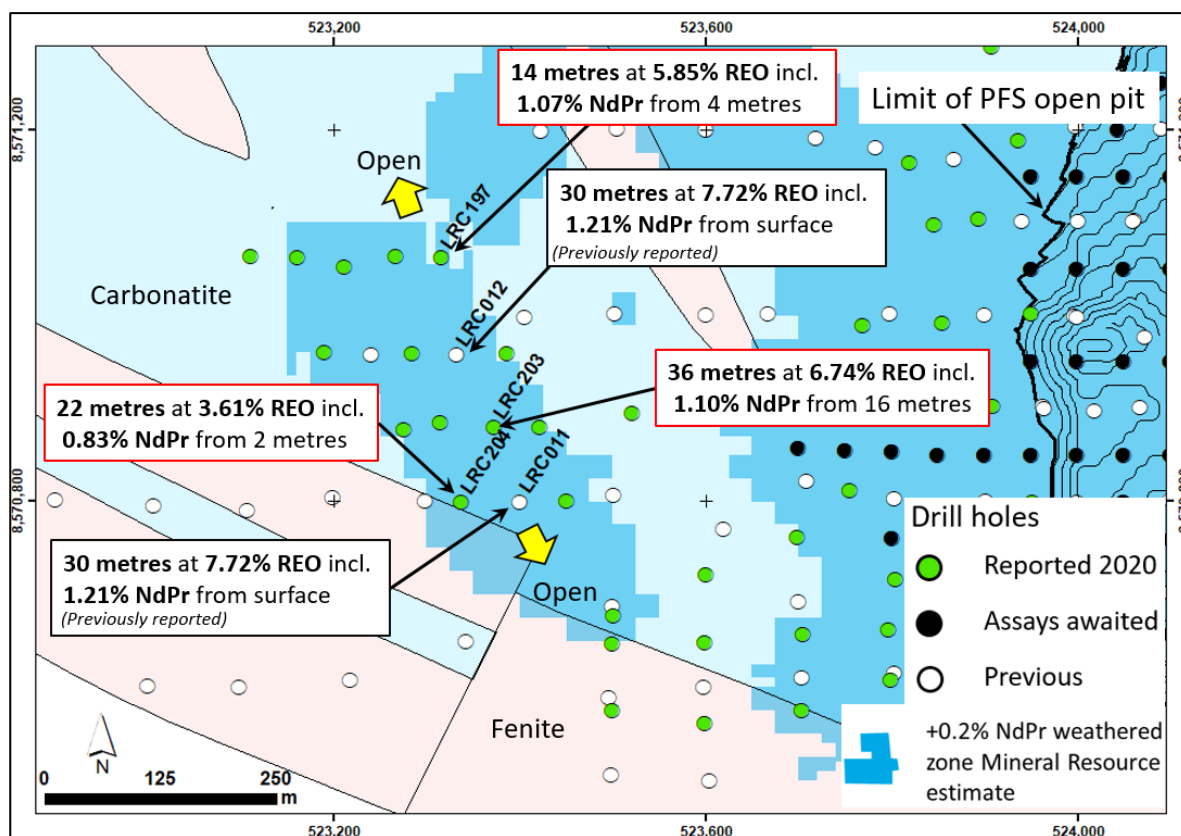


**Figure 7-3: Longonjo Western Area recent drilling highlights**

Source: Pensana Management Information

## Southern Margin

Mineralised carbonate dykes up to 25 m wide on the southern margin of the carbonatite body were tested with angled RC drilling. High grade intersections were returned from both the weathered zone and fresh rock immediately beneath, including:

| Drill hole | Intersection                                                                                                                        |
|------------|-------------------------------------------------------------------------------------------------------------------------------------|
| LRC231:    | <b>8 m at 4.94% REO</b> including <b>1.05% NdPr</b> from 24 m and<br><b>12 m at 4.16% REO</b> including <b>0.79% NdPr</b> from 36 m |
| LRC232:    | <b>14 m at 5.63% REO</b> including <b>0.96% NdPr</b> from 56 m                                                                      |
| LRC233:    | <b>8 m at 7.73% REO</b> including <b>1.32% NdPr</b> from 10 m                                                                       |
| LRC248:    | <b>6 m at 5.32% REO</b> including <b>1.10% NdPr</b> from 24 m.                                                                      |

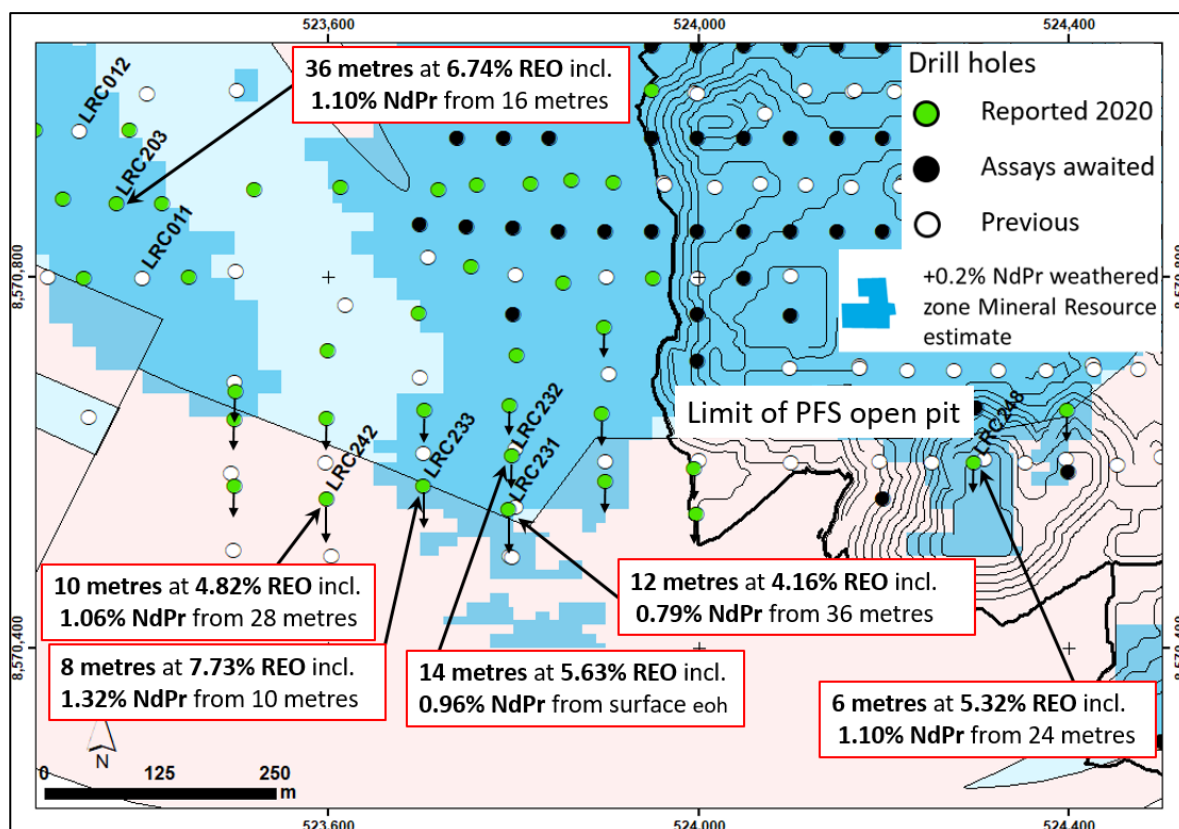


**Figure 7-4: Longonjo Southern Margin recent drilling highlights**

Source: Pensana Management Information

## North East Margin

Angled drilling along the north eastern margin of the carbonatite has defined a consistent zone of deep weathering containing NdPr enriched rare earth mineralisation. Wide intersections from the - 60° angled holes at a 0.4% NdPr lower grade cut include:

| Drill hole | Intersection                                                                                                                                                                                                               |
|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| LRC234:    | <b>34 m at 2.57% REO</b> including <b>0.79% NdPr</b> from surface,<br><b>14 m at 1.63% REO</b> including <b>0.48% NdPr</b> from 40 m and<br><b>6 m at 2.00% REO</b> including <b>0.62% NdPr</b> from 64 m to end of hole   |
| LRC235:    | <b>26 m at 1.88% REO</b> including <b>0.53% NdPr</b> from surface and<br><b>4 m at 1.92% REO</b> including <b>0.50% NdPr</b> from 40 m and<br><b>6 m at 2.06% REO</b> including <b>0.65% NdPr</b> from 62 m to end of hole |
| LRC237:    | <b>30 m at 2.12% REO</b> including <b>0.57% NdPr</b> from 4 m and<br><b>28 m at 1.92% REO</b> including <b>0.47% NdPr</b> from 44 m and<br><b>12 m at 1.56% REO</b> including <b>0.48% NdPr</b> from 80 m                  |

*Note: See ASX of 6 April 2020 for details of all new results received to date from the North East Margin area.*



The 400 m long zone of deeply weathered carbonatite hosted mineralisation is up to 200 m wide along the contact with the fenite (Figure 7-5). NdPr to REO ratios are higher than usual with NdPr, the Project's main value driver, comprising over 30% of total REO compared to the more typical 21%. Mineralisation remains open to the north and south and further results are awaited.

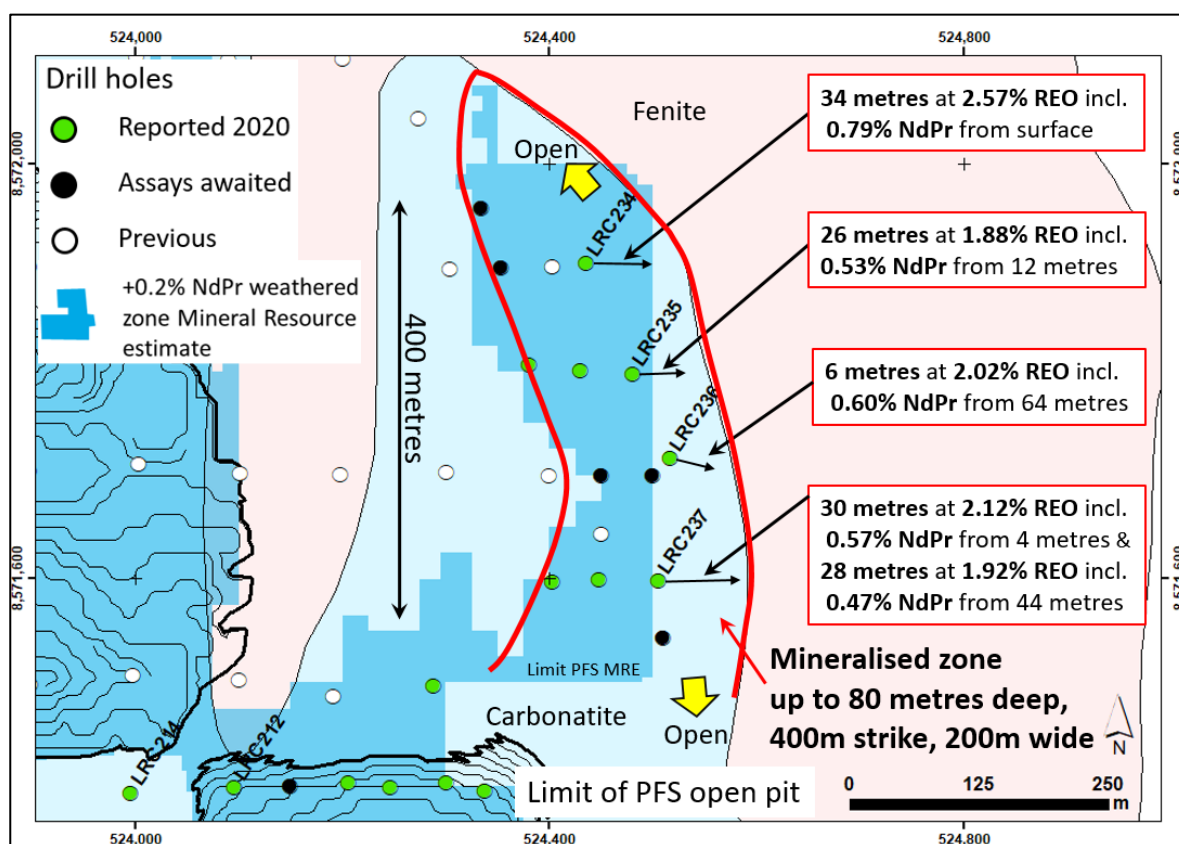


**Figure 7-5: Longonjo North East Margin recent drilling highlights**

Source: Pensana Management Information

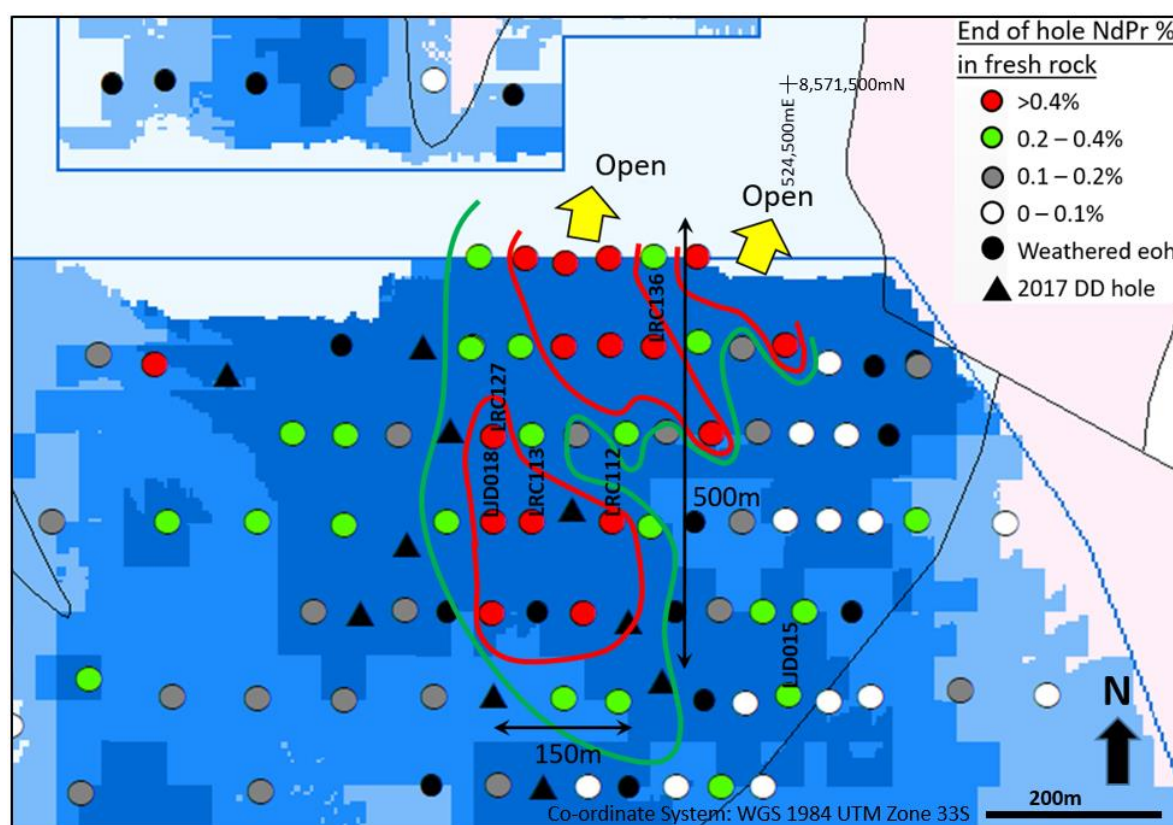
### 7.1.2 Fresh rock prospectivity

The infill RC drilling completed in March 2019 over a central portion of the Mineral Resource estimation area was predominantly designed to test the high-grade near-surface weathered zone mineralisation with shallow vertical holes. However, drill holes were continued for several metres past the base of weathering to provide initial test results for the underlying fresh bedrock.

Infill drill holes within a northerly trending zone contain high NdPr grades within fresh rock. The zone, which has a strike length of approximately 500 m and a width of 150 m, remains open to the north. The mineralisation is hosted within carbonatite and carbonatite–fenite breccia. Table 7-1 summarises fresh rock intersections from selected RC and DD holes, where NdPr >0.4%. These are considered representative of true widths given that all the drill holes are vertical and, within the carbonatite unit, the controls on mineralisation are interpreted to be sub-horizontal. A plan showing the fresh rock drill intersections colour-coded by NdPr grade is presented in Figure 7-6.

**Table 7-1: Selected fresh rock intersections from March 2019 drilling**

| Drill hole | Intersection                                                      |
|------------|-------------------------------------------------------------------|
| LRC136     | 10 m at 4.61% REO including 0.84% NdPr from 12 m to end of hole   |
| LRC113     | 5 m at 4.94% REO including 0.98% NdPr from 22 m to end of hole    |
| LJD015     | 5.45 m at 4.23% REO including 0.59% NdPr from 24 m to end of hole |
| LJD018     | 14.5 m at 3.22% REO including 0.58% NdPr from 22 m to end of hole |
| LRC125     | 5 m at 3.46% REO including 0.65% NdPr from 25 m to end of hole    |
| LRC112     | 5 m at 3.46% REO including 0.75% NdPr from 25 m to end of hole    |

**Figure 7-6: High-grade zone of fresh rock mineralisation beneath the weathered zone**

Given the vertical pipe-like form of the Longonjo carbonatite, it is considered that fresh rock–hosted mineralisation is likely to continue beyond the depth of the March 2019 drilling, which was only tested for 5–15 m beneath the weathered zone before the latest drilling.

As shown in Figure 7-1, the majority of the holes that were drilled in the program that commenced in November 2019 were positioned to infill the Indicated portion of the August 2019 Mineral Resource with the objective of upgrading some to Measured. Many of these infill holes were extended to a depth of 80 m in order to also test the primary carbonatite-fenite breccias located immediately beneath the weathered zone. The assay results for these recent holes have not yet been received, but Pensana notes that they intersect similar geology to that observed in the previous holes that penetrated the ferruginous weathered zone into the fresh rock carbonatite – fenite breccia.

### 7.1.3 Additional prospectivity

Despite the additional drilling program, NdPr rare earth mineralisation currently remains open in several positions, as indicated by the yellow arrows in Figure 7-1.

Mineralisation occurs within subvertical carbonatite dykes within the fenite contact zone in both the weathered and underlying fresh rock along the margins of the Longonjo Carbonatite. These subvertical mineralised dykes reach widths of 50 m or more and are open in several positions, with several kilometres strike potential around the perimeter of the carbonatite yet to be drill tested.

The high-grade West Zone in Figure 5-20 is also open to the north.

With most of the drilling focused on the weathered zone, with drill holes generally terminating a few metres into fresh or saprock, the fresh rock potential at Longonjo remains a significant exploration target which the Company will evaluate further once all assay results from the latest drilling are received.

## 7.2 Prospectivity opinion – Coola

Pensana announced the grant of a new exploration project on 4 May 2020. The Coola project area is considered prospective for rare earth mineralisation and contains several identified exploration targets. The Coola project Prospecting Licence (059/02/01/T.P/ANG – MIREMPET/2020), which covers an area of 7,456 km<sup>2</sup>, is located 16 km from the Longonjo Project and is close to established road and rail infrastructure that leads to the Atlantic port of Lobito (Figure 7-7).

Two carbonatite complexes, Coola and Monte Verde, have been identified in the project area and described in academic literature (Alberti 1999, Filho et al., 1991, Amores-Casals 2019). Pensana reports that these carbonatites, which lie beneath shallow soil cover, have never been commercially evaluated.

Based on information contained in PlanaGeo: 1:1 million scale geological map of Angola and associated reports and database, 2017, the licence area contains five additional alkaline intrusive complexes that are considered prospective for rare earth mineralisation, as well as several strong geophysical anomalies that could reflect additional carbonatite or alkaline complexes. Pensana plans to evaluate these prospective geological structures with confirmed rare earth mineralisation and assess their potential to complement a production base at Longonjo.

Pensana has conducted minimal assessment of the Coola project given that they only recently acquired the Prospecting Licence, and there is minimal information available in the public domain. The Coola and Monte Verde carbonatites are described in a paper prepared by Alberti, et al. entitled *Geochemical characteristics of Cretaceous carbonatites from Angola* (Journal of African Earth Sciences Volume 29, No 4, 1999). This paper indicates similar mineralisation characteristics to Longonjo. Tests performed on a very limited number of rock samples (3 from Longonjo, 1 from Coola, and 6 from Monte Verde) gave indicative REO concentrations of 3.64% for Coola, 0.93% for Monte Verde, and 1.41% for Longonjo.

The geology of the carbonatite complexes is described in a paper by Filho et al. entitled *Aspects of the geology, petrology and chemistry of some Angolan carbonatites* (Journal of Geochemical Exploration, 40 (1991) 205–226) and further academic research on Monte Verde is further described in Amores-Casals et al., 2019: *Nb and REE Distribution in the Monte Verde Carbonatite–Alkaline–Agpaitic Complex (Angola)* (Minerals 2020, 10(1)).

Figure 7-8 presents a perspective view of the Coola Carbonatite superimposed onto a Google Earth image. The interpretations were prepared by Pensana based on field reconnaissance as well as information contained in Filho et al. The interpretation shows two ring structures as well as an area of fenite (alteration associated with carbonatite intrusions). Most of the area is soil covered.

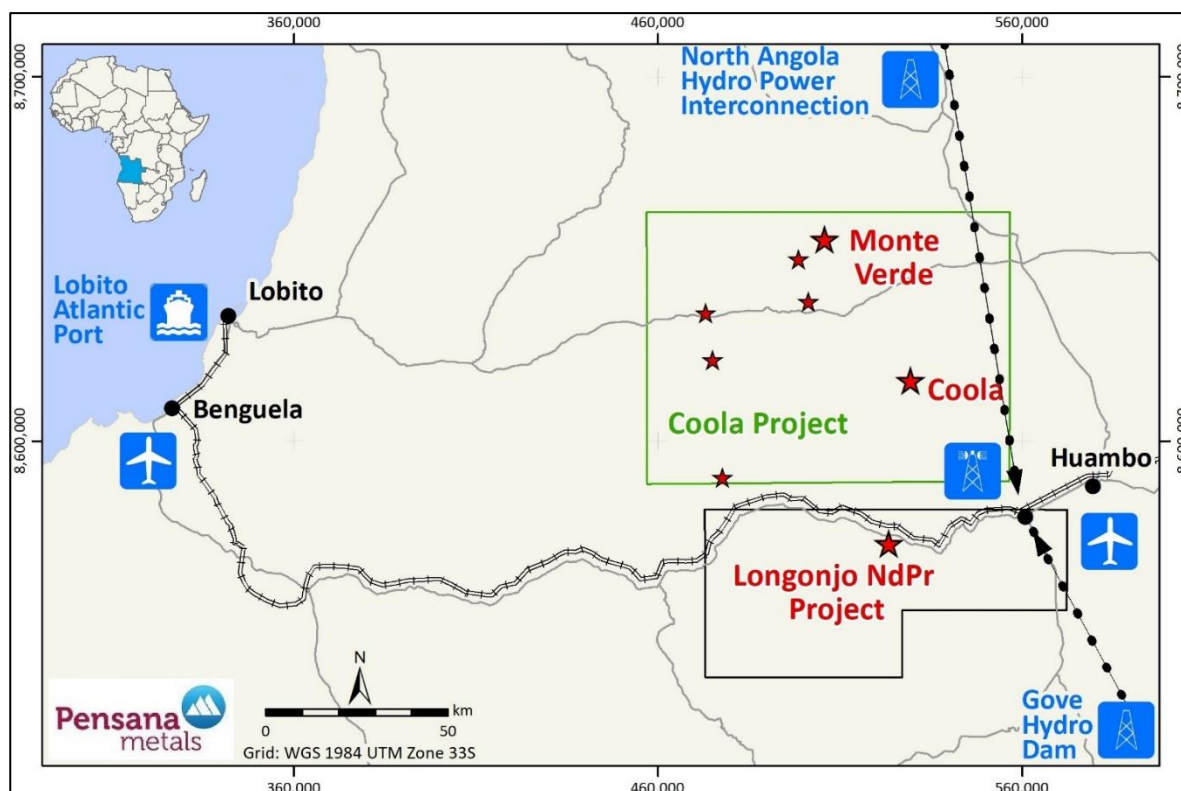


**Figure 7-7: Coola project area showing known mineralised carbonatites and other alkaline complexes (shown as stars)**

Source: Pensana Management Information

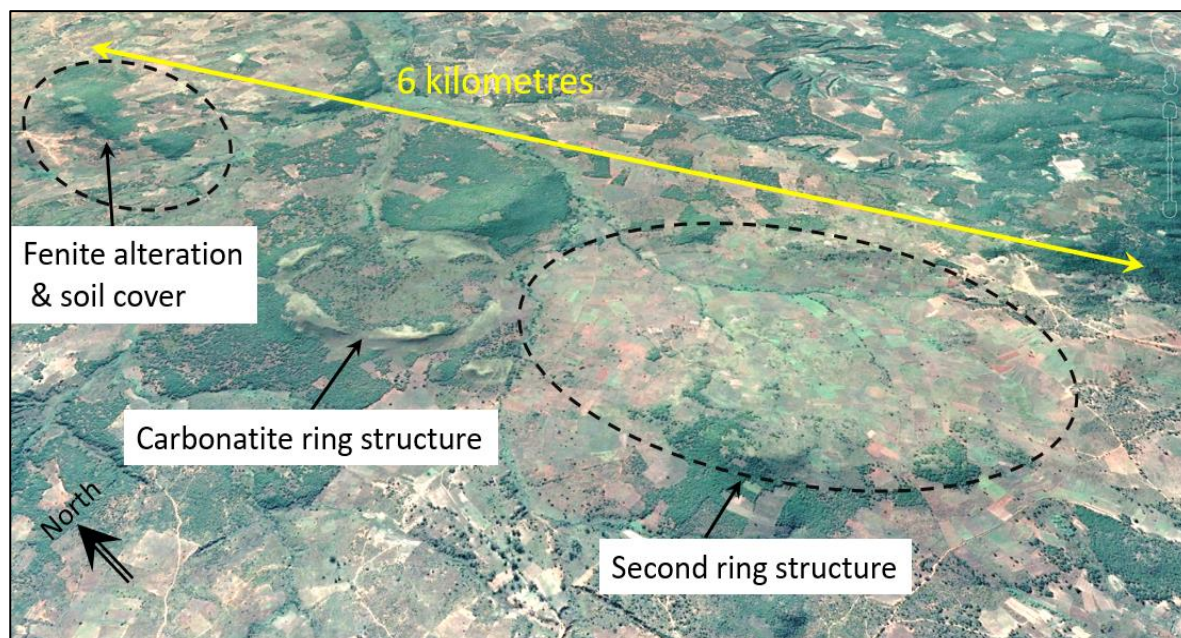


**Figure 7-8: Perspective view of Coola carbonatite intrusive complex (looking north, see Figure 7-7 for location)**

Source: Pensana Management Information



## 8 Risk Assessment

In making its technical assessment of the Project, SRK is mindful that the assessment is also indicative of the uncertainty associated with mineral assets at a similar level of study maturity to the Project.

The technical assessment is driven by the confidence limits placed around the size and grade of mineralised occurrences assumed to occur within the Project area. Typically, this means that as technical studies progress and a project moves through to feasibility study status, there is greater confidence regarding the likely size and quality of the contained minerals and their potential to be extracted profitably.

Table 8-1 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry.

**Table 8-1: General guide regarding confidence for target and Mineral Resource/ Ore Reserve estimates**

| Classification                | Estimate range (90% confidence limit) |
|-------------------------------|---------------------------------------|
| Proved/ Probable Ore Reserves | ±5 to 10%                             |
| Measured Mineral Resources    | ±10 to 20%                            |
| Indicated Mineral Resources   | ±30 to 50%                            |
| Inferred Mineral Resources    | ±50 to 100%                           |
| Exploration Target            | +100%                                 |

This level of uncertainty with advancing project stages is shown in Figure 8-1.

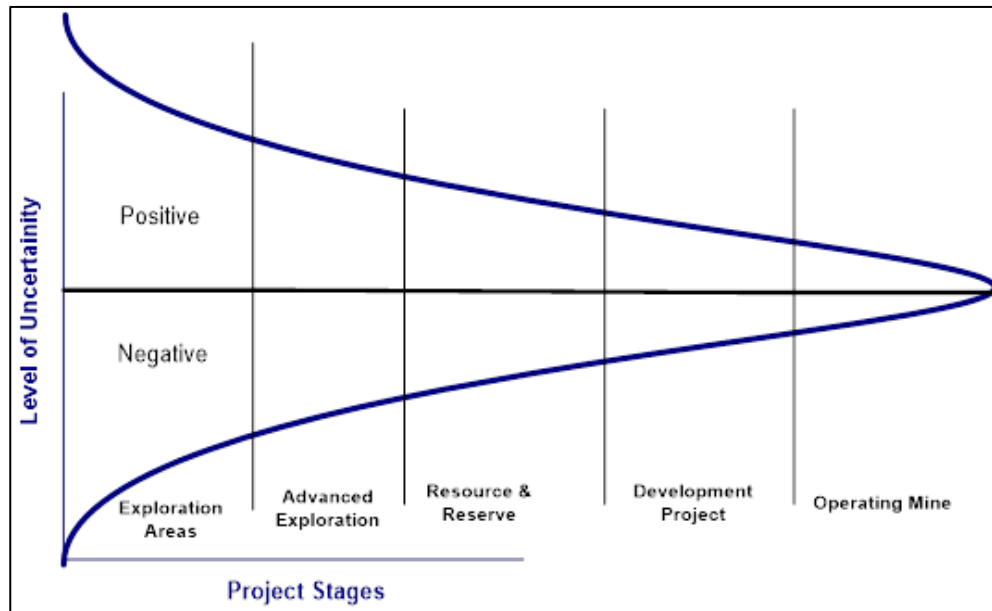


**Figure 8-1: Uncertainty by advancing exploration stage**

By applying narrower confidence ranges, a greater degree of certainty regarding these assets is being implied than may be the case.

Mineral Resources prepared under the JORC Code (2012) are best estimates based on individual judgement and reliance on knowledge and experience using industry standards and the available database. SRK considers the technical risk associated with the Mineral Resource estimates to be low.

SRK does not make comment to the risk associated with any Mineral Resource to Ore Reserve conversion as this is currently Pensana's study focus.

Project Number: PSN001  
Report Title: Competent Persons' Report on the Geology and Mineral  
Resources of the Longonjo Project, Angola

**Compiled by**

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Principal Consultant

**Peer reviewed by**

Karen Lloyd  
Associate Principal Consultant

## Appendices



## **Appendix A: JORC Code Table 1**

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

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| <p><b>Sampling techniques</b></p> | <ul style="list-style-type: none"> <li>• <i>Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.</i></li> <li>• <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li>• <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i></li> <li>• <i>In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.</i></li> </ul> | <p>The database compiled by Pensana for the Longonjo Project contains 223 drill holes, totalling over 8 km of drilling, and comprises diamond coring (DDH), reverse circulation (RC), and rotary air blast (RAB) drilling. The drill hole dataset used directly for Mineral Resource estimation comprised a total of 10 DDH holes (655 m) and 173 RC holes (6,213 m). The RAB data were used to assist with the geological modelling but were not used for resource estimation. DD holes that twinned existing RC holes were not used directly for estimation.</p> <p>Diamond core samples were collected over a nominal length of 2 m within lithological units and core blocks. Quarter-core samples were submitted for sample preparation.</p> <p>Samples from vertical RC drilling were collected on 1 m intervals and field composited to 2 m intervals, with approximately 4 kg splits collected for laboratory submission.</p> <p>RAB samples were collected on 1 m intervals and field composited to 4 m intervals, with approximately 4 kg splits collected for laboratory submission.</p> <p>The full length of each hole was sampled.</p> <p>Sampling was carried out under Pensana QAQC protocols, which Pensana considers follows best practice approaches. Triple-tube drilling was undertaken to assist in maximising core recoveries for the diamond drill campaign. During RC drilling, the drill string was cleaned by flushing with air and the cyclone cleaned regularly. RC sample returns were closely monitored, managed and recorded, with a reference weight used to regularly calibrate the weighing scale.</p> <p>RC and RAB samples were riffle split using a 3-tier splitter, which was cleaned between every sample. During the RAB drilling campaign, regular air and manual cleaning of the cyclone was undertaken to remove clay accumulations.</p> <p>The diamond core sample preparation and testing were performed by Nagrom (Perth). The samples, which typically weighed 3 kg, were pulverised to produce a 30 g charge for laser ablation ICP-MS analysis. The analytical suite included Ag, Al, Ba, Be, Ca, Ce, Cu, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Li, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, Si, Sm, Sn, Sr, Ta, Tb, Th, Tm, U, W, Y, Yb, Zn, and Zr.</p> <p>The RC 2 m field composites sample preparation was performed by Analabs (Windhoek). The samples, which typically weighed 3-4 kg, were dried, split, and pulverised, with a 100 g pulp sample collected for assaying. Assaying was performed by Nagrom (Perth), with laser ablation used to assay for Al, Ba, Ca, Ce, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, S, Si, Sm, Sr, Ta, Tb, Th, Ti, Tm, U, Y, Yb, and Zn.</p> <p>RAB geological logging was used as a reference to assist in building the geological model, but the assays were not used to estimate the Mineral Resource.</p> <p>All commercial laboratories used use industry best practice procedures and QAQC checks.</p> <p>For each hole, the entire hole length was submitted for assay.</p> |
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| <b>Drilling techniques</b>   | <ul style="list-style-type: none"> <li>• <i>Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).</i></li> </ul>                                                                                                                           | <p>The diamond drilling was undertaken using an Atlas Copco Mustang track-mounted drill rig. The diamond drilling was undertaken using a PQ-sized (116 mm) bit, except for LJD002 which was drilled to 51.85 m using PQ3 coring equipment, and then completed to 100.40 m using HQ3 equipment. Diamond drilling conducted in 2019 was completed using a Sandvik 710 track mounted rig.</p> <p>RC drilling was completed using a Super Rock 100 drill rig with a face sampling hammer button bit of 131 mm diameter and 5 m rods. A 131 mm diameter blade RC bit was used in some holes in the weathered zone (generally in the first 10 m).</p> <p>RAB drilling was carried out to blade refusal, or when samples returned wet. The rig was equipped with a 4.5" blade drill bit and 3 m rods.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Drill sample recovery</b> | <ul style="list-style-type: none"> <li>• <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li>• <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li>• <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></li> </ul>                            | <p>The diamond core runs were marked and checked against the drillers' core blocks to ensure any core loss was recorded.</p> <p>Recoveries for the diamond drill core varied from 52% to 100%, with the average being 90.8%. The average recovery for fresh carbonatite was 92% with a minimum of 70%. An average recovery of 87% was achieved for the saprolite, and an average recovery of 89.7% was achieved for the transported material.</p> <p>RC recoveries were monitored closely, recorded and assessed regularly over the drilling program.</p> <p>Every 1 m sample from the rig was weighed using a frequently calibrated set of scales. The moisture content for each 1 m interval was estimated and recorded.</p> <p>RAB recovery and meterage were assessed by comparing drill cutting volumes (sample bags) for individual metres. Routine checks for correct sample depths were undertaken for every rod. RAB sample recoveries were visually checked for recovery, moisture and contamination.</p> <p>Triple-tube barrels and short runs were used in the diamond drilling process to ensure maximum core recovery. RC sample weights were compared against expected weights for the drill diameter and geology. Drill pipes and cyclone were flushed and cleaned regularly.</p> <p>Some short intervals (typically 1-3 metres) of reduced sample recovery occurred in the soft weathered zone. Data analysis has not identified any significant relationship between recovery and grade.</p> |
| <b>Logging</b>               | <ul style="list-style-type: none"> <li>• <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></li> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.</i></li> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul> | <p>The entire length of each hole was geologically logged by trained geologists. All relevant features, such as lithology, mineralogy, weathering, structure, texture, grain size, alteration, veining style and mineralisation, were recorded in the geological log.</p> <p>All logging was qualitative. All diamond core trays and RC chip trays were photographed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Sub-sampling</b>          | <ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                           | <p>Quarter-core was taken for laboratory submission. The diamond core samples were cut on</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

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| <b>techniques and sample preparation</b>          | <p><i>all core taken.</i></p> <ul style="list-style-type: none"> <li><i>If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.</i></li> <li><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul> | <p>site by an experienced field technician using a diamond saw. The less competent material, such as transported and weathered material, was quartered using a knife.</p> <p>The 1 m RC samples and 2 m field composites were riffle split using a 3-tier splitter. All samples were riffle split when dry. Wet samples were sun-dried in a protected environment prior to splitting and sub-sampling.</p> <p>The samples were prepared using conventional industry practices, which involved oven drying the full 3-4 kg sample, splitting to a representative 1 kg sample, pulverising to 85% passing 75 micron and splitting to a representative sample pulp.</p> <p>Field duplicates, certified reference materials (CRMs) and blanks were inserted at random, with a resultant average frequency of 1 in 30 samples.</p> <p>The laboratories also conducted and reported their own internal QAQC checks, including assay and preparation duplicates. The QAQC results do not show evidence of significant sampling issues.</p> <p>The sample sizes are considered suitable for the disseminated mineralisation style and grain size of material sampled. Repeatability of assays was observed to be good.</p> |
| <b>Quality of assay data and laboratory tests</b> | <ul style="list-style-type: none"> <li><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li><i>For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> <li><i>Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.</i></li> </ul>                                  | <p>The analysis was carried out by an accredited independent assay laboratory: Nagrom Laboratory, in Perth, Western Australia.</p> <p>Diamond core samples were assayed for Ag, Al, Ba, Be, Ca, Ce, Cu, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Li, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, Si, Sm, Sn, Sr, Ta, Tb, Th, Tm, U, W, Y, Yb, Zn, and Zr by LA ICP-MS (Laser ablation inductively coupled plasma mass spectrometry) analysis.</p> <p>RC samples were assayed for Al, Ba, Ca, Ce, Dy, Er, Eu, Fe, Gd, Hf, Ho, K, La, Lu, Mg, Mn, Nb, Nd, P, Pb, Pr, S, Si, Sm, Sr, Ta, Tb, Th, Ti, Tm, U, Y, Yb, and Zn, LA by ICP-MS.</p> <p>The assay technique is considered to give total analyses. No geophysical or portable analysis tools were used to determine assay values stored in the database.</p> <p>In addition to the laboratory's internal QAQC protocols, CRM, and blanks were included at random with the field samples at an average of 1 of each type for every 30 primary samples.</p> <p>Samples were selected periodically and screen tested to ensure pulps are pulverised to the required specifications.</p> <p>Analysis of QAQC data results indicates acceptable levels of accuracy and precision.</p>  |

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| <b>Verification of sampling and assaying</b> | <ul style="list-style-type: none"> <li>• <i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li>• <i>The use of twinned holes.</i></li> <li>• <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li>• <i>Discuss any adjustment to assay data.</i></li> </ul> | <p>Significant intersections were verified by Pensana management staff.</p> <p>Sixteen diamond holes were completed as twins to RC drill holes, with collars sited approximately 3 metres from the twin. Analysis of geology and assay results between RC and diamond drilling techniques shows a good correlation between the holes and drilling techniques, except for two holes where a short range variation in geology intersected was observed.</p> <p>Field data were logged into an OCRIS logging package and uploaded to the main, secure database in Perth. The data collection package has built-in validation settings and look-up codes. All field data and assay data were verified and validated upon receipt. The database is managed offsite by an independent and professional database manager.</p> <p>Data collection and entry procedures were documented and training was given to all staff.</p> <p>Scans of original field data sheets are stored digitally without alteration.</p> <p>Digital data entry is checked and validated against original field sheets if not entered directly.</p> <p>The laboratory reported the assay data in elemental form and were converted into oxide form during data storage and management using the following conversion factors:</p> <ul style="list-style-type: none"> <li>• La to La<sub>2</sub>O<sub>3</sub> – 1.1728</li> <li>• Ce to CeO<sub>2</sub> – 1.2284</li> <li>• Pr to Pr<sub>6</sub>O<sub>11</sub> – 1.2082</li> <li>• Nd to Nd<sub>2</sub>O<sub>3</sub> – 1.1664</li> <li>• Sm to Sm<sub>2</sub>O<sub>3</sub> – 1.1596</li> <li>• Eu to Eu<sub>2</sub>O<sub>3</sub> – 1.1579</li> <li>• Gd to Gd<sub>2</sub>O<sub>3</sub> – 1.1526</li> <li>• Tb to Tb<sub>4</sub>O<sub>7</sub> – 1.1762</li> <li>• Dy to Dy<sub>2</sub>O<sub>3</sub> – 1.1477</li> <li>• Ho to Ho<sub>2</sub>O<sub>3</sub> – 1.1455</li> <li>• Er to Er<sub>2</sub>O<sub>3</sub> – 1.1435</li> <li>• Tm to Tm<sub>2</sub>O<sub>3</sub> – 1.1421</li> <li>• Yb to Yb<sub>2</sub>O<sub>3</sub> – 1.1387</li> <li>• Lu to Lu<sub>2</sub>O<sub>3</sub> – 1.1371</li> <li>• Y to Y<sub>2</sub>O<sub>3</sub> – 1.2699.</li> </ul> <p>Intersection grades are reported as NdPr (the sum of Nd<sub>2</sub>O<sub>3</sub> and Pr<sub>6</sub>O<sub>11</sub>) as well as total REO, which includes all of the oxides listed above.</p> |
| <b>Location of data points</b>               | <ul style="list-style-type: none"> <li>• <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></li> </ul>                                                                                                                                                                            | <p>The survey data have been collected and reported using the WGS84 UTM Zone 33S grid system.</p> <p>A digital elevation model (DEM) covering the Project area was prepared by Core GPX using data acquired from <i>Ortho-Ready Standard Level 2A WorldView-3</i> stereo imagery captured in</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

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|                                                                | <ul style="list-style-type: none"> <li>• <i>Specification of the grid system used.</i></li> <li>• <i>Quality and adequacy of topographic control.</i></li> </ul>                                                                                                                                                                                                                                                                                   | <p>September 2018. Ground control points were surveyed by Geosurveys using RTK DGPS equipment. The DEM covers an area of approximately 3.5 × 3.5 km centred over the Project region. For modelling purposes, SRK extracted a sub-area of approximately 335 ha centred over the drilling and extending slightly beyond the planned model limits.</p> <p>On completion of the drilling program, the drill hole collars were surveyed by Geosurveys using RTK DGPS equipment. All holes were planned and assumed to be vertical. A spirit level was used to confirm that the drill rig mast was vertical prior to drilling each hole. Downhole surveying was not conducted. Prior to use for resource modelling, the drill hole collars were registered to the DEM, with the final collar elevations derived from the topographic data.</p> |
| <b>Data spacing and distribution</b>                           | <ul style="list-style-type: none"> <li>• <i>Data spacing for reporting of Exploration Results.</i></li> <li>• <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li>• <i>Whether sample compositing has been applied.</i></li> </ul>                        | <p>The drilling was conducted on a nominal hole spacing is 200 × 100 m (north × east), with the central zone infilled to 100 × 50 m). Samples were collected over 2 m downhole intervals.</p> <p>The drill spacing is considered suitable for the identification of zones of NdPr and REO mineralisation at a confidence level sufficient to allow the assigned classification of the Mineral Resource.</p> <p>The 1 m RC drill samples were combined in the field after riffle splitting to prepare 2 m composite samples for submission to laboratory.</p> <p>The use of 2 m composites is considered adequate for the resource estimation for this style of mineralisation.</p>                                                                                                                                                       |
| <b>Orientation of data in relation to geological structure</b> | <ul style="list-style-type: none"> <li>• <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li>• <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul> | <p>The high grade NdPr mineralisation at Longonjo occurs as a sub-horizontal blanket of disseminated mineralisation averaging 20 m or more in thickness and with good lateral continuity. The vertical drilling and 2 m sampling are considered appropriate for this style of mineralisation.</p> <p>No significant sampling bias is considered to have been introduced by the drilling orientation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Sample security</b>                                         | <ul style="list-style-type: none"> <li>• <i>The measures taken to ensure sample security.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                           | <p>Sample security is managed by Pensana. After collection from the drill site, the samples are stored at camp in locked sea containers.</p> <p>A customs officer checks and seals the samples into containers on site before transportation by the Company directly to the preparation laboratory. The preparation laboratory submits the samples to the assay laboratory by international air freight, with the samples again being inspected by customs and sealed prior to despatch.</p> <p>The laboratories audit the samples on arrival and report any discrepancies back to the Company. No such discrepancies occurred.</p>                                                                                                                                                                                                      |
| <b>Audits or reviews</b>                                       | <ul style="list-style-type: none"> <li>• <i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>                                                                                                                                                                                                                                                                                                                   | <p>SRK has conducted a review of the primary and QAQC data. The database is compiled by an independent consultant and is considered by the Company to be of sufficient validity to support the results reported. In addition, from time to time, the Company carries out its own internal data audits.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

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| <b>Mineral tenement and land tenure status</b> | <ul style="list-style-type: none"> <li>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</li> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>                                                                                                                                                                                                                                                                                                                        | <p>The Project is located within Prospecting Licence 013/03/09T.P/ANG-M.G.M/2015. Pensana owns an 84% holding in the Project with Ferrangol (10%), an agency of the Angolan government, and other Angolan partners (6%).</p> <p>The concession is in good standing and no known impediments exist.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Exploration done by other parties</b>       | <ul style="list-style-type: none"> <li>Acknowledgment and appraisal of exploration by other parties.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Previous workers in the area include Black Fire Minerals and CityView Corporation Ltd.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Geology</b>                                 | <ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>The Longonjo NdPr deposit is a rare earth enriched carbonatite with particularly high grades occurring within the weathered regolith zone from surface as a result of the dissolution of carbonate minerals and residual enrichment. Some mineralisation also occurs within the underlying fresh carbonatite.</p> <p>Mineralisation is disseminated in style. The Longonjo Carbonatite is a subcircular and subvertical explosive volcanic vent (diatreme) approximately 2.6 × 2.4 km in diameter. Primary rock types include carbonatite lava and magma, extensive mixed carbonatite - fenite breccia, and tuffaceous deposits.</p> <p>The iron-rich weathered zone that is host to the higher-grade mineralisation discovered to date extends over much of the carbonatite.</p>                                                                                                                                 |
| <b>Drill hole Information</b>                  | <ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul> | <p>No new exploration results are included in this Mineral Resources report.</p> <p>All exploration results have been fully reported previously in ASX announcements:</p> <ul style="list-style-type: none"> <li>24/08/2017: Positive diamond drilling results at Longonjo</li> <li>10/09/2018: First results confirm new areas for further high grade NdPr</li> <li>31/10/2018: First drill results extend NdPr mineralisation at Longonjo</li> <li>29/11/2018: Second drill results at Longonjo extend mineralisation</li> <li>27/12/2018: New drill results extend NdPr Mineralisation at Longonjo</li> <li>17/01/2019: Wide high-grade intersections from surface.</li> <li>15/05/2019: High-grade intersections confirm thick blanket of NdPr</li> <li>24/06/2019: Final RC results confirm and extend high-grade NdPr</li> <li>08/07/2019: Diamond drilling reports spectacular NdPr intersections.</li> </ul> |



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| <b>Data aggregation methods</b>                                         | <ul style="list-style-type: none"> <li><i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> <li><i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li><i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul> | <p>No new exploration results are reported. A cut-off grade of 0.20% NdPr oxide was used for the reporting of intersections and 0.40% NdPr oxide for high grade 'Highlights' in the reports listed above. No upper grade cuts have been applied for the reporting of intersection grades. Intersections are reported as length-weighted averages above the specified cut-off grade. Length-weighted grade averages for REO and NdPr are presented.</p> <p>Intercepts may include a maximum of 2 m internal dilution.</p> <p>No metal equivalent values have been used for the reporting of these Exploration Results.</p> |
| <b>Relationship between mineralisation widths and intercept lengths</b> | <ul style="list-style-type: none"> <li><i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').</i></li> </ul>                                                                                                                                                                             | <p>The mineralisation occurs in sub-horizontal layers and the drill holes are all vertical. As such, the mineralised zones are approximately orthogonal to the drill holes, and the reported drill hole intercepts can be considered true thicknesses.</p>                                                                                                                                                                                                                                                                                                                                                                |
| <b>Diagrams</b>                                                         | <ul style="list-style-type: none"> <li><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>                                                                                                                                                                                                                                                                                                                        | <p>Appropriate plans and sections are included in the accompanying documentation and the exploration reports listed above.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Balanced reporting</b>                                               | <ul style="list-style-type: none"> <li><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                 | <p>No new Exploration Results are included in this Mineral Resource report.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Other substantive exploration data</b>                               | <ul style="list-style-type: none"> <li><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>                                                                                                                                                                                                     | <p>Previously reported evaluations of the NdPr mineralisation at Longonjo, including the September 2017 Maiden Mineral Resource estimate and drilling program results, and the February 2019 Mineral Resource estimates, are contained within previous ASX releases.</p>                                                                                                                                                                                                                                                                                                                                                  |
| <b>Further work</b>                                                     | <ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Infill RC drilling is planned in key areas with the aim of acquiring information to support and increase the amount of Indicated Resources, and also to define some Measured Resources. Mineralisation remains open in several directions and further drilling will be planned to test</p>                                                                                                                                                                                                                                                                                                                             |

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|  | <ul style="list-style-type: none"><li>• <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li></ul> | these extensions and the potential to expand the current Mineral Resource.<br>Appropriate diagrams are provided in the accompanying documentation.<br>Test pits are currently being excavated for the collection of samples for metallurgical testing. |

## Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in Section 1 and where relevant in Section 2, also apply to this section.)

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| <b>Database integrity</b>        | <ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>                                                                                                                                                                                  | <p>The drill hole data for the Longonjo Project are stored in a secure central OCRIS database managed by Expedio.</p> <p>All assay and survey data loading was done by electronic transfer from checked primary data sources. Most geological logging data were entered onto templates for direct import via the OCRIS interface. Any manually entered data was cross-checked.</p> <p>The Longonjo data were provided to SRK as database extracts in MS Excel tables. The datasets were checked by SRK for internal consistency and logical data ranges prior to using the data for Mineral Resource estimation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Site visits</b>               | <ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>                                                                                                                                                                                                                                              | <p>Competent Person (CP) sign-off for the Mineral Resource estimates has been performed Rodney Brown, who is a full-time employee of SRK. Rodney Brown conducted a site visit in August 2019, which provided an opportunity to examine and discuss the geology and some aspects of the field programmes with Pensana staff.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Geological interpretation</b> | <ul style="list-style-type: none"> <li>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>Nature of the data used and of any assumptions made.</li> <li>The effect, if any, of alternative interpretations on Mineral Resource estimation.</li> <li>The use of geology in guiding and controlling Mineral Resource estimation.</li> <li>The factors affecting continuity both of grade and geology.</li> </ul> | <p>The main controls on mineralisation were interpreted by Pensana in section and linked to form a 3D geological model. The geological interpretation is considered consistent with drilling and mapping data, and with site observations. The interpreted setting is also consistent with the generally accepted understanding within the mining community for this style of mineralisation.</p> <p>Lithology definition was primarily based on a combination of geological logging and geochemical data, with boundaries typically corresponding to distinct changes in physical and geochemical characteristics. Because the main mineralisation is hosted within carbonate, the domain geometry is complex in places, and the irregular weathering profile has a significant impact on grade and lithological continuity.</p>                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Dimensions</b>                | <ul style="list-style-type: none"> <li>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</li> </ul>                                                                                                                                                                                                                             | <p>As described in Section 1, the mineralisation is hosted within and upon a carbonatite pipe, with elevated REO concentrations occurring both within the weathered and fresh carbonatite, and in the colluvial cover material. Mineralisation has been modelled over an irregular area that has lateral extents of approximately 2.6 km in the east-west direction and 1.9 km in the north-south direction. The defined resources have an areal extent of approximately 200 ha.</p> <p>For resource modelling, a total of three main domains, and two sub-domains were defined:</p> <ul style="list-style-type: none"> <li>Colluvium covers approximately 80% of the resource area, and has an average thickness of approximately 4 m, with a maximum thickness of approximately 12 m.</li> <li>Weathered carbonatite covers essentially all of the resource area and has an average interpreted thickness of approximately 20 m, and a maximum thickness of 70 m.</li> <li>Fresh carbonatite was intercepted in approximately 90% of the holes and has been interpreted over the full resource extents. None of the drilling intersected the base of the fresh carbonatite and, for estimation purposes, the modelling base was set to</li> </ul> |

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| <b>Estimation and modelling techniques</b> | <ul style="list-style-type: none"> <li>• <i>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i></li> <li>• <i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i></li> <li>• <i>The assumptions made regarding recovery of by-products.</i></li> <li>• <i>Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).</i></li> <li>• <i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i></li> <li>• <i>Any assumptions behind modelling of selective mining units.</i></li> <li>• <i>Any assumptions about correlation between variables.</i></li> <li>• <i>Description of how the geological interpretation was used to control the resource estimates.</i></li> <li>• <i>Discussion of basis for using or not using grade cutting or capping.</i></li> <li>• <i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i></li> </ul> | <p>The Mineral Resource estimates were prepared using conventional block modelling and geostatistical estimation techniques.</p> <p>A single model was prepared to represent the defined extents of the mineralisation. The resource modelling and estimation study was performed using Datamine Studio RM®, Supervisor®, and X10®.</p> <p>Kriging neighbourhood analyses (KNA) studies were used to assess a range of parent cell dimensions, and a size of 25 × 25 × 2 m (XYZ) was considered appropriate given the drill spacing, and grade continuity characteristics. Sub-celling down to 5 × 5 × 1 m was applied to enable the wireframe volumes to be accurately modelled.</p> <p>The lithology wireframes were used as hard boundary estimation constraints.</p> <p>Probability plots were used to assess for outlier values, and grade cutting was applied to a small number of samples.</p> <p>The parent cell grades were estimated using ordinary block kriging. Search orientations and weighting factors were derived from variographic studies. Unfolding and dilation were used to more accurately reproduce some of the grade trends in the profile. Dynamic anisotropic searching was used to adjust the local lateral search orientations to more closely match the ring structure of the carbonatite pipe.</p> <p>A multiple-pass estimation strategy was invoked, with KNA used to assist with the selection of search distances and sample number constraints. Extrapolation was limited to approximately half the nominal drill spacing.</p> <p>Local estimates were generated for a total of 33 elements expressed in oxide form. These included the rare earth elements, the major gangue elements, and a suite of minor elements that could potentially have processing or marketing implications. Estimates were also prepared for several derived constituents, including TREO, HREO, LREO, and NdPr.</p> <p>A complete list of constituents is included in the accompanying resource estimation summary.</p> |

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|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>Model validation included:</p> <ul style="list-style-type: none"> <li>• Visual comparisons between the input sample and estimated model grades</li> <li>• Global and local statistical comparisons between the sample and model data</li> <li>• An assessment of estimation performance measures including kriging efficiency, slope of regression, and percentage of cells estimated in each search pass</li> <li>• A check estimate using nearest neighbour and inverse distance cubed interpolation.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Moisture</b>                      | <ul style="list-style-type: none"> <li>• <i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                               | The resource estimates are expressed on a dry tonnage basis, and in situ moisture content has not been estimated. A description of density data is presented below.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Cut-off parameters</b>            | <ul style="list-style-type: none"> <li>• <i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>A total NdPr Oxide cut-off grade of 0.1% has been used for resource reporting.</p> <p>The range of mineral resource cut-off grades has been selected for transparency and to facilitate a comparison with the 2017 estimates (NdPr represents approximately one fifth of total REO, and therefore a cut-off grade of 0.2% NdPr = 1% REO).</p> <p>Cut-off grades are based on assumptions made by Pensana that are considered realistic in terms of considerations of long-term historical and predicted NdPr prices, processing and mining costs and the demand for the NdPr products.</p> <p>Higher cut-off grades of 0.6-0.8% NdPr have been included for the weathered material mineralisation to reflect the typical geological grade distribution of this material type, which is expected to form the early years' feed in the Preliminary Feasibility Study currently in progress.</p> |
| <b>Mining factors or assumptions</b> | <ul style="list-style-type: none"> <li>• <i>Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i></li> </ul> | <p>Mine planning studies conducted as part of a December 2017 Scoping Study indicate the mineralisation will likely be exploited using conventional selective open pit mining methods, utilising small-scale hydraulic excavator mining and dump truck haulage. No blasting is expected to be needed as the weathered zone is soft material, and the blanket-style morphology of the main mineralised zones indicates that stripping ratios, ore loss and dilution are expected to be low. It is anticipated that both ore and waste will be excavated on 2.5 m flitches (5 m benches)</p> <p>Mining dilution assumptions have not been factored into the resource estimates.</p>                                                                                                                                                                                                                |

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| <b>Metallurgical factors or assumptions</b> | <ul style="list-style-type: none"> <li><i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i></li> </ul>                                                                                                                                                       | <p>A metallurgical process to produce a high-grade concentrate has been developed and demonstrated at bench and locked cycle testing by Pensana for the weathered zone mineralisation and is currently being further developed and optimised. The process uses a 2-stage flotation approach.</p> <p>Fresh rock mineralisation is similar to other known deposits for which effective metallurgical treatment processes have been developed. Less rigorous metallurgical testwork has been completed to date on the fresh material by Pensana but preliminary metallurgical testwork, including gravity, magnetic separation and flotation techniques, support the potential for their effective treatment. The long mine life initially supported by the weathered mineralisation provides the Company with the opportunity to optimise these processes, which could be brought in at a later stage of the operation to develop the large available tonnages of this style of mineralisation.</p>                                                                                            |
| <b>Environmental factors or assumptions</b> | <ul style="list-style-type: none"> <li><i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></li> </ul> | <p>The deposit is contained within the approved lease boundary.</p> <p>Waste landforms are to be developed adjacent to existing landform features to minimise the environmental impact.</p> <p>An in-waste tailings landform is being designed for process residues to be stored within mine waste material in order to limit the footprint of the overall waste landform and reduce the requirement for additional mining.</p> <p>There is no evidence of acid rock drainage due to the oxidised nature of the mineralisation, the carbonate rock host, and the absence of sulphide minerals.</p> <p>Approvals for process residue storage and waste dumps have not yet been sought.</p> <p>An Environmental Impact Assessment (EIA) is planned and will be completed prior to the commencement of mining.</p>                                                                                                                                                                                                                                                                              |
| <b>Bulk density</b>                         | <ul style="list-style-type: none"> <li><i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i></li> <li><i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</i></li> <li><i>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</i></li> </ul>                                                                                      | <p>Bulk density tests were performed on a total of 231 core samples. The tests were performed by recording the weight of each sample and estimating the volume from measurements of the core length and diameter. The core samples were weighed prior to drying, and then again after oven drying at 95°C for 48 hours. The results were grouped according to geological logging code, and the average value for each group was used to define a default density for each material type. These defaults were then used to assign a density value to each interval in the estimation datasets according to the interval's logging codes.</p> <p>The datasets were used to estimate the local dry bulk density for each parent cell in the volume model. The local densities were estimated using the same domain control, estimation approach, and estimation parameters that were used for the local geochemical grade estimates.</p> <p>The drilling did not encounter any large voids, and the tonnage estimates have not been factored to account for any potential void occurrences.</p> |

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| <b>Classification</b>                              | <ul style="list-style-type: none"> <li>• <i>The basis for the classification of the Mineral Resources into varying confidence categories.</i></li> <li>• <i>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</i></li> <li>• <i>Whether the result appropriately reflects the Competent Person's view of the deposit.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p>The classifications have been applied to the resource estimates based on a consideration of the confidence in the geological interpretation, the quality and quantity of the input data, the confidence in the estimation technique, and the likely economic viability of the material.</p> <p>Based on these considerations, the largest source of uncertainty is in the reliability of the local estimates and the accuracy of the lithological interpretation (both of which are influenced by drill hole spacing).</p> <p>A boundary was interpreted approximately half the drill spacing beyond the extents of relatively uniform drill coverage and used to define the lateral extents of the resource. A model base was interpreted immediately below the base of drilling.</p> <p>A classification of Indicated Mineral Resource was assigned to all estimates within the area with a nominal drill spacing of 100 × 50 m, and a classification of Inferred Mineral Resource to estimates within the area with a nominal drill coverage of 200 × 100 m.</p> |
| <b>Audits or reviews</b>                           | <ul style="list-style-type: none"> <li>• <i>The results of any audits or reviews of Mineral Resource estimates.</i></li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>An independent review of the Mineral Resource estimates has not been completed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Discussion of relative accuracy/ confidence</b> | <ul style="list-style-type: none"> <li>• <i>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</i></li> <li>• <i>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</i></li> <li>• <i>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</i></li> </ul> | <p>The Mineral Resource estimates have been prepared and classified in accordance with the guidelines that accompany the JORC Code, and no attempts have been made to further quantify the uncertainty in the estimates.</p> <p>The validation checks indicate good consistency between the model grades and the input datasets. The largest source of uncertainty is considered to be the local accuracy of the geological interpretation and grade estimates, due to the mixing of brecciated carbonatite and fenite material. SRK prepared check estimates using a lithological indicator approach and obtained similar regional and global estimates, but some local differences.</p> <p>The Mineral Resource quantities should be considered as global and regional estimates only. The accompanying model is considered suitable to support concept studies and subsequent exploration programs but is not considered suitable for detailed design studies.</p>                                                                                                  |

