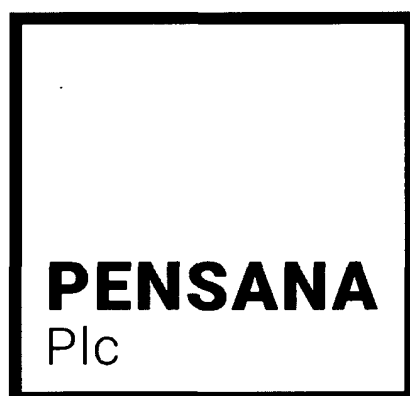
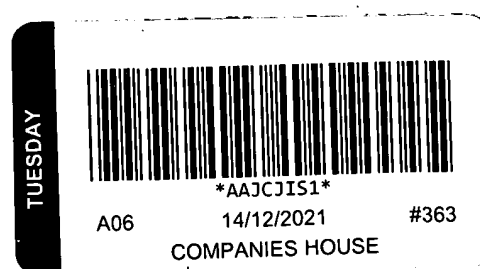




**Annual Report
for the financial year ended 30 June 2021**

**Pensana Plc
Company Number 12206525**



Operational highlights:

- Completion of flotation pilot test work programme.
- Successful generation of high purity mixed rare earth carbonate ("MREC") from flotation concentrate.
- Planning permission obtained for the establishment of a rare earth oxide separation facility at the Saltend Chemicals Park, Humber, Yorkshire.
- Ongoing detailed design towards early works programme and construction at Longonjo and establishment of the Saltend rare earth oxide separation facility ("Saltend").
- Award of Freeport status to the Humber, home to the world-class Saltend Chemicals Park where Pensana proposes to build its Saltend facility.
- High grade rare earths in soil samples confirmed at the Coola exploration project located 16 kilometres north of the flagship Longonjo project.
- Mineral resource upgrade to 313 million tonnes exceeding the initial focus on 33.9 million tonnes within the Business Plan announced during April 2021.
- Post period end initiation of geotechnical drilling and trenching at the Saltend site ahead of main construction.

Corporate highlights:

- Successful listing on Main Board of London Stock Exchange.
- Delisting from the ASX and company rebranded to Pensana Plc in February 2021.
- Ongoing support from the Angolan Sovereign Wealth Fund via the issue of equity to raise US\$8.6 million during September 2020.
- Liberum appointed as joint broker to the Company.
- Equity raise from new and existing investors of \$21 million during June 2021.
- Appointment of world-renowned rare-earth specialist, Rocky Smith, as Chief Operating Officer.
- Appointment of Baroness Northover in November 2020 and Dr Jeremy Beeton in March 2021 as Non-Executive Directors of the Company.
- Post period end appointment of highly experienced natural resources financier Steven Sharpe as Non-Executive Director of the Company.

FY 2021 results:

- Total comprehensive loss for the period US\$6,915,185 (2020: US\$4,280,471).
- Total loss after tax for the period US\$9,370,862 (2020: US\$4,076,220).
- Transfer of Longonjo asset classification from exploration and evaluation to development asset status.
- Project development expenditure of US\$7,770,751 (2020: US\$2,895,689).
- Cash and cash equivalents: US\$16,787,591 (2020: US\$4,106,321).
- Impairment of Tanzanian assets of US\$2,500,000.

Corporate directory

Directors	Mr Paul Atherley – Chairman Mr Tim George – Executive Director / Chief Executive Officer Dr Jeremy Beeton – Non-Executive Director Baroness Lindsay Northover - Non-Executive Director Mr Steven Sharpe – Non-Executive Director
Chief Executive Officer	Mr Tim George
Chief Operating Officer	Mr Rocky Smith
Chief Financial Officer	Mr Robert Kaplan
Company Secretaries	St James Corporate Services Limited Mr George Zacharias
Registered Office	Suite 31, Second Floor 107 Cheapside London EC2V 6DN
Share Registry UK	Computershare The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom
Auditors	BDO LLP 55 Baker Street London W1U 7EU UNITED KINGDOM
Lawyers UK	Bryan Cave Leighton Paisner LLP Governor's House 5 Laurence Pountney Hill London, EC4R 0BR UK
LSE Code	PRE
Website	www.pensana.co.uk

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Chairman's letter

It is with great pleasure that I report on a transformational year for Pensana; a year in which we took not only further steps towards building the world's first major rare earth mine in over a decade but also the strategic decision to build our rare earth oxide separation facility at the Saltend Chemicals Park, located within the UK's Humber Freeport. This comes at a critical juncture when Europe depends on China for 98% of its rare earth magnet supply.

COVID-19

Following another year of unprecedented challenges for many world-wide I express my gratitude to our team at Pensana, our partners from Angola's Sovereign Wealth Fund and the Angolan and UK governments for traversing this uncertain period safely together and ensuring the well-being of our people.

Despite delays caused by interventions to keep our teams safe, we have progressed strategic objectives at pace. These include completing our delisting from the ASX, raising additional finance of circa US\$30 million and integrating the Saltend refinery plans alongside the Angolan NdPr mine plans as we move towards finalisation of our Front End Engineering and Design ("FEED") programmes in preparation of our final investment decision and commencement of main construction at Longonjo and Saltend early next year.

Our role in UK Net Zero

Achieving Net Zero through the green industrial revolution demands that Governments rapidly deploy clean energy in an economical and sustainable way. This has become mission critical for the world and the UK is a leading force for change. The raw materials needed for this energy transition are significant. Their current supply is insecure, creating particularly unprecedented demand for rare earth magnet metals that are essential to advanced applications including electric vehicle motors, offshore wind turbines, smartphones and generators. As we slowly emerge from pandemic measures amid a world reeling from significant climate events, the need for this fundamental step change becomes more pressing every day.

Industry specialists Adamas Intelligence have highlighted that the global rare earth market is expected to increase five-fold by 2030 and the neodymium-praseodymium ("NdPr") oxide price is forecast to increase at a CAGR of 5.6% - 9.9%, underpinning strong economics for Pensana's supply chain.

The challenge is that China currently supplies 98% of Europe's rare earth magnets with concerns growing that China will need all of this production for its US\$11 trillion Carbon Neutral 2060 plan

Europe's industries central to the green industrial revolution are almost totally dependent on magnets supplied from China and there are concerns that much of that supply is 'unsustainably' produced. In addition, China installed 58GW of wind capacity in 2020, exceeding the total capacity installed worldwide in the previous year. Further, under the recently announced US\$11 trillion Carbon Neutral 2060 Plan, China will spend a further US\$3.8 trillion on wind and solar up to 2050, raising concern that it will need all of its current rare earth magnet production and more.

Rare earth supply continues to take centre stage

The European Raw Materials Alliance (ERMA), of which Pensana is a founding member, has stated that building sustainable rare earth oxide production and separation capacity in Europe is critical to meeting the burgeoning demand from electric vehicle and offshore wind growth.

"Green and digital technologies currently depend on a number of scarce raw materials. We import lithium for electric cars, platinum to produce clean hydrogen, silicon metal for solar panels, 98 percent of the rare earth elements we need come from a single supplier - China - and this is not sustainable," Ursula von der Leyen EU President, February 2021

"It is not sufficient to have the raw materials if we do not have the processing facilities in Europe. The overall goal of the European Raw Materials Alliance is to boost EU resilience in the rare earths and permanent magnets value chain that are vital for many industrial ecosystems." Thierry Breton – EU Commissioner, September 2020

Post-period, in a 30 September 2021 report titled Rare Earth Magnets and Motors: A European Call for Action, ERMA identified 14 rare earth projects in the EU that will require about \$2 billion of investment and urged that governments and manufacturers support Europe's industry.

Ethically Sourcing Rare Earths from the state-of-the-art Longonjo mine in Angola

Core to Pensana's strategy is the sourcing of sustainably mined rare earth supply. To that end, while preparing for commencement of main construction we have continued to work with the world leading consulting and engineering firm, the John Wood Group PLC ("Wood") to ensure that design of the Longonjo mine in Angola meets international standards. This includes hydro-electric power and a tailings storage facility to meet the recommendations of the Church of England Pensions Board and ICMM guidelines. Longonjo also benefits from Wood's proven production of a clean, high-value mixed rare earth sulphate for export using existing railway and port infrastructure out of Angola, further adding to our targeted sustainability credentials.



Angola is focused on diversifying its economy away from depending on oil, gas and diamonds, towards tourism, agriculture and value-added resource development. Angolan President Lourenço recently commented to international media that he has high hopes for Longonjo as a flagship achievement of his mining reforms.

Saltend rare earth processing hub to be established at the Humber Freeport

During the year we made a strategic decision to step further downstream and create additional value by establishing a rare earth oxide production facility in the UK. The Saltend Chemicals Park was chosen as the preferred site.

The Saltend project remains on track with construction anticipated to commence in Q1 2022, subject to main financing, which will generate over 100 direct jobs in operation. Designed by Wood, the facility is expected to become one of the world's largest producers of rare earth oxides for powerful permanent magnets. It will also realise Pensana's commitment to establishing the world's first fully sustainable mine to magnet metal supply chain in the UK.

The Saltend plant will be the first major rare earth separation facility to be constructed in over a decade. Humber was granted Freeport status in March 2021, thereby adding additional benefits to Saltend, being the first rare earth separation facility to be located in a Freeport. The Humber Freeport status has furthered a favourable financial and regulatory environment to enable Saltend to become one of the world's largest, rare earth processing hubs. By importing sustainably sourced feedstock from around the world and processing it into high value oxides and metal products, Saltend will have the potential to export to Europe and beyond. Pensana is aiming to establish Saltend as an attractive alternative to mining houses who may otherwise be limited to selling their products to China, having designed the facility to be easily adapted to cater for a range of rare earth feedstocks. We remain in active discussions with third parties for the additional supply of sustainably sourced rare earth carbonates in addition to our plans to process Longonjo's feedstock material. Importantly, for many miners around the world who are looking to access the European and US supply chains, it is becoming increasingly clear that the planned EU and possible UK carbon border taxation will mean that it is no longer acceptable for manufacturers to source material extracted or processed unsustainably. Once in production, Pensana will look to expand production capacity when additional feedstock becomes available.



The recently awarded Humber Freeport status will help establish a rare earth processing hub at Saltend bringing back high-value manufacturing to the UK

Long term partnerships

As Pensana approaches main construction, strong relations with all of our key stakeholders have once again proven fundamental to our successful ongoing development as a growing international company and I am particularly grateful to the continued support we have received during the course of this year from His Excellency Diamantino Azevedo, Minister of Mineral Resources Petroleum and Gas, and by the Governor of Huambo province, Dr Joana Lina, who have taken a keen interest in the project and visited personally. I also extend our gratitude to Mr Carlos Lopes and his team at the Angolan Sovereign Wealth Fund.

I would also like to take this opportunity to thank our partner, Ferrangol, under the direction of João Diniz dos Santos – whose interest has now been transferred to the Angolan Sovereign Wealth Fund following its dissolution as part of the Angolan government's new governance model and the creation of a National Mineral Resources Agency – and Dr Andrea Buta Neto from the Department of Geology and Mines for their valuable support and encouragement. It is our intention to finance and develop the mine such that it meets the very highest standards of sustainability and community engagement and becomes an investment everyone in Angola can be proud of.

Paul Atherley
Chairman

CEO's review

COVID-19

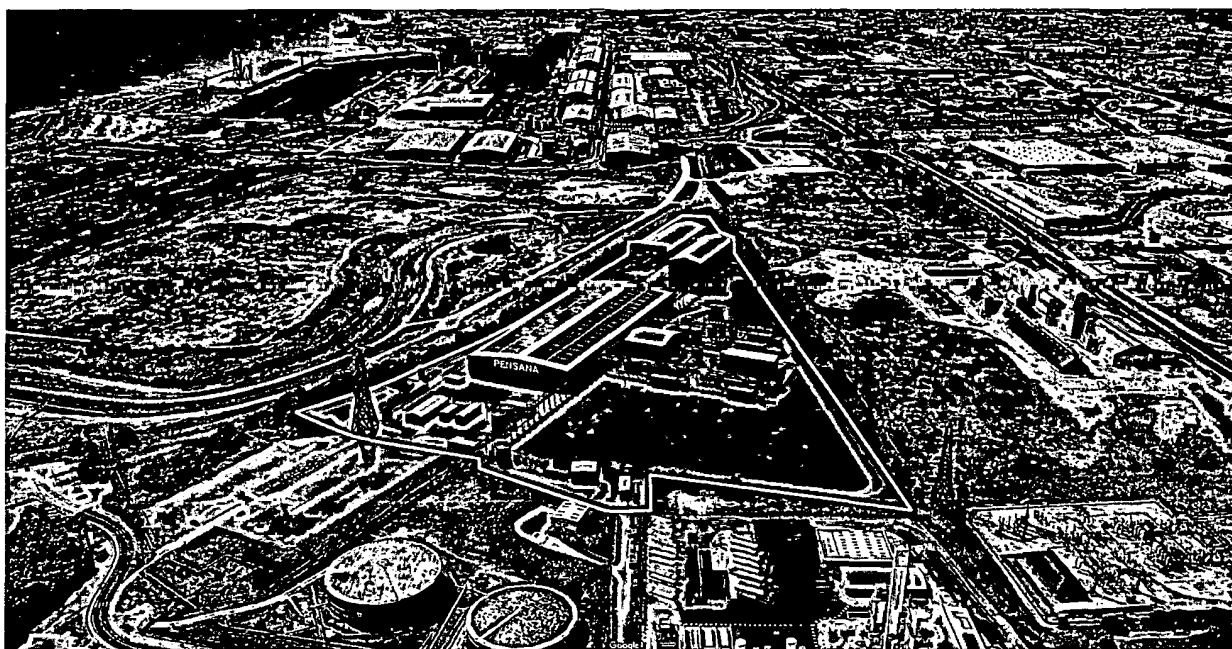
While the COVID-19 pandemic has maintained a tight grip on the world over this year, I would like to take this opportunity to thank our team once again who, along with our key technical advisors, have safely navigated their way through a challenging yet productive year for Pensana. Coupled with the support of the Angolan Sovereign Wealth Fund, the UK and Angolan governments, and our key long-term shareholders, we have continued to make significant progress in not only advancing to Front End Engineering and Design ("FEED") alongside an upgraded resource base; but also, to having firmly inserted ourselves further downstream into the magnet metal supply chain with our Saltend expansion plans. The latter is a move that we believe will ideally position the Company to take further advantage of the burgeoning magnet metal supply chain shortfall to the benefit of all stakeholders and shareholders.

Saltend rare earth processing hub

Having progressed the design of the Longonjo project to include the production of a mixed rare earth sulphate earlier in the year, we approached Wood in October 2020 with the strategic undertaking to further study the establishment of an integrated rare earth processing facility in the UK to target creating the world's first sustainable magnet metal supply chain.

Taking the window of opportunity to step further downstream and create additional value by establishing a rare earth oxide production facility in the UK, the team rapidly progressed the site selection process with the announcement on 8 December 2020 of the Saltend Chemicals Park as the chosen location. Submission of our Saltend planning application on 25 January 2021 and receipt of our planning permission in April 2021 followed in quick succession alongside our updated Business Plan.

Saltend remains on track with construction anticipated to commence in Q1 2022, subject to main financing, which will generate over 100 direct jobs in operation. Designed by Wood, the facility is expected to become one of the world's largest producers of rare earth oxides for powerful permanent magnets. It will also realise Pensana's commitment to establish the world's first fully sustainable mine to magnet metal supply chain in the UK.



The Saltend Chemicals Park is a cluster of world-class chemicals and renewable energy businesses including BP Chemicals technology, Ineos, Nippon Gohsei and Air Products. It is strategically located on the Humber estuary, a gateway to Europe and the UK's busiest ports complex. The 370-acre site has had £500 million of investment over recent years and is managed by px Group, a leading provider of services in complex industrial sectors. The site provides 'plug and play' services with ready access to the port, a wide range of utilities, power, chemical supply, logistics and a large pool of skilled personnel with experience in the chemicals industry.

Geology and metallurgy

Longonjo Mineral Resource estimate upgraded

In September 2020, a substantial upgrade to the Longonjo Mineral Resource estimate was announced. International mining industry consultants SRK Consulting reported an upgraded Measured, Indicated and Inferred Mineral Resource estimate of 313 million tonnes at 1.43% REO including 0.32% NdPr for 4,470,000 tonnes of REO including 990,000 tonnes of NdPr.

The upgraded estimate highlighted more than 2.3 times the previous estimate of the Measured and Indicated resources announced on the ASX on 15 November 2019, increasing the proportion of the resources reported in the Measured and Indicated categories from 31% to 68% and increasing the overall contained NdPr by 35%.

Successful development of Mixed Rare Earth salt flow sheet

In October 2020 the Company reported the successful production of an NdPr rich mixed rare earth carbonate ("MREC") from test work on mineralisation from Longonjo. This was further developed to produce a mixed rare earth sulphate ("MRES") as a future feedstock for the Saltend refinery.

Downstream process pilot programme

Technical programmes to support the feasibility and detailed engineering studies for the development of Longonjo and Saltend continued over the Period. At Longonjo, a large diameter drilling programme concluded in early December 2020. Drilling was completed to provide feed for further optimisation and pilot plant programmes in support of the Company's expanded strategy of mining and processing operations in Angola and UK. A total of 15 drill holes were completed using a specialised large diameter drill rig to provide representative bulk samples of weathered zone mineralisation from surface to 24 metres in depth. Circa 100 tonnes of mineralisation from the areas of proposed first mining was then shipped from site through the port of Lobito to the Company's test facilities in Perth, Western Australia.

Exploration

On 21 December 2020, the Company reported high grade rare earths in soils from the first sampling programmes completed at its 7,500 square kilometre Coola Project, located 16 kilometres north of Longonjo.

Encouragingly, several carbonatite and alkaline complexes within Coola were identified with geological prospectivity for critical technology metals that could complement future NdPr production from Longonjo. Systematic soil sampling and geological mapping programmes were completed over two geological targets in October and assay results from the first target, the Coola Carbonatite itself, were received. Assay results received from the soil sampling programme show that a high tenor rare earth in soils anomaly extends over a wide area. The soils contain up to 4.69% REO over an outcropping carbonatite ring dyke system that forms part of the 1.2 kilometre diameter Coola Carbonatite. The central part of this circular volcanic structure lies entirely beneath thick soil cover. Several 3-metre-deep pits were excavated in the central area but did not reach bedrock, so the potential for additional prospective carbonatite and mineralisation remains unknown. Assay results from vertical channel samples of the pits are still awaited.

Outcropping fluor spar mineralisation was located within the Coola complex during geological mapping. As well as being listed as a critical commodity and having direct economic potential, fluor spar is also a positive indicator of the potential for additional technology metals in this geological setting. Assay results from rock samples of fluor spar mineralisation are also awaited.

As at Longonjo, the carbonatite associated rare earth anomalism at Coola is also accompanied by highly elevated levels of phosphorous, barium, iron, manganese, niobium, strontium and zinc.

An additional soil sampling programme has been completed over the Monte Verde alkali and carbonatite complex and assay results are expected shortly. Geological mapping and sampling of the large, twin centre Sulima alkali complex have also been completed. A stream sediment sampling programme and geological reconnaissance of a series of geophysical anomalies have commenced and are ongoing.

Engineering

The engineering team was significantly enhanced during the Period with the appointment of Rocky Smith as Chief Operating Officer and Roy Gordon as Senior Metallurgical Manager. Working alongside Wood and Africa specialist project management consulting firm, Paradigm Project Management, teams in the UK, Australia and South Africa set about finalising the mine development parameters and plant design engineering for both projects. They also undertook ongoing pilot plant test work which will be key in the conclusion of the FEED process.

Infrastructure

Technical discussions with port, rail and power authorities in Angola progressed significantly throughout the year. Key studies into the optimisation of the logistics supply chain from site to port and on to the UK were undertaken alongside various initiatives aimed at streamlining materials management on site at Longonjo. Roll-out of the project power linkage programme has been defined with detailed mapping and surveying for the power line complete, alongside the completion of detailed design plans with regards to additional bulk infrastructure, services and Longonjo site development.

Environment, Social and Governance

Longonjo's Environmental Social Impact Assessment ("ESIA") was approved by the Ministry of Environment, Culture and Tourism following its earlier endorsement by the Ministry of Mines, Petroleum and Gas in April 2020. This was a significant step in the lead up to receiving construction approval for the project and my thanks go to South African based HCV for their assistance, supported by Angolan based Grupo Simples.

The studies have been specifically geared to satisfy both local and international standards and were carried out concurrent with the technical feasibility studies which will prove invaluable as we look to develop the mine from the ground up with ESG standards front and centre to our goals as a Company. The Relocation Action Plan for subsistence farming activities that may be displaced during the 20-year life of mine is ongoing alongside the development of the Livelihood Replacement Scheme for those affected.

The project team was strengthened during the Period. Rocky Smith and Roy Gordon's appointments had an immediate impact on the pilot programmes and project readiness rollout process.

Rocky Smith is one of the few western mining executives with in-depth knowledge of the rare earth industry, including the supply chain, operational start-up and running complex chemical processes. He is well supported by Roy Gordon who is a senior hydro-metallurgist with more than 10 years' experience across international projects in support of the High Value Manufacturing and advanced manufacturing economies.

Several additions were also made to the corporate team with key appointments in finance, legal, HR, secretarial and IR as part of the ramp up process to project readiness. Post period, in September 2021 we announced the appointments of William Izod as Chief Technical Officer and Danny McNeice as ESG Manager.

Recruitment and training of our Angolan teams continues in support of our exploration campaign, resulting in over 80% of Pensana's employees being Angolan nationals. The Longonjo and Coala projects are both well positioned to pull resources from the national base and as restrictions allow the process of interviewing and identifying further trainee candidates has begun in earnest.

No lost time incidents occurred during the year and on-site safety protocols continued to be enhanced. The Radiation Monitoring Program, overseen by industry expert Mark Sonter of Radiation Advice and Solutions, continues and confirms that NORM levels do not present any obstacle to future mining and processing activities.

With clearing ground works underway at the Saltend site, early works initiated at Longonjo, the imminent finalisation of FEED for both projects, Coala exploration programmes progressing and significant additions to our technical and corporate teams, Pensana is strongly poised post financing to commence the delivery of the world's first major new rare earth mine in over a decade and critical rare earth processing hub in the UK.



Tim George
CEO

Directors' Report

The Directors of Pensana Plc ("the Company") submit herewith the annual financial report of Pensana Plc ("Consolidated Entity") for the year ended 30 June 2021.

Directors and Directors' Details

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Paul Atherley Non-Executive Chairman Appointed: 13 May 2018	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 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 resource 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 senior government officials, including the most senior levels of the 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. Other Current Directorships of Listed Companies: Leyshon Energy Limited (January 2014 – present) Former Directorships of Listed Companies in last three years: Berkeley Energia Limited (ASX/AIM) Leyshon Resources Limited (May 2004 – May 2019)
Tim George Executive Director / Chief Executive Officer Appointed: 22 April 2019	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 spent over a decade in production management at several Anglo-American operations in Africa along with plant design and feasibility studies in various base and precious metal projects. His history in Angola started in 1998 in the construction & engineering sector, migrating to Chairman and CEO of Xceldiam an Angola focussed AIM listed diamond exploration company and subsequent NED of a Scandinavian dual listed resources entity with assets in sub-Saharan Africa including Angola. Other Current Directorships of Listed Companies: None Former Directorships of Listed Companies in last three years: None
Steven Lawrence Sharpe Non – Executive Director Appointed: 29 September 2021	Mr Sharpe is a highly experienced natural resources financier and has been involved with the financing of some US\$6 billion over his 37-year career. He is an Executive Board Member of EIT Raw Materials. He was formerly the Chair of AME Group, President and Chief Executive Officer of Euromax Resources Ltd, Senior Vice President of European Goldfields Ltd, Managing Director at Canaccord Genuity, Managing Director at Endeavour Financial, Assistant General Manager at Standard Bank London Ltd and Assistant Director of N M Rothschild & Sons Ltd Other Current Directorships of Listed Companies: None Former Directorships of Listed Companies in last three years - None

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Dr Jeremy John Beeton Non- Executive Director Appointed: 2 March 2021	Dr. Beeton has extensive international experience in project management over complex multi-site, multiple project operations' portfolios for national and regional government, as well as public and private companies. He was Director General of the London 2012 Olympic and Paralympic Games from 2007 until 2012, and Chairman of WYG PLC and Merseylink Limited. Dr Beeton was also a Principal Vice President with Bechtel, an Advisory Board member of PricewaterhouseCoopers until October 2018, and an independent Non-Executive Director of SSE plc until July 2018. He is an Independent Non-executive Director of John Laing Group Plc, the multinational infrastructure group, and has been a Member of Court of Strathclyde University since 2012. With a B.Sc. C. Eng. from the University of Strathclyde, Dr. Beeton is a Fellow of the Institution of Civil Engineers FICE, and received UK honours including the Order of the Bath CB, and an Honorary Doctorate in Engineering from Napier University. Other Current Directorships of Listed Companies" John Laing Group PLC Former Directorships of Listed Companies in last three years: OPG Power Ventures PLC (2016 to 2020) WYG PLC (2017 to 2019)
Rt Hon Baroness Lindsay Patricia Northover Non- Executive Director Appointed: 2 November 2020	Baroness Northover is a member of the House of Lords and is a Member of the House of Lords Select Committee on the Environment and Climate Change. She was the Prime Minister's Trade Envoy to Angola (2016- 2020), Zambia (2017-2020) and a Minister in the Department for International Development ("DFID") 2011-15, including serving as Parliamentary Under Secretary and Africa Minister, 2014-15. She is a Member of the Board of AgDevCo Holdings and a Member of Council of the Royal African Society. She has been at the core of the recent successful development of the UK/Angola bilateral relationship which has seen significant progress in recent years. She is Honorary Associate Professor at the Institute of Global Health Innovation, Imperial College, London; a Member of the Advisory Council, Wilton Park; and a former Trustee of the Malaria Consortium and UNICEF UK. Other Current Directorships of Listed Companies: None Former Directorships of Listed Companies in last three years: None
Sandra Bates Non – Executive Director Appointed: 10 August 2020 Resigned: 29 September 2021	Ms Bates is an international lawyer with over 20 years' experience advising listed and private companies in the natural resources sector on complex commercial negotiations and Environmental, Social and Governance (ESG) engagement. Ms Bates is a Partner at Keystone Law, the London based law firm and a member of Women in Mining UK. Other Current Directorships of Listed Companies: Adriatic Metals Plc Former Directorships of Listed Companies in last three years: None
David Hammond Executive Director / Chief Operation Officer Appointed 14 November 2017 Resigned: 30 December 2020	Mr Hammond has over 30 years' technical, resource definition and project development experience in Africa, Australia and South America. He was most recently the Technical Director with Peak Resources Ltd for seven years where he led all exploration, resource definition and technical study teams, from the second drill hole of the deposit through resource, reserve, scoping study and prefeasibility. David holds a Master of Science (M.Sc.) and a Diploma of Imperial College (DIC) from the Royal School of Mines Imperial College London. He is a member of AUSIMM and a competent person for JORC reporting. Other Current Directorships of Listed Companies: None Former Directorships of Listed Companies in last three years: Peak Resources Limited

Mark Hohnen Non-Executive Director Appointed: 25 August 2017 Resigned: 30 June 2021	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. Other Current Directorships of Listed Companies: Boss Resources Limited (ASX) (26 April 2016 Bacanora Minerals Limited (AIM / TSX listed) (27 April 2016 – Present) Former Directorships of Listed Companies in last three years: Boss Resources Limited (ASX) (26 April 2016- 21 January 2020)
Neil Maclachlan Non-Executive Director Appointed: 17 January 2018 Resigned: 30 June 2021	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 has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and TSX. Other Current Directorships of Listed Companies: None Former Directorships of Listed Companies in last three years: None

Chief Financial Officer– Mr. Robert Kaplan

Mr Kaplan is a Chartered Accountant with over 20 years operating experience in the African mining sector. His addition to the Pensana team brings 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.

Mr Kaplan has joined Pensana from London listed Petra Diamonds Limited where in his role as Finance Manager Corporate and Head of Treasury he was involved in a number of mine financings including two US\$ bond issues totalling US\$1 billion, a number of African lender facilities totalling over US\$750 million and most recently an equity rights issue of US\$178 million on the London Stock Exchange. Prior to this he was Financial Director of Xceldiam an Angola focussed AIM listed diamond Exploration Company.

Chief Operating Officer – Mr Rocky Alan Smith

Mr Smith is a highly experienced Chemical Engineer with 35 years' rare earths experience. He was Managing Director of Molycorp's Mountain Pass rare earth project in California, US, which is now owned by New York Stock Exchange listed MP Materials. Mr Smith has an in-depth knowledge of the rare earth industry, including the supply chain, operational start-up and running complex chemical processes.

At Mountain Pass, Mr Smith was responsible for building the project and delivering operational readiness. He established the training systems, Quality Management and in accordance with "Zero Harm", the highest possible health, environment and safety performance standards.

Dividends

No dividends have been paid or proposed since the start of the financial year, and the Directors do not recommend the payment of a dividend in respect of the financial year.

Financial Instruments

Note 22 to the financial statements sets out the risks in respect of financial instruments. The Board reviews and agrees overall treasury policies, delegating appropriate authority to the Chief Financial Officer. Treasury operations are reported at each Board meeting and are subject to weekly internal reporting.

Political Contributions and Charitable Donations

During the current and previous years, the Group did not make any political contributions and charitable donations.

Employee Engagement

Details of how the directors have engaged with the employees and how the directors have had regard to employee interests and the effect of that regard, including on the principal decisions taken by the company during the financial year, are included in the Section 172 Statement contained within the Strategic Report.

Business Relationships

Details of the how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the Company during the financial year are included in the Section 172 Statement contained within the Strategic Report.

Future Developments

In addition to the mine development at its Longonjo Project and the development of the Saltend refinery in the United Kingdom the Directors intend to continue to explore and develop the Company's existing projects with key focus on the exploration project at Coola and ongoing consideration of moving further downstream into metal production.

Appointment of Steve Sharpe to the Board

On 29 September 2021, Mr Steve Sharpe was appointed as a Non-Executive Director to the Board of the Company.

Additional events after the year end:

- On 5 July 2021 the Company issued 7,108,037 fully paid ordinary shares. The issue related to the vesting of executive share awards further to the commencement of construction in Angola.
- On 24 August 2021 the Company announced the initiation of geotechnical drilling and trenching at the Saltend site ahead of main construction

Health and Safety Policy

The Company is committed to developing a culture which supports the health and safety of all employees, contractors, customers and communities associated with its business and operations.

Anti-Slavery and Human Trafficking

The Group is committed to upholding high ethical standards throughout all aspects of its business, as well as respecting and safeguarding the human rights of all its stakeholders. This commitment is based on the belief that business should be conducted honestly, fairly and legally. We expect all employees, suppliers, contractors and other stakeholders to share our commitment to high moral, ethical and legal standards. As the group looks to develop its mine at Longonjo the key areas of compliance with section 54 of the Modern Slavery Act, 2015 are being taken to prevent occurrences of slavery or human trafficking in our business and supply chain for the current financial year and beyond.

AGM

This report and financial statements will be presented to shareholders for their approval at the next AGM. The Notice of the AGM will be distributed to shareholders during the month of November.

Auditors

BDO LLP became the Company's auditors with effect from 21 February 2020. A resolution for BDO's re-appointment will be proposed at the forthcoming AGM.

Statement of disclosure of information to auditors

As at the date of this report the serving Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Shares under option or issued on exercise of options

At the date of this report there are 2,750,000 unissued shares or interests under option

Indemnification of Directors and Officers

During the financial year, the Company paid a premium of \$80,101 in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and any related body corporate against a liability incurred by such a director, secretary, or executive officer. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred by an officer.

Directors' Meetings

The following table sets out the number of Directors' meetings and committee meetings held during the financial year:

Directors	Board meetings		Audit Committee		Remuneration and Nomination Committee	
	Number eligible to attend	Attended	Number eligible to attend	Attended	Number eligible to attend	Attended
P Atherley	11	11	3	3	1	1
T George	11	11	-	-	-	-
L Northover	8	8	1	1	2	2
S Bates	10	10	2	2	2	2
J Beeton	4	4	1	1	1	1
D Hammond	4	4	-	-	-	-
M Hohnen	11	11	-	-	2	2
N Maclachlan	11	11	3	3	3	3

Directors' Interests in the Company

The following table sets out each Director's relevant interest in fully paid ordinary shares, performance rights and options in the Company at the date of this report.

Directors	Fully paid ordinary shares	Share plan awards
P Atherley	13 427 898	-
T George	1 250 000	1 958 333
J Beeton	-	-
L Northover	-	-
S Sharpe	-	-

Directors' Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent.
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business;
- prepare a director's report, a strategic report and a director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

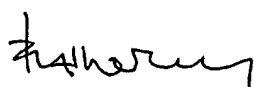
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

This responsibility statement and the Directors' Report was approved by the Board of Directors on 31 October 2021 and is signed on its behalf by:



Mr. Paul Atherley
Chairman
31 October 2021

Review of Operations and Strategic Report

The Board is pleased to present its review of Pensana Plc, the rare earth exploration and development Group, whose flagship assets are the Saltend rare earth refinery project in the UK. and Longonjo NdPr Project in Angola.

Pensana plans to establish Saltend as an independent, sustainable supplier of the key magnet metal oxides to a market which is currently dominated by China with initial feedstock to be shipped as a clean, high purity mixed rare earth sulphate (MRES) from the Company's Longonjo low impact mine in Angola.

The year saw significant progress with a series of technical programmes successfully completed in addition to incorporating the expanded Saltend scope, the issuance of an updated Mineral Resource estimate along with our listing on the London Stock Exchange, delisting from the Australian Stock Exchange and ongoing strengthening of the management team.

Technical programmes included completion of the major drilling campaigns that lead to a significant expansion of the Longonjo Mineral Resource estimate, metallurgical flow sheet optimisation and, with the appointment of Paradigm Project Managers as owner representatives to work alongside the Wood Group as lead engineers, the optimisation of a range of engineering studies that will culminate in the release of a FEED study shortly. Environmental and social baseline studies were furthermore completed during the year on the Longonjo Project resulting in the award of a construction permit and, following local council planning approval, the environmental permitting process for eventual operations is underway on the Saltend facility.

Operating and Financial Review

The presentation of this year's Group results represents the first full year that the Group has operated under the Company further to it being inserted as the UK domiciled parent during FY2020.

During the year ended 30 June 2021 the consolidated entity incurred an increased year on year comprehensive loss of \$6,915,185 (30 June 2020: \$4,280,471), comprising:

- Administration and corporate expenses increased 24% to \$5,248,154 (2020: \$4,235,166) mainly due to the increased employee costs associated with the Groups increased operational activity.
- Impairment charges on the Tanzanian assets, of \$2,500,000 in the current year represent a full impairment on the Miyabi Gold project assets further to the failure of the counterparty to satisfactorily progress the sale transaction during the year. Accordingly, the assets have been impaired and reclassified out of 'held for sale' status as the criteria within IFRS are no longer considered met.
- Net Foreign currency exchange gain of \$619,972 (2020: \$156,021 loss), comprising:
 - loss on foreign exchange movements of \$1,835,705 (2020: \$48,230 gain) on monetary balances and intercompany funding which are considered repayable in the foreseeable future, and.
 - gain on exchange movements on retranslation of non-US dollar functional currency entities in to the Group's US dollar presentational currency and currency movements on inter-company balances considered permanent as equity of \$2,455,677 (2020: \$204,251 loss).

Group net assets increased in the year by 143% to \$36,168,634 from \$14,861,184. This was primarily driven by capitalisation of Longonjo's exploration and evaluation expenditure and early works at Saltend of \$9,013,189 (2020: \$3,196,545). At 30 June 2021 the Longonjo Project has been reclassified to development assets within property, plant and equipment following establishment of a Technical Feasibility Study. The Group's movement in share capital for the year comprised the share capital issued by the Company on equity placings detailed below. A portion of the final equity placing of the year was not received by 30 June 2021 but the shares were issued. Further receipts have arisen post year end and the receivable now stands at \$2,110,965 and is anticipated to be recovered in the near term based on arrangements with the counterparty.

Year on year the cash and cash equivalents balance increased by 309% to \$16,787,591 (2020: \$4,106,321) at year end on the back of a circa \$21.1 million equity raise as announced on 18 June 2021.

With project activity increasing over the year the Group experienced a 160% increase in net cash outflows from operating and investing activities of \$13,578,321 (30 June 2020: \$5,230,610). Net cash outflows from operating activities of \$6,872,862 increased from \$2,441,398 due to operating losses partially offset by an increase in trade and other payables. Investing cash flows of \$6,705,459 (2020: \$2,789,212) primarily related to expenditure on the Longonjo Project, Coola exploration works and early-stage work at the Saltend site.

Proceeds from the issuance of equity before share issue costs in the amount of \$27,876,399 (30 June 2020: \$6,354,258) was the source of financing to facilitate the metallurgical pilot plant test programme, early-stage site development and exploration spend over the Period.

Further to the fundraising of circa \$21.1 million announced on 18 June 2021, the Directors have prepared a cash flow forecast for the period ended 30 October 2022. The forecast indicates that whilst the Group has sufficient funding to meet its corporate and general operating costs, the Group will require additional funding over the next twelve months to meet its committed and planned exploration and development expenditure and operating costs related to the Longonjo,

Coola and Saltend Projects. Please refer note 3 to the financial statements for more detail on the going concern statement.

Accordingly, the Directors have resolved to undertake certain mitigating actions including actively engaging with institutional investors and financing institutions in the United Kingdom and Europe to discuss opportunities around potential future financing in anticipation of the announcement of FEED being finalised and a final investment decision being taken to initiate main project development. Such additional funding will be required to meet the Group's committed and planned development expenditure across the forthcoming year.

The ability of the Company and Group to continue as a going concern is dependent on securing such additional funding given its forecast expenditure above. These conditions indicate a material uncertainty which may cast significant doubt as to the Company and Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Key performance indicators

Given the Group is in the mine development stage for the Longonjo Project and mineral exploration at the Coola Project and has no turnover, the Board consider usual financial key performance indicators (KPI's) to have not been appropriate to the measurement of value creation of the Group. The Board consider the carrying value of the development assets and the cash balance to be the most applicable KPI's at this stage of the Group's development, further details of which have been given above. In addition, to this the Directors consider that the detailed information in the Operational review is the best guide to the Group's progress and performance during the year.

Further details are provided in the Chairman's and CEO statement and in the technical development programme update as highlighted on page 20.

Brexit

During the Period the Board regularly considered the potential impact of the United Kingdom leaving the European Union and its potential impact on the Company and the industry. At this point the Board is comfortable that its positioning and the product it is looking to bring to market has not been negatively impacted by Brexit.

Pensana's strategy

Pensana plans to establish its Saltend refinery as an independent, sustainable supplier of the key magnet metal oxides to a growing market which is currently dominated by China. The Saltend facility is being designed to produce circa 12,500 tonnes per annum of rare earth oxides, of which 4,500 tonnes will be neodymium and praseodymium (NdPr), representing around 5% of the world market in 2025.

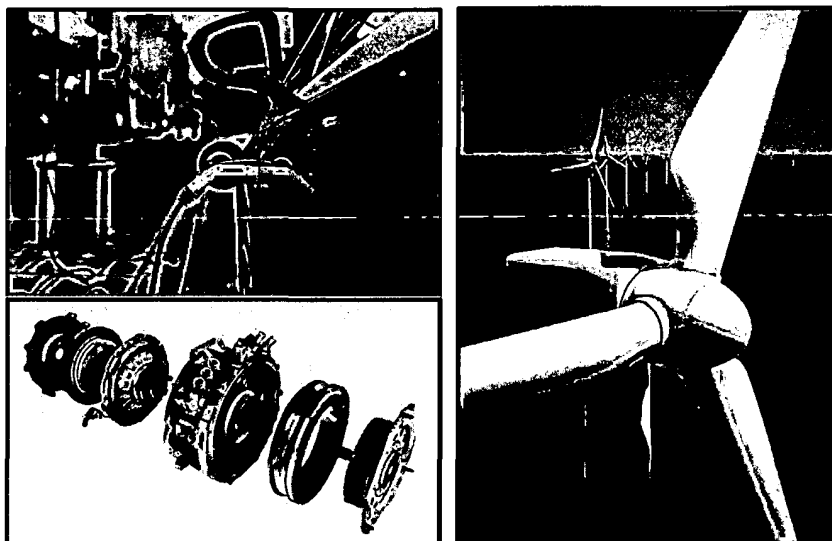
The Saltend facility is located within the world class Saltend Chemicals Park, a cluster of leading chemicals and renewable energy businesses at the heart of the UK's energy estuary and is a host to a range of companies including BP Petrochemicals technology, INEOS, Air Products, Triton Power, Nippon Gohsei and Tricoya. Pensana's plug and play facility will create over 500 jobs during construction and over 100 direct jobs once in production. It will further be the first major rare earth separation facility to be established in over a decade and will become one of only three major producers located outside China.

Initial feedstock will be shipped as a clean, high purity mixed rare earth sulphate (MRES) from the Company's Longonjo low environmental impact mine in Angola. The open-cast mine, state-of-the-art concentrator and proprietary MRES processing plant are being designed by Wood to the highest international standards and will be powered by minimal carbon hydro-electric power and connected to the Port of Lobito by the recently upgraded Benguela railway line.

Pensana is of the view that provenance of critical rare earth materials supply, life cycle analysis and GHG Scope 1, 2 and 3 emissions will all become significant factors in supply chains for major customers. The Company intends to offer customers an independently and sustainably sourced supply of the rare earth metal oxides and carbonates of increasing importance to a range of applications central to the energy transition, industrial, medical, military and communications sectors.

Facilitating a green energy revolution

From wind turbines through electric vehicles, bikes and trains to trucks, drones, industrial tools, automation, robotics and air conditioners, the electric motor is the driving force behind a cleaner energy future. 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.



Electric motors and wind turbines will be at the core of our clean energy future. Neodymium and Praseodymium are the irreplaceable raw materials used to manufacture the permanent magnet components of these technologies. Experts predict a supply shortfall will hit the market around 2023 and if additional independent primary magnet metal sources are not brought into production, the monopoly over NdPr will persist, with over 87% of the world's production of NdPr being currently controlled by China

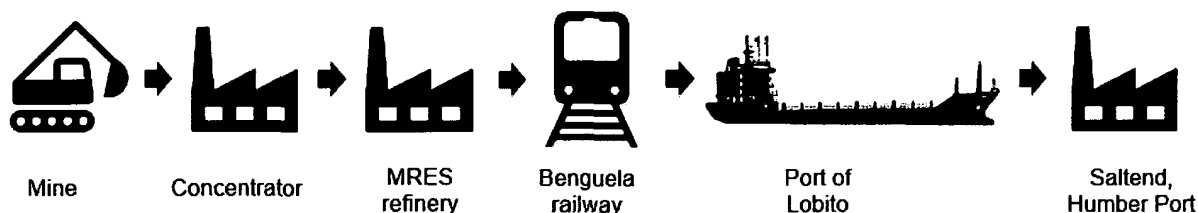
Principal Activities

The year saw significant progress with a series of technical programmes, alongside the expanded scope to build a rare earth separation refinery in the UK, successfully progressed and completed. These included a major drilling campaign that led to a significant upgrade of the Longonjo Mineral Resource estimate; generation of high purity mixed rare earth carbonate ("MREC") from the flotation concentrate; ongoing detailed design towards early works programmes and construction at Longonjo and initiation of the first systematic sampling programmes at Coola

The synergy and close working relationship created during the prior year between Paradigm Project Management, our appointed owner representatives on Longonjo working alongside Wood plc (Pensana's lead engineers) has allowed us to not only advance design around the Concentrator and MRES plants but to also integrate the expanded scope of the Saltend refinery process that will culminate in the completion of our FEED study shortly. Environmental and social baseline studies were further initiated during the year for the Saltend Project and environmental permitting currently underway further to our receiving planning approval on the Saltend site in April 2021.

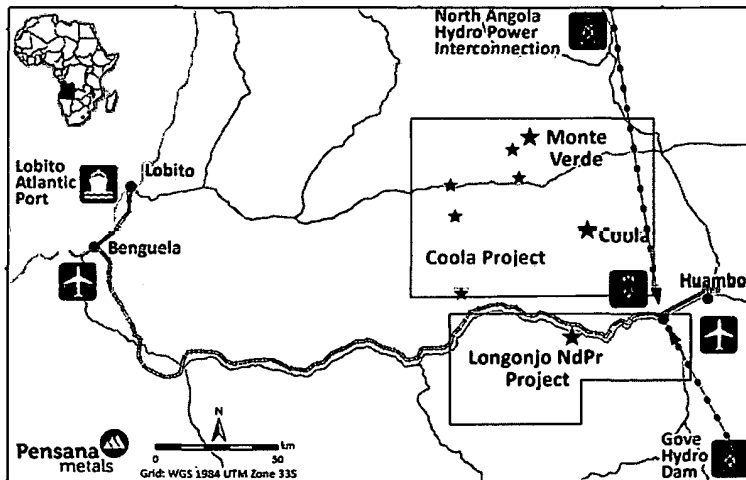
Longonjo Mine

Longonjo is differentiated from other rare earth developments by the combination of low-cost mining of the 'free dig' high grade surface weathered zone mineralisation of the deposit, the favourable location of the Project adjacent to modern infrastructure and the Company's strategy to process on site and ship a low volume, high grade mixed rare earth sulphate (MRES), thus reducing logistics costs.



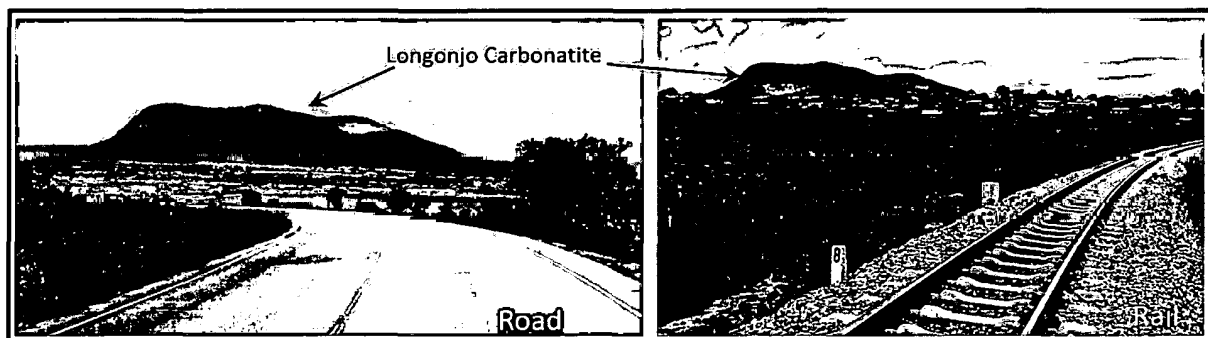
Infrastructure advantages

The Company has a globally significant NdPr Project at Longonjo in terms of its size and grade, and an enviable location compared to many NdPr development projects. Longonjo is located close to modern road and rail links to a new Atlantic port development and recently commissioned hydro power scheme in an infrastructure rich part of Angola.



Longonjo is located adjacent to the Chinese-built US \$1.8 billion Benguela rail line linking the project with the Atlantic port of Lobito. The recently installed hydro power supplied transmission line is only 40 kilometres from the project. The extensive new Coala Project was granted during the year.

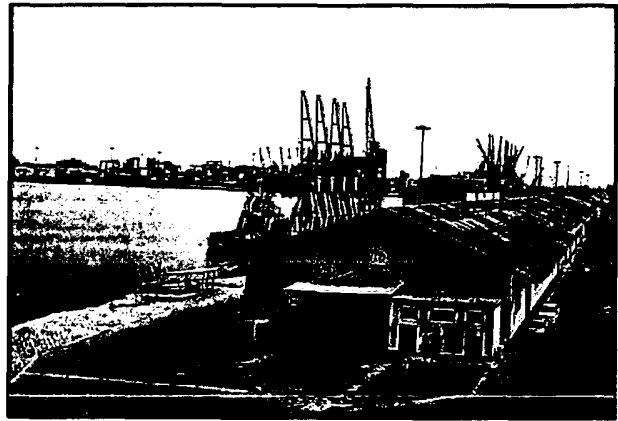
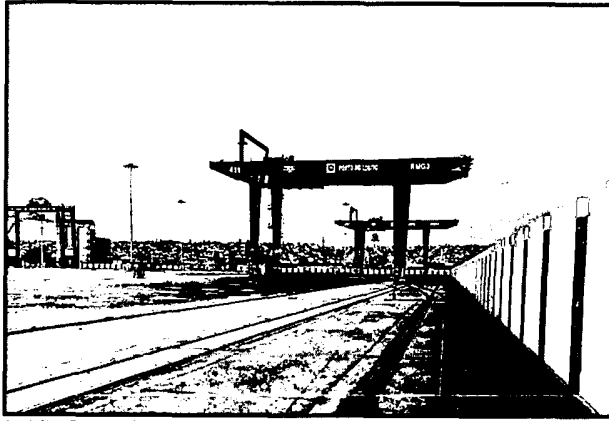
The Longonjo Project lies just 4km from the sealed national highway and rail line that run from the Atlantic port of Lobito under 300km to the west and to the provincial capital of Huambo 60km to the east. The national grid power transmission line from the massive 2GW Laúca hydro power scheme in the north of Angola has been operational for the past year and currently extends to Caala, 45km to the east of the Project.



Longonjo is favourably located close to existing infrastructure that includes a sealed national highway and rail linking the Project to the deep-water sea port at Lobito under 300km to the west, and the provincial capital of Huambo 60km to the east

The refurbished National Highway EN260 connects Angola's second largest city of Huambo through the municipality of Longonjo to the Atlantic port of Lobito. The rehabilitation of the road was reported to have cost US\$128 million.

The Benguela Railway was reconstructed between 2006 and 2014 by the China Railway Construction Corporation at a cost of US\$1.83 billion employing 100,000 Angolans. The railway extends from the border with the Democratic Republic of Congo and services the ports of Benguela and Lobito on the Atlantic coast of Angola. In 1975, some 3.3mt of freight was recorded on the line which is now seeing activity again for the first time in 44 years. The railway is Cape gauge, 1,067 mm (3 ft 6 in), which is used by most mainline railways in southern Africa. The maximum design speed is 90 km per hour. The design capacity is 20 million tons of cargo and 4 million passengers per year. There are 67 stations and 42 bridges along the route of the railway.



Lobito Port infrastructure directly connects to the Benguela rail line

The Angolan Government invested about US\$2 billion for the rehabilitation of the Lobito port and associated infrastructure. The new rail system links directly into the dry port, container, and ore terminals at the port of Lobito. The container terminal is 414 metres long, the ore terminal has a 310-metre jetty, and the dry dock has an area of 90,000 square meters.

The new Laúca hydropower plant is in the north of the country in middle part of the Kwanza River. The project consists of a main powerhouse with six units and an eco-power house with one unit. Total capacity of HPP Laúca will be 2,070 MW with a head of about 200 metres. It supplies renewable energy to meet the rapidly growing demand of the capital Luanda and feeds into the national grid to the south, to the city of Huambo and to within 45 kilometres of Pensana's Longonjo Project; the project will shortly be tapping into this grid post final investment decision.

Technical Development programmes for Longonjo

Metallurgical test work programmes continued to further optimise the selected flotation processes during the year. To support this work, an additional 100 tonne bulk sample of Longonjo's mineralisation was collected and transported from site to a test facility in Perth in January 2021 so as to ensure adequate material was available for the expanded pilot plant programmes for the processing facilities to be built in both Angola and the UK. The on-site concentrator plant scenario is modelled around an open pit free dig ore body with an additional refinery to be built alongside producing a high grade NdPr -rich MRES. This two-stage process will see a clean, high purity product exported to the Port of Lobito for further processing at our planned Saltend rare earth separation refinery, adding both additional value in country and allowing access to a wider market for the separated rare earth products.



Loading samples into container for transportation to Port Lobito



Longonjo rail station

Environmental and Social impact

Based on the approval by Mirempet of the increase of the Longonjo mining licence area to accommodate an increase of the life of mine to circa 20 years and additional processing structures, an update to the approved ESIA has been undertaken, with the partnership of international consultants HCVA and local consultants Grupo Simples.

Update of baseline studies is in progress and includes biodiversity, soils, hydrology, hydrogeology, air quality, noise levels, visual effects and socio-economic aspects. These studies are in the final review phase and when completed will inform the updated ESIA, with the elaboration of the environmental impact assessment and mitigation measures, environmental and social management plan and a monitoring plan to complement the FEED study.

A Livelihood's restoration plan is under development with the company Vuna Agribusiness, taking into account the field information collected by an independent NGO (DW). Through close collaboration between Pensana's local subsidiary Ozango, DW and the Municipality of Longonjo, various land options have been studied for the Livelihoods restoration plan to resettle the subsistence farming lands affected by the mine footprint within the mining licence area, to ensure food security for the people affected by reduction of land and agricultural production. To ensure a more prosperous future for local populations, this project includes a component of sustainable agricultural development.

A systematic Radiation Monitoring Program on NORM continues to provide baseline data ahead of future development activities and has been implemented in accordance with independent oversight from Mark Sonter of internationally respected Radiation Advice & Solutions

Metallurgical pilot testwork

The metallurgical pilot testwork program undertaken consisted of two phases to confirm final design criteria for the Concentrator Plant and to prepare further concentrate bulk sample for a final campaign of the Mixed Rare Earth Sulphide (MRES) Plant and confirmation of design criteria for the Saltend Refinery. This program was conducted in the ALS Perth facility supported analytically by Nagrom and continued in phases for much of the year and recently concluded aspects were, inter alia:

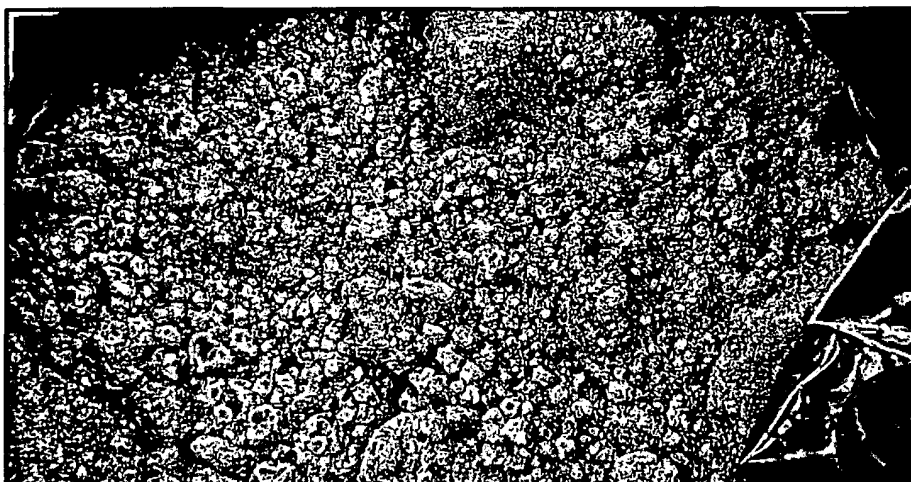
- Completion of concentrator piloting, including vendor testing for proposed tailings screw press capacities
- Thickening performance testwork for tailings rheology by Paterson and Cooke and geotechnical by Precision
- Testing of dissolved air flotation units for removing fatty acid from process water.
- Testing of flash flotation of cyclone U/F to remove barite from the grinding circuit to decrease slimes generation and confirm the barite flotation thickener is not required
- Tailing's disposal testwork, undertaken by Patterson and Cooke to determine process water recycle design parameters

The following MRES testwork was underway and completed post reporting period to confirm design criteria for the MRES:

- Verifying acid bake kiln operating conditions
- Attritioning and grinding tests for acid baked solids
- Confirmation of MRES REE extraction parameters post acid bake
- Completion of acid mixing and bake part of pilot circuit of earlier campaigns and conducting acid mixing and static double bake sighter tests as suggested by vendors who were invited to participate in the pilot programs
- MRES precipitation testing



Acid Bake and Leaching circuit: Acid mixers (centre), Kiln (left) and leaching (right, rear)



Acid mixed concentrate



Tails Thickening

Operational readiness

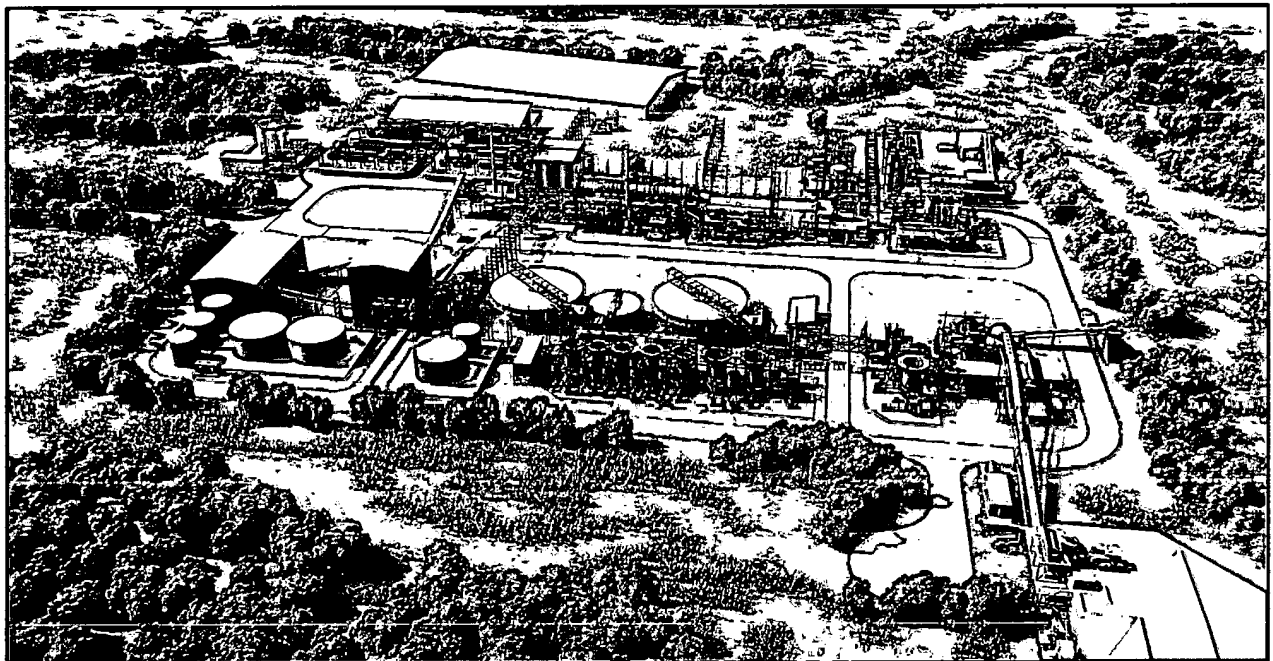
Significant recruitment is anticipated for the latter part of 2021 in preparation for project start up in 2022 and work commenced in preparation of standard operation procedures across the spectrum of operational readiness. This has been undertaken in mind that where possible, Angolan nationals will be placed in operational positions and candidates for all Patterson A band positions and as many B band positions as possible will be recruited from the communities closest to Longonjo Mine area.

Consultations were initiated and ongoing with the relevant authorities in respect of preparation for the mine construction and operations activities including:

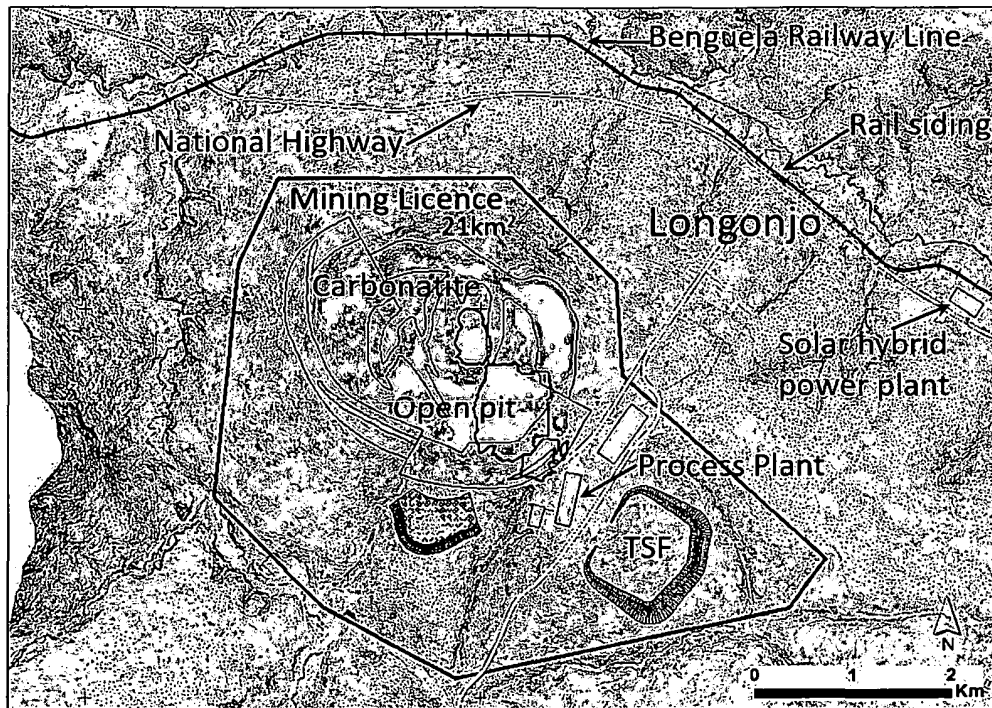
- Port of Lobito and CFB – in respect of the arrangements for the import of the circa 200 containers of equipment during the construction period and longer-term import/export traffic
- RNT / ENDE – in respect of the bulk power requirements and connection the hydro-electric power supply from the Huambo area

Requests for Quotations (RFQ's) for the following long lead engineering packages have subsequently been issued in preparation of fast-track execution post FEED:

- Ball and SAG Mill Steam Generation Packages
- Sulphuric Acid Plant
- Acid Bake Kiln, Scrubber and Cooler Packages
- HCL Production & Recovery Packages
- Mine camp
- Mobile equipment
- Logistics management systems



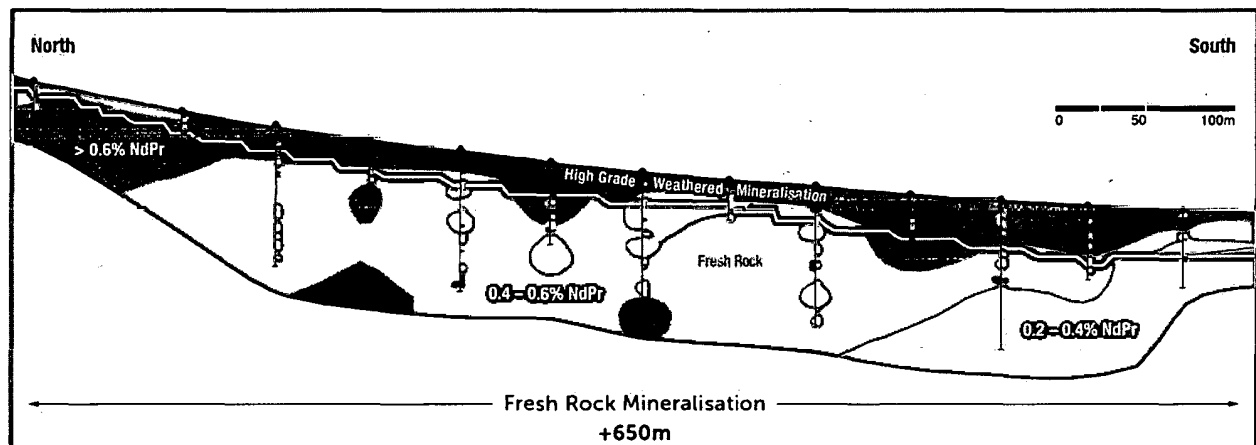
Overview of the Longonjo Mine development highlighting the concentrator in the foreground and MRES plant in the rear.



Longonjo licence granted to cover areas needed for mining infrastructure and the prospective carbonatite geology

Mineral Resource

In support of the technical studies above was a major 195 hole, 7,987 metre reverse circulation (RC) infill and extension drilling programme completed early in the year. A series of high-grade intersections from this drilling were reported during 2020. Covid restrictions delayed the transport of some samples, and the final batch of assay results were received in August 2020. The drilling programme confirmed the continuity of high-grade mineralisation in the weathered zone, proved some extensions to the deposit and provided a first test of the fresh rock potential of the project.



Deeper drilling in 2020 intersected continuous mineralisation within fresh rock beneath the ~25-metre-thick weathered zone and envisaged open pit. North – south section 524,200E

The Company appointed international mining industry consultants SRK Consulting to complete a revised Mineral Resource estimate for Longonjo to incorporate the new drilling and on 14 September 2020 announced an upgraded Measured, Indicated and Inferred Mineral Resource estimate of 313 million tonnes at 1.43% REO including 0.32% NdPr* for 4,470,000 tonnes of REO including 990,000 tonnes of NdPr.

*NdPr = neodymium + praseodymium oxide. REO = total rare earth oxides. A 0.1% NdPr cut is applied. Table 1 provides a summary of resource categories for Total Resources.

See LSE announcement of 14 September 2020 for Mineral Resource estimate details. All material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

The upgraded estimate:

- contains more than 2.3 times the previous estimate of the Measured and Indicated resources used in the Preliminary Feasibility Study¹ (announced ASX: 15 November 2019).
- has increased the proportion of the resources reported in the Measured and Indicated categories from 31% to 68%²;
- and has increased the overall contained NdPr by 35%²;

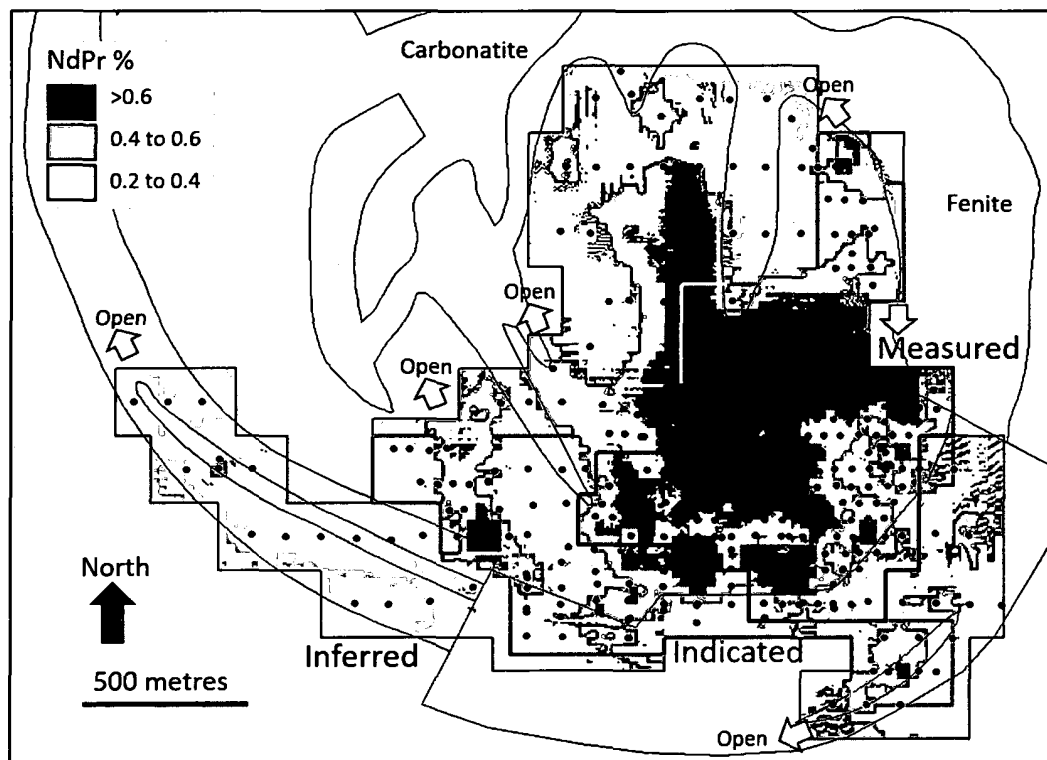
¹ Comparison of contained NdPr within the Weathered Zone Measured and Indicated categories at a 0.2% NdPr cut off, November 2019 and new Mineral Resource estimates.

² Comparison of contained NdPr within the November 2019 and new Total Longonjo Mineral Resource estimates at a 0.1% NdPr cut off (Measured + Indicated + Inferred categories).

Table 1: Longonjo Mineral Resource estimate, Total, at 0.1% NdPr lower grade cut

Mineral Resource estimate category	Tonnes (million)	REO grade (%)	NdPr grade (%)	Contained REO (Tonnes)	Contained NdPr (Tonnes)
Measured	25.7	2.58	0.55	664,000	141,000
Indicated	165	1.51	0.33	2,490,000	536,000
Inferred	123	1.08	0.25	1,320,000	313,000
Total:	313	1.43	0.32	4,470,000	990,000

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



Plan view of the Mineral Resource block model for the weathered zone coloured by average NdPr grade over simplified geology of the Longonjo carbonatite. Resource categories highlighted.

At a 0.2% NdPr lower grade cut, the Measured and Indicated Mineral Resource estimate for the Weathered Zone is 39.9 million tonnes at 2.38% REO including 0.52% NdPr for 948,000 tonnes of REO including 208,000 tonnes of NdPr. A 0.2% NdPr cut is applied. Weathered Zone Measured and Indicated categories only and is contained within and is a subset of the Total Mineral Resource estimate. Table 2 provides a summary of resource categories for the Weathered Zone Mineral Resource estimate.

Table 2: Longonjo Weathered Zone Mineral Resource estimate at 0.20% NdPr grade cut-off

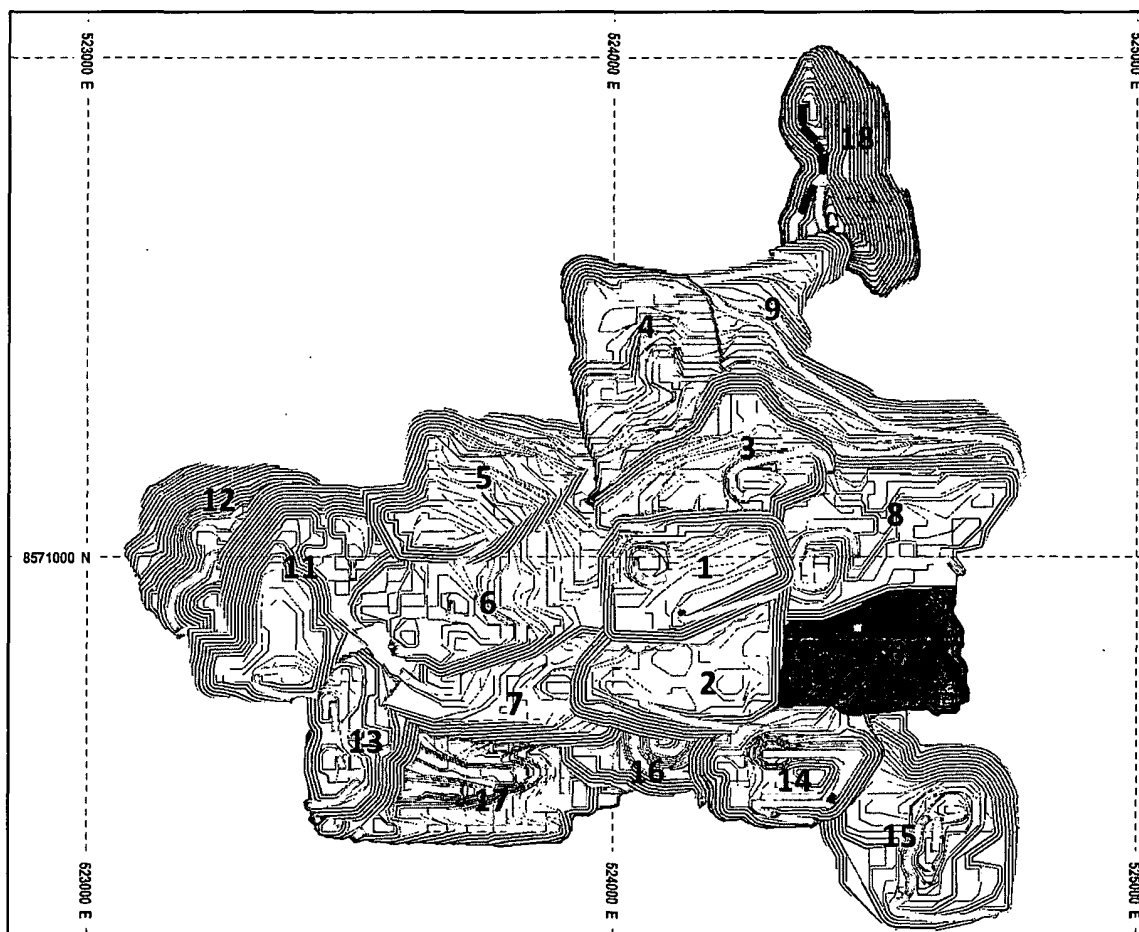
Mineral Resource estimate category	Tonnes (million)	REO grade (%)	NdPr grade (%)	Contained REO (Tonnes)	Contained NdPr (Tonnes)
Measured	15.5	3.13	0.66	485,000	102,000
Indicated	24.4	1.90	0.44	463,000	106,000
Inferred	26.0	1.60	0.39	414,000	101,000
Total:	65.9	2.07	0.47	1,360,000	310,000

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 1.

The infill drilling has successfully increased the amount of Measured and Indicated category resource to more than 2.3 times that of the previous estimate on which the Preliminary Feasibility Study (ASX: November 2019) was based and is expected to support an extended mine life on completion of additional work streams.

Mining

An updated pit optimisation has been run and the potential LOM for Longonjo has been extended to approximately 18 years (Figure 16), plus 2 more years of work in the concentrator and MRES plant, from the existing stockpiles.



Pit schedule of 18 phases for LOM of approximately 18 years

Reserve statement

The Reserve Statement is being finalised as part of the FEED study which will include details on the declared Reserve.

Coola exploration project

Located 16 kilometres north of the Company's state-of-the-art Longonjo rare earth development in Angola, the Company's 7,500 km² Coola concession is showing early signs of prospectivity.

Having identified highly anomalous technology metals including rare earths, scandium and fluorite in the soils during the year, field exploration activities were interrupted as a result of Covid and only properly resumed in Q3 2021. Evidence

to date however is that the Coola carbonatite has an enriched distribution of heavy rare earths compared to the light rare earth elements including neodymium-praseodymium (NdPr) found at Longonjo. Work is currently ongoing to establish the extent of the mineralisation and confirm its distribution which will help to identify how Coola may complement NdPr production from Longonjo. Heavy rare earths are less abundant and are important in a range of clean energy technological applications including permanent magnets.

The initial exploration works has further evidenced that Scandium in Coola's soils is highly anomalous with most values at more than 80 ppm and exceptional values of over 200 ppm with work underway to identify the mineral host and the extent of mineralisation. Scandium is used in alloys, particularly with aluminium, for light-weighting applications in industries including aerospace manufacturing.

An outcrop sample of very high-grade material of over 97% calcium fluoride has also been highlighted for further investigation over the 6 km by 2.5 km complex. Given that outcropping fluorite is often difficult to identify, this is strong evidence for more similar mineralisation. The area is being mapped in detail and will be soil sampled. Trenching, rock chip sampling and drilling will be considered thereafter. Fluorite is crucial in a growing range of chemical, ceramic and metallurgical processes.

Competent Persons Statement

The information that relates to Mineral Resource estimates referenced above is based on work done by Rodney Brown of SRK Consulting (Australasia) Pty Ltd. Rodney Brown is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 edition). Rodney Brown consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Geology and Exploration results is based on information compiled and/or reviewed by David Hammond, who is a Member of The Australasian Institute of Mining and Metallurgy. David Hammond was the Chief Operating Officer and a Director of the Company at the time of the announcement of the revised Mineral Resource estimate for Longonjo during the year prior to his resignation on 31 December 2020. He has sufficient experience which was relevant to the style of mineralisation and type of deposit under consideration and the activity which he undertook to qualify as a Competent Person in terms of the 2012 Edition of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. David Hammond consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the above and from the original market announcements. The Company furthermore confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement

Corporate activities

London Stock Exchange Listing

On 6 July 2020, the Company completed its listing on the main board (Standard segment) of the London Stock Exchange under ticker code "PRE". The Company further appointed SI Capital and Liberum as brokers to the Company during the Period

ASX Delisting

On 24 February 2021, the Company announced that it had officially delisted from the Australian Securities Exchange whilst maintaining its primary listing under the stock code PRE on the main board of the London Stock Exchange. This was part of the Group's ongoing strategy of focussing on the UK and European markets.

Equity placings

On 1 July 2020 the Company issued 16,508,633 fully paid ordinary shares to the Angolan Sovereign Wealth fund ("ASF"). This was the balance of the shares to be allotted out of a total of 25,808,633 fully paid ordinary shares that formed part of their second equity placing in the Company of \$5 million as announced on 11 June 2020.

On 11 August 2020, the Company announced the conversion of 500,000 zero cost performance rights into fully paid ordinary shares on Listing on the London Stock Exchange.

On 11 August 2020, the Company issued 821,157 fully paid ordinary shares to third party service providers at a price of A\$0.33 per share, for a total of \$0.2 million.

On 25 September 2020 the Group raised an additional \$8.6 million (net of share issuance costs) via the placing of 13,500,000 fully paid ordinary shares with the ASF.

On 4 January 2021, the Company issued 550,000 fully paid ordinary shares (of which 250,000 were related to share options, and 300,000 to third party service providers at a price of £0.50 per share, for a total of \$0.2 million.

On 25 June 2021, the Group raised circa \$21.1 million (net of share issuance costs) via the placing of 12,500,000 fully paid ordinary shares to long term shareholders, the ASF and Chairman Paul Atherley.

Post period end 7,108,037 shares related to share awards were issued to executive management.

Group Restructuring

Pursuant to the scheme of arrangement in the prior period which saw the re-domiciliation of the Group to the UK, the shares in the wholly owned subsidiaries, Sable Minerals GmbH (now Sable Min Unipessoal Lda) and Sable Rare Earths GmbH (now SBLRTHS Unipessoal Lda) acquired directly by Pensana Plc, were redomiciled into Portugal from Germany. This was part of an ongoing internal group restructure that will see the removal of redundant holding companies and streamlining of the Group structure

Management

Post period end, on 29 September 2021, the Company announced the appointment of William Izod as Chief Commercial Officer and Danny McNeice as Sustainability Manager. William has worked for leading organisations including Dyson and Johnson Matthey. Danny joins from Drax Group where he was a Senior Environment, Social and Governance (ESG) Analyst.

In October 2020 the company announced the departure of Dave Hammond who stepped down in his role as Chief Operating Officer and director of the Company, after three years of significant service in bringing the Longonjo carbonatite to its current resource status as a world class deposit. During this time the Company welcomed the appointment of Mr Grant Hayward as Exploration Manager. Grant is an accomplished economic geologist and manager with extensive experience in the exploration for and evaluation of rare earth and associated commodities including phosphate, fluorspar, and niobium. He has been involved with the evaluation of carbonatites in South Africa, Malawi, Namibia, Mozambique, Uganda, Zimbabwe, and Tanzania as well as in a range of other commodities and geological styles including platinum, gold, base metals, graphite, and industrial minerals. He has led several resource definition programmes to NI43-101 compliant resources including the Zandskopdrift rare earth carbonatite project in South Africa

On 8 March 2021 Rocky Smith was appointed to the position of Chief Operating Officer. Rocky is a highly experienced Chemical Engineer with 35 years' rare earths experience. He was Managing Director of Molycorp's Mountain Pass rare earth project in California, US, which is now owned by New York Stock Exchange listed MP Materials. Rocky is one of the few western mining executives with in-depth knowledge of the rare earth industry, including the supply chain, operational start-up and running complex chemical processes. The Company also announced the appointment of Roy Gordon as Metallurgical Manager. Roy is a senior hydrometallurgist with more than 10 years' experience across international projects in support of the High Value Manufacturing and advanced manufacturing economies.

New Board appointments

On 2 November 2020 the Company announced the appointment of Rt Hon Baroness Lindsay Northover PC as a Non-Executive Director of the Company. Baroness Northover was the UK Prime Minister's Trade Envoy to Angola (2016-2020) and Zambia (2017-2020) and Africa Minister for the Department for International Development ("DFID") (November 2014 – May 2015). She joined the Pensana Board as one of four independent Non-Executive Directors.

On 2 March 2021 Dr Jeremy Beeton was appointed as a Non-Executive Director of the Company. Jeremy has extensive international experience in project management over complex multi-site, multiple project operations' portfolios for government, as well as public and private companies. He was Director General of the £9 billion London 2012 Olympic and Paralympic Games, an Advisory Board member of PricewaterhouseCoopers until October 2018, and an Independent Non-Executive Director of SSE plc until July 2018.

Further enhancements to the Boards skill set were announced post period end on 29 September 2021 with the appointment of highly experienced natural resources financier Steve Sharpe as an Independent Non-Executive Director of the Company. Steve is an Executive Board Member of EIT Raw Materials. Previously, he was Chair of AME Group, Managing Director at Canaccord Genuity, Managing Director at Endeavour Financial and held senior positions at Standard Bank and NM Rothschild. Non-executive director, Ms Sandra Bates, stepped down from the Board on the same day.

Environment, social and governance (ESG)

Pensana takes its responsibility towards addressing environment, social and governance (ESG) very seriously. To support the desire to build the world's first sustainable magnet metal supply chain to meet the burgeoning from EVs and offshore wind, a full-time sustainability manager has been appointed, and an ESG policy launched. The business CEO has responsibility for the delivery of ESG at Pensana and the Board oversee ESG through a mandated Board sub-committee.

ESG risk and opportunity identification is incorporated into the company risk process with ESG risks embedded within the company's primary risk matrix, which in turn is reviewed by the Audit and Risk Committee. There are currently live risks across the ESG spectrum. As part of developments at Longonjo and Saltend comprehensive environment and social impact assessments (ESIA) are a key part of planning for both construction and operational phases. These ESIA's identify risks and proposed mitigations, with actions been taken to mitigate risks as required. As part of the advancement of ESG within the business, work continues to develop a comprehensive ESG plan. This will identify issues material to the business and will identify relevant KPIs which will be reported on. To provide increased investor confidence and to

align ourselves to best ESG practice Pensana has committed to become a partner of the Task Force for Climate-related Financial Disclosure (TCFD) and a signatory to the UN Global Compact.

Carbon and climate

The extraction and processing of NdPr rare earth magnets is crucial to global decarbonisation efforts, as they are an essential component of wind turbines and electric vehicles. These products will displace fossil carbon emissions and are forecast to be in high demand. Indeed the International Energy Agency has forecast that there could be a sevenfold increase by 2040 in demand for rare earth elements for use in clean energy technologies¹.

As part of Pensana's commitment to developing a low carbon supply chain, commitments have been made to integrate low carbon technology within our builds. This includes the building of solar PV cells at Saltend, connecting to the renewable energy local hydroelectric power grid at Longonjo and a commitment to including consideration of reduced scope 3 emissions as part of our reagent procurement.

Pensana are required by law to report under the Streamlined Energy and Carbon Reporting Regulations. For this period Pensana, within its direct operations, has consumed less than 40MWh of energy and is therefore exempt on the grounds of low usage. During the period FEED studies were ongoing and upon completion will enable Pensana to report comprehensive and accurate carbon and energy data in future years. Planned carbon reduction projects have been reported in the previous paragraph.

In order to improve transparency and report accurate carbon data from across our value chain Pensana are actively engaging with the Rare Earths Industry Association (REIA) LCA project which will develop a reputable standard for disclosure of product related carbon emissions.

Pensana are acutely aware of the risks and opportunities from the climate crisis and will begin to disclose against the requirements of the TCFD from 2021-2022.

Environment and ecology

Pensana places strong emphasis on the importance of zero harm to the natural environment and protecting nature.

Longonjo, Angola

In this period third party ESAs identified several species of conservation concern in Longonjo. Overall, although large portions of the mine licence area have been transformed through past and present crop cultivation, livestock grazing and wood harvesting, significant patches of largely natural high-altitude rocky outcrop, grassland upper wooded gully habitat remain, that provide suitable habitat for a few species.

Sensitive areas like the habitat identified as Carbonatite Outcrops, which are areas of highly dissected broken and somewhat karstic terrain situated on the crest of the tallest hill in the project area, will be protected.

To mitigate the risk to these high value ecological areas, exclusion zones were demarcated around these areas to protect integrity of the habitats. Additionally, all staff will be trained on ecological challenges and there will be competent staff available to safely and ethically deal with any ad-hoc wildlife sightings.

Environmental compliance and ensuring no harm is high priority throughout the operations. All operations will be compliant to environmental legislation and International Finance Corporation (IFC) standards. Applying high operating standards has included ensuring the planned construction of the tailing's storage facility meets the requirements of the Church of England Pensions Board and ICMM guidelines and that comprehensive monitoring and reporting plans are designed and integrated early to advise early if any risks emerge. A mine closure plan will be developed and budget allocated for land remediation costs for Longonjo. The business is exploring ISO14001 accreditation

Saltend, UK

Pensana is in the process of putting together an Environmental Permit Application for the development in Saltend. Extensive engagement has been undertaken with the Environment Agency at both the national and local level regarding the pending application in order to ensure protection of the environment. Specifically discussions have focused around proposals to ensure ongoing protection of local air quality, water quality and local habitats, as well as the protection of the Humber, nearby residents and businesses. As part of the development proposals, the site has been designed to ensure that all technology that is to be utilised at the site complies with relevant European Legislation and that the facility can be considered to be using the Best Available Techniques for their activities. Discussions are ongoing with the Local Authority and the Environment Agency as the plans for the site develop further and once the permit application has been finalised, these documents will be made available to the public for comment.

In addition, extensive investigations have been undertaken at the site to adequately characterise the site and the surrounding environment. In accordance with best practice and permit requirements, once the site is operational Pensana will ensure ongoing monitoring of the ground under the site, the groundwater beneath the site and all surface

¹ The Role of Critical Minerals in Clean Energy Transitions <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions/executive-summary>

water leaving the site. This is to ensure that their activities do not impact on the surrounding habitats, water quality or nearby neighbours and will ensure that the site can be returned to a satisfactory state upon closure.

Colleagues and community

Pensana takes very seriously the social implications of its business impacts and are aware of both the potential challenges and the positive impacts we can have on an area. The ESIA's comprehensively assess any potential impacts on the communities local to proposed operations. Aligned to this, and as part of the commitment to best practice, Pensana has identified the importance of engagement as part of the development of the Longonjo mine and has created a stakeholder management plan which has ensured engagement with national government, provincial government, local authorities, traditional leaders and local communities living in the vicinity to the project.

In Longonjo, Pensana are working to undertake an IFC compliant Resettlement Action Plan (RAP) developed to build on the work already undertaken during the ESIA and leverage off the excellent relationships that have already been established in the community during the Stakeholder Engagement Process and ESIA. Pensana is working closely with an Angolan third party for undertaking all in country stakeholder engagement and collection of data.

We are developing a Livelihoods Restoration Plan, with a further agricultural project within the mining licence area, in order to ensure food security for the people affected by the loss of land and agricultural production in the areas affected by for the mining licence area and TSF. To ensure a more prosperous future for local populations, this project now includes a component of agricultural development in a sustainable way that will also provide produce for the mine employees to replace food imports from other sources.

As part of our business growth across the Group our colleague numbers will grow. As part of the growth we are aiming to, as far as we possibly can, recruit local staff for the operation of our sites to ensure we are providing opportunities for the communities local to our operations.

Developing a robust health and safety system is important to organisation's processing sites and mines, including Pensana. A management system will be developed and the business is exploring ISO45001 accreditation. Over the reporting period we had a lost time injury frequency rate (LTIFR) of 0, 0 Reportable Accidents, 0 minor incidents and 0 near misses.

Pensana is actively seeking bright and aspirational women with STEM backgrounds, particularly those who come from diverse and/or disadvantaged backgrounds and want to be part of creating solutions for a sustainable future. In this regard, the Company is engaging with engineering centres of excellence, the University of Hull, local authorities and engagement experts to progress women in STEM across operations from the very outset of hiring and development

Ethical business

To ensure Pensana upholds the highest ethical standards across its business an anti-bribery and corruption policy, a diversity policy and a code of conduct have been published and made publicly available via the website.

Pensana's work contributes to the following UN Sustainable Development Goals (UNSDGs):



Principal risks and uncertainties

The Group is exposed to a number of risks and uncertainties which could have a material impact on its performance and long-term viability. The effective identification, management and mitigation of these risks and uncertainties is a core focus of the Group, as they are key to the Company's strategy and objectives being achieved. Central to Pensana's approach to risk management is having the right Board and Senior Management team in place, with such members combining extensive experience of the specialist worlds of rare earth mining, sales, health and safety, human resources, skills development, diversity and transformation, finance, corporate governance and risk management, as well as in-depth knowledge of the local operating conditions in Angola and the UK and the regulatory environments of all of the countries in which Pensana operates or has a corporate presence. The Board oversees overall risk management. The Executive Committee ("Exco") is responsible for risk management processes and systems and drives a culture of individual employee accountability in implementing these.

Principal risks

A summary of the risks identified as the Group's principal external, operating and strategic risks (in no order of priority) is listed below:

Risk	Risk appetite	Risk rating	Change year on year	Nature of risk and management of risk
External risks				
Commodity price	Medium	Medium	↔	If the Group is able to develop the Longonjo and Saltend Projects and/or the Coola Project for production and the market price of rare earth oxide decreases significantly for an extended period of time, the ability for the Group to attract finance and ultimately generate profits could be adversely affected. Managing the risk: The Group will primarily look to focus on managing its underlying production costs to mitigate price volatility. If appropriate the Group may also consider entering into offtake agreements with the goal of preserving future revenue streams. The Group has to date not entered into any such contracts.
Market/customer concentration	Medium	High	↔	Currently China produces ca. 98% of the world's rare earth magnets. China could manipulate market prices of rare earth oxides to control number of new entrants into the market. Managing the risk: The Group may consider entering into non-Chinese offtake agreements with the goal of preserving future revenue streams. The Group has to date not entered into any such contracts.
Country and political	Medium	Medium	↔	There are substantial risks associated with investments in emerging markets such as Angola 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. Managing the risk: The Group looks to always maintain strong local and national government relations in Angola and vigorous compliance with local regulations.
COVID-19	Low	High	↔	The ongoing COVID-19 pandemic has had an impact on the Group's businesses. The current government lockdown conditions in Angola has impacted early works at the Longonjo and Coola Projects albeit that work has now resumed. Further escalation of the COVID-19 pandemic,

and the implementation of any additional government-regulated restrictions in Angola and the UK which delays the Group in carrying out its business activities at the Longonjo and Coola Project (such as preparatory works) and site development at Saltend will ultimately delay 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. Additionally, COVID-19 has created increased uncertainty and volatility in debt and equity markets which may make the requisite funding for the Projects more difficult to secure or affect the terms available.

Managing the risk:

The Board continuously discusses key workstreams and the ability to manage operations under lockdown conditions. The Group furthermore secured additional funding in June 2021 to ensure near term workstreams would not be impacted by funding constraints in this uncertain environment. Operating under COVID-19 conditions remains uncertain however and the Board will look to adapt accordingly as more information becomes available or government advice changes.

Operating risks

Attracting skilled employees

Low

Medium



The Group's ability to compete in the competitive natural resources and specialist rare earth chemical processing sectors 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 Coola Project and development and commissioning of the Saltend refinery thereby negatively impacting on the ability of the Group to compete in the resources and chemical processing sectors. In addition, the Group 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.

Managing the risk:

The Board seeks to incentivise and retain key employees through an appropriate blend of short term and long term incentivisation packages and share schemes that are appropriately aligned to the environment and conditions under which key management are operating.

Development of the Longonjo and Saltend Projects

Low

Medium



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 and Saltend Projects (the "Projects") and the production of an NdPr rich, mixed rare earth sulphate for export to the Saltend refinery and further processing into a rare earth oxide. In particular, the Group's success is dependent upon the Directors' ability to develop the Projects by commencing and maintaining production at the sites and there is no certainty that funding will be available. Development of the Projects 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 Projects; • 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 • 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; • There can therefore be no assurance that that the Group will complete the various stages of development necessary to begin generating revenue for the Group at both the Longonjo and Saltend Projects 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. Managing the risk: Through the engagement of independent industry experts in the geological, metallurgical, engineering, financial and environmental fields as appropriate, alongside the in-house skill set which has significant mine development experience, the Board seeks to mitigate the project development risk upfront through systematically addressing perceived risks.
Strategic risks				
Financing	Low	High		The Company is of the opinion that the Group does not have sufficient funding to meet expected liabilities and commitments as they fall due based on its committed and planned exploration at Coola and development expenditures and operating costs related to the Longonjo and Saltend Projects for at least the next 12 months. The Group has no history of mineral production at the Longonjo Project nor REO production at Saltend and accordingly has no revenues from operations and negative cash flows and will require additional future capital in the short term to continue if it decides to commence development of the Longonjo and Saltend Projects. Managing the risk: The Board continuously monitors the liquidity position of the Group and benchmarks key targeted milestones against funding requirements to ensure adequate resources will be available. Furthermore Management and the Board engages continuously with potential financiers, investors, Sovereign Wealth funds and lenders across the UK, Europe and Africa thereby keeping them abreast of project developments and the timing of potential fund raising.
Licence to operate	Low	Low		To the extent 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 and Saltend Projects and the exploration and potential exploitation of the Coola Project.

			Managing the risk: The Groups continuously endeavours to foster strong relations with the Angolan and UK Government at a local and national level and ensures ongoing interaction with key stakeholders and compliance with mandated licencing terms and requirements. The Group has furthermore built in a holistic approach to its mine development plans at Longonjo in order for it to address the key areas of safety, social, environmental and local community obligations and thereby ensure opportunity for true long-term sustainability.	
Dependence on the Longonjo Project for feedstock and revenue generation	Medium	Medium-Low		The Groups primary source of feedstock into the Saltend refinery is currently focused on the exploration and development of the Longonjo Project. 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 Managing the risk: With the Group having expanded its scope during the year to include the development of the Saltend Refinery, the Group has introduced an additional potential revenue generating unit to its portfolio alongside the Longonjo Project as the Saltend refinery will have the capacity of processing 3rd party feedstock thereby reducing the reliance on Longonjo feedstock. The Group is currently in discussions with various 3rd party feedstock providers that can reduce or supplement the Longonjo feedstock.
Reliance on the Chinese Economy if Saltend Project is not developed	Medium	Low		If the Group is able to develop the Longonjo Project for production and the Saltend refinery is not developed, 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. Managing the risk: The Group continuously monitors changes and technical developments in the rare earth space and keeps abreast of the changing needs of potential customers across Europe, Japan and South Korea with a view to potential diversification.

Tanzanian Assets

Miyabi Gold Project

During the year the Company received a proposal for the acquisition of the company's 100% interests in the Miyabi Gold Project and the sale of the asset for a consideration of \$500,000 payable over a period of 5 months alongside the rights to participate in the future revenue generation of the project via a 5 year, 2% royalty participation agreement. Given the ongoing impact of COVID-19 and the failure of the counterparty to satisfactorily progress the transaction there is significant uncertainty as to the timing of any transaction and ability to realise value from the Miyabi Gold Project. Accordingly, the assets have been impaired and reclassified out of 'held for sale' status as the criteria within IFRS are no longer considered met.

Significant Changes in the State of Affairs

Other than the above there was no significant change in the state of affairs of the Consolidated Entity during the financial year.

Future Developments

The Directors intend to continue to explore and develop the Company's key existing projects with key focus on the exploration project at Coola as well as further expansion downstream into the magnet metals production and recycling market.

Environmental Regulations

Angola

The Company's mining, exploration and evaluation activities on its tenements are subject to Angolan laws and regulations regarding environmental matters and the discharge of hazardous waste and materials. As with all mining and exploration, these projects would be expected to have a variety of environmental impacts should development proceed. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by Angolan laws and regulations.

Directors' Section 172 Statement

The long-term strategy of the Company is to establish Saltend as an independent, sustainable supplier of the key magnet metal oxides with feedstock sourced initially from its low impact mine in Angola. Leveraging years of industry experience, coupled with our targeting a guarantee for reliability and sustainability of supply, to introduce innovative NdPr solutions to power magnets, wind turbines, hybrid motor vehicles and more all while creating value for its shareholders. The Company has a number of stakeholders and partners, and the Board recognises that managing these relationships is critical to the success of the Company, and that, in turn, the success of the Company will be to the benefit of all of its stakeholders.

During 2020/2021, the Company's focus was on putting in place the foundations for delivering the longer-term strategic objectives. Completion of the 8,000-metre drilling programme on the Longonjo project, which supported the revised Mineral Resource estimate, highlighted the large resource that can be readily developed. This was followed by the successful production of an NdPr rich mixed rare earth carbonate ("MREC") from test work on mineralisation from Longonjo which was then further developed to produce a mixed rare earth sulphate ("MRES") as a future feedstock for the Saltend refinery. A subsequent drilling programme was concluded thereafter to provide feed for further optimisation and pilot plant programmes in support of the Company's expanded strategy of mining and processing operations in Angola and UK. Alongside the Angolan developments the Group rapidly progressed the initial Saltend refinery scoping study through to detailed feasibility and engineering studies placing it on track for early-stage construction in H2 FY2022 alongside the Angolan project.

On the corporate front additional equity placings in September 2020 and June 2021, supported by the Angolan Sovereign Wealth Fund and long-term shareholders, provided ongoing project development momentum; a critical step in ensuring the Group continued working towards an operational readiness state pending the finalisation of FEED and the subsequent consideration of final investment decision and associated main financing. The ASX delisting was further to the Groups strategy of targeting the UK and European investor base

The Company views its relationship with local communities as vital to its social licence to operate. There are two sides to this aspect: firstly, the Company needs to consider, and therefore minimise, the potential negative or disruptive impacts of exploration and mining operations locally; and secondly, the Company needs to communicate the benefits of such operations to the local economy. The value of this approach was underlined by having received ongoing support by the Angolan Government and their sovereign wealth fund alongside the rapid progression of the Saltend planning approval process and support by the Humber LEP in the UK

Engagement with the government of Angola and the UK is another critical aspect of the Company's strategy, and management have devoted considerable time to ensuring both governments has been supportive of the Company. Much of this interaction has been through the MIMPRT, as well as other key departments, through written communications and meetings in Angola and with local council, UKEF and the Automotive Transportation Fund in the UK.

As a Company in the stage of project development, the relationship the Company has with its key suppliers is vital. Key suppliers including those providing process engineering, mineral processing services, laboratory, and analysis, as well as local suppliers and advisors. The Company has taken great care in the selection of its suppliers, in order to ensure a positive, mutually beneficial long-term relationship can be put in place, which maximises the quality of the services and goods received, while remaining cost competitive.

While the Company had a relatively small workforce during 2020/2021, this is anticipated to grow in the near term as the Company progresses towards project development roll-out next year and production in 2023 and beyond. The Company will continue to rely on its staff and workers, and emphasis is placed on the health, safety, and well-being of the workforce, as well as ensuring employment terms are competitive and attractive.

The Company is aware of the challenges that extractive industries face with regard to maintaining ethical standards at all levels, particularly in developing countries. Several national and international initiatives and regulations exist in this regard, but the Board do not view this area as a matter of compliance, but rather one of competitive advantage. The Company intends to bring its assets into profitable operation while always acting with the highest integrity, and in so doing, will play a part in developing a culture of responsible operations that can be replicated by other operators and industries in Angola and beyond. This is a critical aspect of the Company's strategy and has been communicated to the Government and local communities.

These wider relationships and challenges are considered by the Board to be key elements of the Group's strategy, and critical to delivering long-term value to its members. The Pensana Board has strong relationships with all of its shareholders, all of whom are treated with integrity and fairness.

Remuneration Report

Statement of the Chairman of the Remuneration Committee

Pensana Plc was admitted to the Official List of the FCA (standard segment) and to trading on the London Stock Exchange's Main Market for listed securities on 6 July 2020 and has since that date looked to develop its remuneration framework in accordance with Schedule 8 to the Accounting Regulations.

Having transitioned from being an ASX junior exploration company to that of a dual listed junior mining company at the start of the financial year the Remuneration Committee initially operated as a sub-set of the Board and was represented by the non-executive directors. This was deemed appropriate due to the size and availability of resources of the Group at that point in time. During the year, as the Group's scope and capacity has expanded, alongside our delisting from the ASX and the addition of the UK Saltend refinery project we have looked to evolve the Board and the associated functioning of the Remuneration Committee ("Remcom") accordingly to ensure, amongst others, that key management retention, the ability to attract the appropriate skill set and non-executive remuneration was given due consideration. This approach being balanced by the consideration of remuneration levels as being in-line with relevant market comparables and shareholder expectations.

The remuneration report outlines remuneration awarded to directors and non-executive directors during the year and the wider framework that is being contemplated for rollout during FY2022. Due to the significant change in scope by the Company, with the addition of the MRES facility and Saltend refinery to the original project development plans, certain legacy awards that were granted historically were reviewed during the year and amended accordingly to align to reworked timelines. There were no changes made to the executive directors' remuneration during the period. Non-executive remuneration was considered during the year in the context of the move to the LSE and the delisting off the ASX and aligned to levels deemed appropriate to attract the required technical skillset needed to oversee the multiple jurisdictional project rollout and financing requirements further to the expanded scope of the Group.

At the last Annual General Meeting held on 30 November 2020 a resolution to approve the directors' remuneration report was tabled for consideration by shareholders. A total of 68,509,639 votes were cast with 99.98% of shareholders voting in favour and 0.02% voting against.

The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution at the AGM in November 2021.

The remuneration committee considered the overall performance of the Group as well as of each director in the year ended 30 June 2021. Remuneration including short and long-term incentives were awarded in line with the performance conditions of the remuneration policy. As part of the Company's redomicile to the UK and the stepped change in the requirements of the Board, the Remuneration Committee recognised the need to attract a specific skill set and agreed to increase the Non- Executive Director fees during the period.

For the purposes of this report, key management personnel (KMPs) of the Group are identified as those persons having the authority and responsibility for planning, directing, and controlling major activities of the Company and the Group, directly or indirectly.

The Company's auditors, BDO LLP are required by law to audit certain disclosures and where disclosures have been audited they are indicated as such.



Steven Sharpe
Chairman of the Remuneration Committee

Overview of Policy and how it will be applied for FY 2022

Fixed remuneration:

Salary

Influenced by role requirements, performance of the individual, level of experience and market positioning.

Increases were awarded to Executive Directors from 1 July 2021. With effect from 1 July 2021, Executive Director base annual salaries, reflected in pound sterling to align to their contract terms, were as follows:

- Paul Atherley – £275,000 (FY 2020: prior to this date Mr Atherley acted in a non-executive role and
- Tim George – £300,000 (FY 2020: £163,000).

Benefits

Provision of an appropriate level of benefits for the relevant role and local market.

Executive Directors do not currently receive any benefits. During FY2022 consideration will be given to:

- a benefits allowance of 10% of salary in lieu of both pension and other benefits
- Group life, disability and critical illness insurance.

Variable remuneration

Annual bonus

Linked to key financial, operational, HSE, SED and strategic goals of the Company, which reflect critical factors of success.

Maximum opportunity for FY 2022 of 150% of salary. The Committee will review the annual bonus targets for FY 2022 to ensure that they are aligned to our strategic priorities subject to finalisation of FEED and completion of main financing. The bonus scorecard for FY 2022 will be linked to:

- completion of main financing.
- completion of FEED.
- initiation of construction at Longonjo and Saltend.
- health and safety objectives; and
- ESG objectives.

Annual bonus will be subject to a clawback provision, which may apply for up to two years following the end of the performance period.

Long Term Incentive Plan

Aligned with shareholders and motivating the delivery of long-term objectives.

Pending the announcement of FEED and the finalisation of key project parameters the Committee has decided to postpone the determination of LTI awards for FY2022. The intention is that these awards will be made once FEED has been announced so that the key performance criteria can be finalised and communicated to participants, estimated to be shortly after the announcement of FEED in November.

The current intention is that LTI awards for FY 2022 will have 50% based on operational and financial measures, 35% based on TSR and 15% based on health and safety measures. Full details of the awards and the performance targets set will be published on our website shortly after the awards have been granted.

LTI awards will be subject to a two-year holding period post vesting to further align executive remuneration to shareholder interests. The LTI will be subject to a clawback provision, which applies for up to two years following the end of the relevant performance period.

Shareholding guidelines	Aligned with shareholders. Shareholding guidelines of 200% of salary. Post-employment shareholding requirement to be considered during FY2022.
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee is mindful of ensuring that our remuneration arrangements are clear and transparent for both participants and shareholders. When considering changes to our Remuneration Policy the Committee engaged with major shareholders and key proxy bodies and took their comments into account.
Simplicity The Remuneration structures should be easily understood, avoid complexity and be easy to operate.	Pensana's remuneration framework is focussed on simplicity, consisting of fixed remuneration, an annual bonus and a single long-term incentive plan.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Committee takes risk factors into account when setting and assessing remuneration arrangements. The performance framework includes a balanced range of measures which include construction rollout, future anticipated production, financial, health and safety, and ESG measures. The remuneration framework provides the Committee with discretion to adjust incentive outturns or to claw back remuneration in certain circumstances.

Annual remuneration report

The following information has been audited

Single total figure of remuneration for the year ended 30 June 2021:

	Salaries & fees	Total Fixed	Bonuses	Other ¹	Benefits ⁶	Options & rights	Total Variable	Total 2021
	\$	\$	\$	\$	\$	\$	\$	\$\$
Non-Executive Directors								
P Atherley ²	56,483	56,483	271,114	251,345	-	191,776	522,459	770,718
M Hohnen	63,349	63,349	-	-	-	-	-	63,349
N Maclachlan	62,384	62,384	-	-	-	-	-	62,384
S Bates ⁷	48,983	48,983	-	-	-	-	-	48,983
L Northover ⁷	45,222	45,222	-	-	-	-	-	45,222
J Beeton ⁷	22,410	22,410	-	-	-	-	-	22,410
Executive Directors								
T George ⁴	232,327	232,327	305,003	-	-	103,442	305,003	640,771
D Hammond ³	177,090	177,090	-	-	21,005	58,434	21,005	256,529
Executives								
R Kaplan ⁵	200,234	200,234	203,335	-	-	117,029	203,335	520,599
R Smith	111,816	111,816	135,557	-	-	-	135,557	247,373

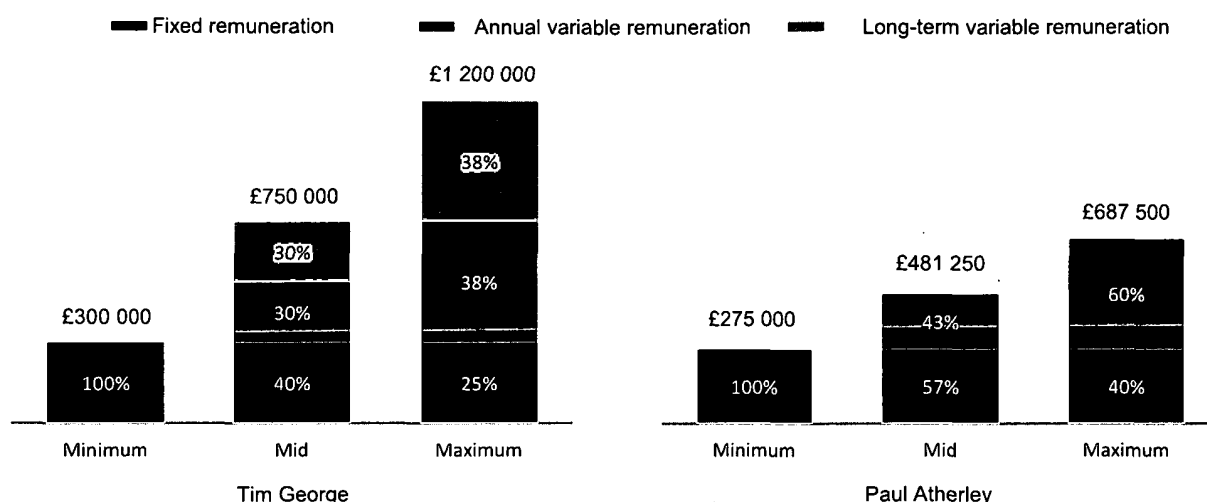
- 1- Other relates to fees for consulting services provided in addition to the time spent attending to non-executive board responsibilities.
- 2- On 25 June 2021, 3,858,038 performance rights vested at a market price of \$156.90c (113.0pence). During the period IFRS2 share based costs of \$191,776 were amortised for P Atherley
- 3- On 25 June 2021, 1,000,000 performance rights vested at a market price of \$156.90c (113.0pence). During the period IFRS2 share based costs of \$41,341 were amortised for D Hammond
- 4- On 25 June 2021, 1,250,000 performance rights vested at a market price of \$156.90c (113.0pence). During the period IFRS2 share based costs of \$54,392 were amortised for T George
- 5- On 25 June 2021, 1,050,000 performance rights vested at a market price of \$156.90c (113.0pence). During the period IFRS2 share based costs of \$64,044 were amortised for R Kaplan
- 6- Mr Hammond received superannuation contributions during the period, no other executive received pension benefits during the year
- 7- Appointed during the year. S Bates joined 10 August 2020, L Northover 2 November 2020 and J Beeton 2 March 2021

Single total figure of remuneration for the year ended 30 June 2020:

	Salaries & fees	Total Fixed	Bonuses	Other ¹	Benefits ⁶	Options & rights	Total Variable	Total 2020
	\$	\$	\$	\$	\$	\$	\$	\$\$
Non-Executive Directors								
P Atherley ²	50,250	50,250	-	236,858	-	440,303	677,161	727,411
M Hohnen	33,500	33,500	-	-	-	-	-	33,500
N Maclachlan	33,500	33,500	-	-	-	-	-	33,500
Executive Directors								
D Hammond ³	180,411	180,411	100,500	-	26,687	114,126	421,724	421,724
T George ⁴	200,863	200,863	88,467	-	-	-	289,330	289,330
Executives								
R Kaplan ⁵	78,490	78,490	67,000	-	-	-	67,000	145,490

- 1- Other relates to fees for consulting services provided that are out of the scope of non-executive directors.
- 2- On 25 November 2019, 3,858,038 performance rights vested at a market price of \$0.12 (A\$0.17) cents. During the period IFRS2 share based costs of \$222,541 were amortised for P Atherley
- 3- On 25 November 2019, 1,000,000 performance rights vested at a market price of \$0.12 (A\$0.17) cents. During the period IFRS2 share based costs of \$71,602 were amortised for D Hammond
- 4- During the period IFRS2 share based costs of \$161,340 were amortised for T George
- 5- During the period IFRS2 share based costs of \$87,938 were amortised for R Kaplan

Illustration of application of the Remuneration Policy



The charts above have been compiled using the following assumptions

Fixed remuneration	Salary as at 1 July 2021
Variable remuneration	Annual bonus: maximum award of 150% of base salary Long Term Incentive Plan (LTI): maximum award of 150% of base salary

Performance scenarios

Minimum	Fixed remuneration only
Mid	Fixed remuneration plus variable pay for the purpose of illustration as follows: - Annual bonus: assumes as bonus pay-out of 50% of maximum - LTI: assumes vesting of 50% of maximum
Maximum	Fixed remuneration plus variable pay for the purpose of illustration as follows: - Annual bonus: assumes as bonus pay-out of 100% of maximum - LTI: assumes vesting of 100% of maximum

Additional notes to the total remuneration table

For FY2022 the Committee has determined that the base salaries (per annum) for the Executive Directors should be as set out below:

	Base salary to 1 July 2020 £	Base salary from 1 July 2021 £
Executive Directors		
T George	165,746	300,000
P Atherley ¹	-	275,000

¹ Given Mr Atherley's increasingly active involvement at an executive level, consideration is being given to one of the Senior independent non-executive directors being appointed to the position of non-executive Chairperson. The Board will look to make an appropriate announcement at the forthcoming annual general meeting. No base salary included for 2020 as Mr Atherley was paid a non-executive director fee.

Share-based Payments

Performance Rights

2021

During the year no performance rights were issued to directors and key management personnel.

The use of performance rights was a legacy arrangement under the previous ASX listing of the then parent Pensana Metals Ltd. During the year the Remuneration Committee deemed it appropriate to consider and amend certain legacy awards to take account of the expanded project scope adopted by the Company coupled with management have reached the original performance criteria of being in a position to initiate construction on the Longonjo concentrator development.

Further to the migration to the LSE and the delisting off the ASX the Company will be adopting share options as the long-term incentive mechanism and such future awards will be priced in Pound Sterling.

2021 – amendment to historical performance rights

Director / KMP	Number of Rights	Fair value ¹ per Right	Original Vesting Conditions ²	Original Grant date	Original Expiry date	Vesting status
P Atherley	3,858,037	n/a	Completion of the DFS and commencement of construction by 13 May 2023	13 May 2018	13 May 2023	Fully vested
D Hammond	1,000,000	n/a	Completion of the DFS and commencement of construction by 13 May 2023	17 September 2018	17 September 2023	Fully vested
T George	1,250,000	n/a	Commencement of construction of concentrator by end of December 2020	22 April 2019	22 April 2019	Fully vested
T George	1,250,000	\$0.014 (£0.0108)	Commencement of concentrate sales by end of December 2021	22 April 2019	22 April 2019	Vesting extended. Vesting subject to time weighted pro-rata 1/3 basis on 31 December 2021/2022/2023
R Kaplan	1,000,000	n/a	Commencement of construction of concentrator by end of December 2020	1 January 2020	31 December 2020	Fully vested
R Kaplan	1,000,000	\$0.15 (£0.11)	Commencement of concentrate sales by end of December 2021	1 January 2020	31 December 2021	Vesting extended. Vesting subject to time weighted pro-rata 1/3 basis on 31 December 2021/2022/2023

2020

Director / KMP	Number of Rights	Fair value ¹ per Right	Vesting Conditions ²	Grant date	Expiry date	Vesting date
R Kaplan	1,000,000	\$0.15 (£0.11)	Commencement of construction of concentrator by end of December 2020	1 January 2020	31 December 2020	Upon vesting conditions being met
R Kaplan	1,000,000	\$0.15 (£0.11)	Commencement of concentrate sales by end of December 2021	1 January 2020	31 December 2021	Upon vesting conditions being met

- The fair value per right has been reflected in US Dollars for reporting purposes. The bracketed figure reflects the underlying currency in which the award was granted. An exchange rate of A\$1.5: S\$1 has been used for purposes of translation.
- The Director/KMP must still be employed with Pensana at vesting date to be entitled to the awards. Should the Director/KMP no longer be employed by Pensana the awards will be forfeited.

Share Based Options**2021**

During the year no options were issued to directors and key management personnel.

2020

During the prior year no options were issued to directors and key management personnel.

Share Based Options holdings of KMP as at 30 June 2021

	Balance at 1 July 2020	Granted	(Vested in shares)	Balance at 30 June 2021 (beneficial interest)
Name	No.	No.	No.	No.
P Atherley	3,858,037	-	(3,858,037)	-
D Hammond	1,000,000	-	(1,000,000)	-
M Hohnen	-	-	-	-
N MacLachlan	-	-	-	-
T George	2,500,000	-	(1,250,000)	1,250,000 ¹
R Kaplan	2,000,000	-	(1,000,000)	1,000,000 ¹

¹ During the year performance rights awarded to T George and R Kaplan, that were originally subject to commencement of concentrate sales by the end of 31 December 2021, were restructured to re-align to the amended project scopes and the planned addition of an MRES and SX refinery alongside the concentrator plant. As a result, thereof the timeline for vesting was amended to 31 December 2021 - 2023 with vesting to take place on a one-third time weighted basis

Performance Rights holdings of KMP as at 30 June 2020

	Balance at 1 July 2019	10:1 Consolidation	(Vested in shares) / granted	Balance at 30 June 2020 (beneficial interest)
Name	No.	No.	No.	No.
P Atherley	77,160,742	(69,444,667)	(3,858,037)	3,858,037
D Hammond	20,000,000	(18,000,000)	(1,000,000)	1,000,000
M Hohnen	-	-	-	-
N MacLachlan	-	-	-	-
T George	25,000,000	(22,500,000)	-	2,500,000
R Kaplan	-	-	2,000,000	2,000,000

Shareholdings of Key Management Personnel in the company

The interests of KMP in the shares of the company, held directly or indirectly, as at 30 June 2021 were as follows:

	Balance at 1 July 2020	10:1 Share Consolidation	Received on vesting of performance rights	Purchases during the period	Balance at 30 June 2021
Name	No.	No.	No.	No.	No.
P Atherley	9,069,861	-	3,858,037	500,000	13,427,898
J Beeton	-	-	-	-	-
L Northover	-	-	-	-	-
S Bates	-	-	-	-	-
M Hohnen	4,318,691	-	-	-	4,318,691*
N MacLachlan	2,417,384	-	-	-	2,417,384*
T George	-	-	1,250,000	-	1,250,000
R Kaplan	-	-	1,000,000	-	1,000,000

The interests of KMP in the shares of the company, held directly or indirectly, as at 30 June 2020 were as follows:

	Balance at 1 July 2019	10:1 Share Consolidation	Received on vesting of performance rights	Purchases during the period	Balance at 30 June 2020
Name	No.	No.	No.	No.	No.
P Atherley	48,580,371	(43,722,334)	3,858,037	353,787	9,069,861
D Hammond	10,460,000	(9,414,000)	1,000,000	-	2,046,000
M Hohnen	43,186,913	(38,868,222)	-	-	4,318,691
N Maclachlan	24,173,842	(21,756,458)	-	-	2,417,384
T George	-	-	-	-	-
R Kaplan	-	-	-	-	-

Note: It is the Company's policy that each of the Executive Directors look to hold a meaningful number of Pensana shares. The targeted guideline is a minimum of two year's basic salary for the applicable Director. These guidelines have been met

* Shareholding at time of resignation.

Payments to past directors

No payments were made to past directors in the year ended 30 June 2021 (2020: \$nil)

Payments for loss of office

No payments for loss of office were made in the year ended 30 June 2021 (2020: \$nil)

The following section is unaudited

Relative importance of spend on pay

The following table sets out the percentage change in payments to shareholders and overall expenditure on pay across the Group.

	FY 2021 US\$m	FY 2020 US\$m	Change %
Payments to shareholders	nil	nil	0%
Group employment costs	2,578,814	1,723,500	50%

Pay ratios

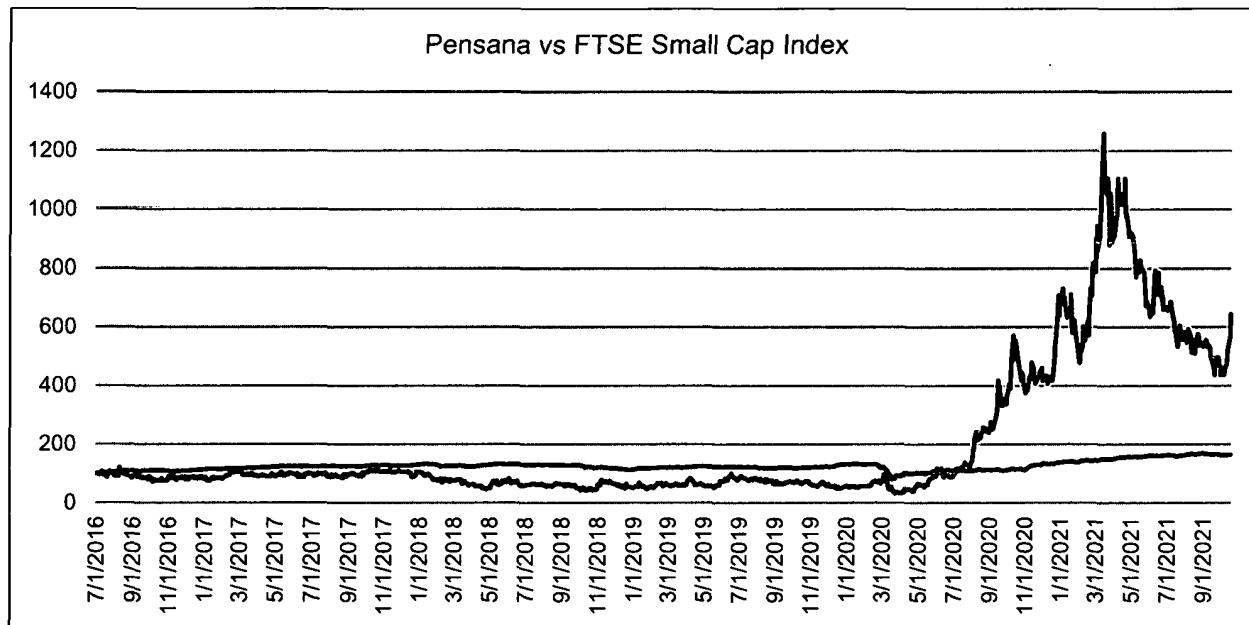
During the FY2021 and FY2020 the Company fell below the 250 UK employee limit, as a result thereof using the two year rule the company was exempt from reporting pay ratio for this financial year.

Annual % change in single figure remuneration for the year ended 30 June 2021

	Year	Salaries & fees \$	Bonuse s \$	Other ¹ \$	Benefits ⁶ \$	Total before Options & rights \$	% change year on year
Non-Executive Directors							
P Atherley	2021	56,483	271,114	251,345	-	578,942	101%
	2020	50,250	-	236,858	-	287,108	-
M Hohnen	2021	63,349	-	-	-	63,349	89%
	2020	33,500	-	-	-	33,500	-
N MacLachlan	2021	62,384	-	-	-	62,384	89%
	2020	33,500	-	-	-	33,500	-
S Bates	2021	48,983	-	-	-	48,983	n/a
	2020	-	-	-	-	-	-
L Northover	2021	45,222	-	-	-	45,222	n/a
	2020	-	-	-	-	-	-
J Beeton	2021	22,410	-	-	-	22,410	n/a
	2020	-	-	-	-	-	-
Executive Directors							
T George	2021	232,327	305,003	-	-	537,330	86%
	2020	200,863	88,467	-	-	289,330	-
D Hammond ¹	2021	177,090	-	-	21,005	198,095	n/a
	2020	180,411	100,500	-	26,687	307,598	-

¹ Mr Hammond resigned on 31 December 2020 and was not eligible for bonus in current year

The following graph illustrates the company's performance over the last 5 years relative to the FTSE Developed Small Cap Index. For purposes of comparison the share price has been retranslated into a pound sterling equivalent at the daily A\$/£ exchange rate for the period that the Company was listed on the ASX prior to its listing in the LSE on 5 July 2020. The Directors believe this comparison is appropriate as it compares the Company to an index comprising small cap stocks below \$150 million free float adjusted market cap.



Consideration by the directors of matters relating to directors' remuneration

The remuneration committee considered executive directors' remuneration and the board considered the non-executive directors' remuneration in the year ended 30 June 2021.

Shareholder voting

At the Annual General Meeting on 30 November 2020 there was an advisory note to adopt the remuneration report for the prior period. Of the 68,509,639 proxy votes validly appointed, 68,494,955 (99.98%) voted in favour.

Service Contracts

All executive directors and KMP's have full-time contracts of employment with the company, non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company or its associated companies with a fixed notice term which currently exceeds six months. Directors notice periods were considered sufficient during the period to ensure an effective handover of duties should a director have left the Company but will be considered for review as to their appropriateness during the current financial year.

The termination provisions are as follows:

Description	Notice period	Payment in lieu of notice
Employer - initiated termination without reason	6 months	6 months
Termination for serious misconduct	None	None
Employee – initiated termination	6 months	6 months

Key Terms of Employment Contracts

Contracts for services of key management personnel and relevant executives

Remuneration and other terms of employment for the Directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. The termination provisions are as follows:

Paul Atherley, Executive Chairman (Effective – 13 May 2018)

Mr Atherley has entered into a Letter of Appointment with the Company in respect of his appointment as Executive Director/ Chairman.

Base Terms

- This agreement was effective from 1 July 2021 and has no set term.
- Base Salary of £275,000
- Eligible for short term incentive cash payments in line with Group's policy and subject to achievement of relevant KPIs

Tim George – Chief Executive Officer (appointed 22 April 2019)

Base Terms:

- A Base Remuneration which is a monthly salary and will be reviewed annually of £300,000 per annum;

Incentive package:

- A Short Term Incentive of 50% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's from now until 30 June 2022 will be determined post finalisation of FEED.
- Long Term Incentive share-based options based on a maximum of 150% of base salary. The KPI's to be finalised post finalisation of FEED.

Rocky Smith – Chief Operating Officer (appointed 8 March 2021)

Base Terms:

- A Base Remuneration which is a monthly salary and will be reviewed annually of \$250,000 per annum;

Incentive package:

- A Short Term Incentive of 50% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's from now until 30 June 2022 will be determined post finalisation of FEED.
- Long Term Incentive share-based options based on a maximum of 150% of base salary. The KPI's to be finalised post finalisation of FEED.

Robert Kaplan – Chief Financial Officer (appointed 1 January 2020)

Base Terms:

- A Base Remuneration which is a monthly salary and will be reviewed annually of £190,000 per annum;

Incentive package:

- A Short Term Incentive of 50% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's from now until 30 June 2022 will be determined post finalisation of FEED.
- Long Term Incentive share-based options based on a maximum of 150% of base salary. The KPI's to be finalised post finalisation of FEED.

Non-Executive Directors

The Company's Constitution provides that the Directors may be paid out of Company funds, as remuneration for their services, a sum determined from time to time by the Company's Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner as they agree.

Directors' remuneration for their services as Directors is by a fixed sum and not a commission on a percentage of profits or operating revenue. The maximum sum of Directors' remuneration may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting to shareholders. There is provision for Directors who devote special attention to the business of the Company or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the Board engage in any journey on Company business, to be paid extra remuneration determined by the Board. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.

Payments to past Directors

No payments were made to past directors in the year ended 30 June 2021 (2020: nil)

Directors' Remuneration Policy Report

The following section sets out the Group's Remuneration Policy (the "Policy Report"). It is intended that this Policy Report will be put forward to shareholders for approval at the 2021 AGM and will thereafter come into immediate effect following the AGM.

Remuneration principles

Pensana's culture is performance driven within a high growth environment requirement significant time, effort and commitment. We have a management team that is highly experienced within the specialist world of rare earth mining and chemical engineering, which therefore requires unique skill sets to be brought to bear. Against this background, our approach to remuneration is guided by the following overarching principles:

- The employment terms for Executive Directors and Senior Management are designed to attract, motivate and retain high calibre individuals who will drive the performance of the business. The Group competes for talent in the niche rare earth sector and we aim for packages to be competitive in this market.
- Remuneration packages should be weighted towards performance-related pay.
- Performance measures should be tailored to Pensana's strategic goals, and targets should be demanding.
- Share-based reward should be meaningful – the Committee believes long-term share awards provide alignment with the long-term interests of shareholders and the Company.
- Remuneration structures should take into account best practice developments, but these should be applied in a manner that is appropriate for Pensana's industry and specific circumstances.

Review process and changes to the Policy Report

Considering the imminent announcement of FEED alongside the rapid expansion of the Company during the period which saw the stepped scope changes with the introduction of both an MRES facility and the Saltend refinery alongside the LSE listing and migration off the ASX, the Remuneration Committee decided that it was not an appropriate time to undertake a full-scale review of the Policy Report as previously guided on under the ASX listing rules. We are therefore proposing to maintain a large portion of our existing Policy Report as disclosed in last year's annual report, making some amendments to reflect good governance practice.

During the review the Committee took into account the latest governance developments, the evolving views of shareholders alongside input from the Committee's independent advisers. Input was also received from the Company's management, whilst ensuring that any conflicts of interest were suitably mitigated.

The key changes between this Policy Report and the policy report which was approved by shareholders at the AGM in November 2020 will be as follows:

- A post-vesting holding period under the Long-Term Incentive Plan will now form part of the Policy Report.
- Post-employment shareholding requirements have been introduced.
- Long-term incentives will be extended to a standard 3-year measurement term and be subject to malus and clawback

Salary Purpose and link to strategy	• To attract and retain Executive Directors of the calibre required by the business. • This is a core element of the remuneration package.
Operation	• The base salaries for Executive Directors are determined by the Committee taking into account a range of factors including: • the scope of the role; • the individual's performance and experience; and • positioning against comparable roles in other mining companies of similar size and complexity. • Base salaries are normally reviewed annually with changes effective from the start of the financial Year on 1 July.
Maximum opportunity	In determining salary increases, the Committee is mindful of general economic conditions and salary increases for the broader Company employee population. • More significant increases may be made at the discretion of the Committee in certain circumstances, including (but not limited to): • where an individual's scope of responsibilities has increased; • where, in the case of a new Executive Director who is positioned initially on a lower starting salary, an individual has gained appropriate experience in the role; and • where the positioning is out of step with salary for comparable roles in the market.

PENSANA PLC - 2021 ANNUAL REPORT

Benefits Purpose and link to strategy	To provide market competitive benefits.
Operation	Benefit policy is to provide an appropriate level of benefit for the role taking into account relevant market practice. Under the current arrangements, Executive Directors do not receive any benefits however consideration is being given to: • a benefits allowance of 10% of salary in respect of both benefits and pension; and • Group life, disability and critical illness insurance. The Committee retains the discretion to provide reasonable additional benefits based on individual circumstances (e.g. travel allowance and relocation expenses for new hires, or pension arrangements).
Maximum opportunity	The benefit provision will be set at an appropriate level taking into account the cost to the Company and the individual's circumstances
Annual bonus Purpose and link to strategy	To motivate and reward performance measured against annual key financial, operational strategic goals of the Company, which reflect critical factors of success.
Operation	Short-term annual incentive based on performance during the financial year. Awards will be subject to malus and clawback provisions.
Maximum opportunity	Maximum award of up to 150% of base salary.
Performance measures	• The amount of bonus earned is based on performance against financial, operational, strategic and personal measures. • The Committee reviews the performance measures annually and sets targets to ensure that they are linked to corporate priorities and are appropriately stretching in the context of the business plan. • Prior to determining bonus outcomes, the Committee considers performance in the round to ensure that actual bonuses are appropriate. The Committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants.
Long Term Incentive Plan Purpose and link to strategy	• To motivate and reward for the delivery of long-term objectives in line with the business strategy. • To create alignment with the shareholder experience and motivate long-term objectives.
Operation	• Awards of conditional shares (or equivalent) which will normally vest based on performance over a period of three years. • Awards granted from FY 2021 will be subject to a post-vesting holding period. • Awards may accrue dividend equivalents. • Awards will be subject to malus and clawback provisions.
Maximum opportunity	Maximum award of up to 200% of salary and a normal award of 150% of salary.
Performance measures	Vesting is normally based on performance against financial, operational and strategic measures. • The Committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders, while remaining motivational for management. • The Committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants. • The Committee has additional discretion to make downward adjustments in the event that a significant increase in the share price leads to potentially excessive rewards.
Shareholding guidelines	It is the Company's policy that each of the Executive Directors holds a meaningful number of Pensana shares. The guideline is to build and maintain a minimum of two years' basic salary for the applicable Director. Newly appointed Executive Directors will normally have five years from the date of appointment to reach this guideline.
Malus and clawback provisions	In line with best practice, the vesting of Long Term Incentive Awards are subject to malus and clawback provisions. The malus provision enables the Committee to exercise discretion to reduce, cancel or impose further conditions on an award prior to vesting or exercise (as the case may be). The clawback provision enables the Committee to require participants to return some or all of an award after payment or vesting. Both provisions may be applied in circumstances including: • a serious misstatement of the Company's audited results; • gross misconduct; • payments based on erroneous data; or • a serious failure of risk management.

For and on behalf of the Board



Steven Sharpe
Chairman

End of remuneration report

Corporate Governance Report

Dear shareholder,

I am pleased to introduce Pensana's Governance Statement under my tenure as Chairman. The significant transition within the Company over the past 18 months including the move from an Australian Stock Exchange (ASX) listed company to a UK re-domiciliation and listing on the London Stock Exchange (LSE) has been underpinned by a strong and effective governance system, which has been continually enhanced during this period in order to ensure the long-term success of the Company.

The Governance highlights during this period include the following:

Board evolution and succession planning

The Pensana Board has evolved significantly over the past year. Two independent Non-Executive Directors (iNED"), Mr Hohnen (Australian based) and Mr Maclachlan, who have led the company for several years, have stepped down on 30 June 2021. They also assisted in preparing the Company for the transition to the LSE and its future growth in the development of the Longonjo mine in Angola and the formulation of the planning stage of the Saltend separation plant, by finding the appropriate calibre candidates. Key focus was placed on candidates with a diverse skill set so as to ensure that the company's Board had the most appropriately experienced and skilled leadership for the company, in a rapidly evolving high growth environment.

Ms Sandra Bates was the first of the iNED appointees in August 2020 and she took a leadership role in ensuring that the existing governance frameworks migrated appropriately away from the ASX requirements and integrated with the LSE governance requirements. Baroness Lindsay Northover's appointment followed in November 2020 and as the Prime Minister's Trade Envoy to Angola (2016- 2020) coupled with her significant experience in the field of climate change and global health initiatives her presence on the Board was quickly felt. Baroness Northover is the Chair of the Environment Social and Governance (ESG) Board Committee and is a member of the Board Remuneration Committee.

Dr Jeremy Beeton's appointment followed in March 2021 and as Director General of the London 2012 Olympic and Paralympic Games from 2007 until 2012, Chairman of WYG PLC and Merseylink Limited coupled with his extensive international experience in project management over complex multi-site, multiple project operations' portfolios for national and regional government, and for public and private companies Dr Beeton provides an invaluable skillset to the Board particularly in the field of project management and support to the executive technical teams.

Post period end, on 29 September 2021, Mr. Steven Sharpe joined the Board. Steven, as a highly experienced natural resources financier having been involved with the financing of some US\$6 billion over his 37-year career, is ideally placed to advise the Board and the Executive team in the project financing activities currently being undertaken by the Company. He was further the natural candidate to take on the role of chairing the Audit and Risk Committee as well as the Remuneration Committee.

At the same time as Steven's appointment Sandra vacated her position on the Board, and I would like to thank her for her contribution in establishing the highest standards of Corporate Governance within the Company over the past year and wish her well in her future endeavours.

There have further been a number of changes to the composition of certain Committees post period end so that all iNEDs, with the exception of myself, are members of the Audit and Risk, Nomination, Remuneration and ESG Committees, which is expected to bring greater cohesion, transparency and independence to these Board Committees.

Board strategy, process and performance

With the increased scope to the group's business plan as announced in April this year, coupled with the multi-jurisdictional nature of the projects, remote working conditions and the significant pace at which the Company has moved towards the targeted announcement of our FEED study in the fourth quarter of 2021 and operational readiness, the Board has had to remain flexible in its approach to meeting regularly via virtual Board, Committee and sub-committee meetings. This modus operandi was deployed throughout the year with monthly and occasional bi-monthly meetings being held in order to stay on top of the fast-changing business environment and to respond appropriately to both the project development needs and cash flow requirements, in order to ensure ongoing project momentum.

Culture

As the Company rapidly evolves and expands, the ongoing evaluation of our company culture is a necessary objective that – the Board will continue to focus on as one of its key criteria as we look to expand our world class management team and develop the projects in Angola and the United Kingdom. This will include a non-negotiable commitment to health and safety and a 'can-do' spirit that has seen the Company create the opportunity to be on the brink of building the world's first rare earth processing facility in over a decade and the building of the World's first sustainable magnet metal supply chain to meet the burgeoning demand from electric vehicles offshore wind turbines.

Diversity

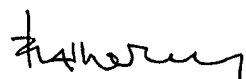
We remain committed to improving diversity levels throughout the workforce, management team and Board and key hires will be targeted in the coming year to ensure our focus on diversity with Women in STEM initiatives and women in key managerial positions being key focus areas.

Stakeholder engagement and feedback

Positive relationships with our stakeholders continue to be essential to the long-term success of our business and we are continually looking to improve and strengthen our stakeholder engagement processes. Significant engagement with the Angolan Government, the Angolan Sovereign Wealth Fund, local and national agencies in the UK, local communities and leaders, continues on a regular basis, and is seen as a key driver to our building of sustainable, long-term projects that will create a wider benefit to all involved.

Governance updates

FY2021 is the first year that the Company has fully adopted the provisions as set out in the United Kingdom's Quoted Companies Alliance (QCA) Corporate Governance Code which are deemed appropriate to our size and current scale. The development of our governance framework will continue to evolve and strengthen in line with, and in support of, the dynamic growth and development of the Company.



Paul Atherley
Chairman

The Board of Directors of Pensana is responsible for establishing the corporate governance framework of the Group.

The Company is committed to implementing the best standards of corporate governance appropriate for the Company's size and scale. In determining those standards, the Company referred to the provisions set out in the United Kingdom's Quoted Companies Alliance (QCA) Corporate Governance Code. The principles of good governance set out therein are considered appropriate as a framework for the Company, given the size and stage of development of the Company and the QCA code has been adopted accordingly.

The Company's Corporate Governance Statement has been approved by the Board and can be located on the Company's website at www.pensana.co.uk.

This statement outlines the main corporate governance practices in place throughout the period ended 30 June 2021, which comply with the application of the corporate governance principles as set out in the QCA Corporate Governance Code, unless otherwise stated.

Introduction

The company has adopted systems of control and accountability as the basis for the administration of corporate governance.

Additional information about the Company's corporate governance policies and practices is set out on the Company's website at www.pensana.co.uk, including:

- Code of Conduct;
- Securities Trading Policy;
- Health, Safety and Environment Policy;
- Shareholder Communications and Continuous Disclosure Strategy;
- Risk Management Policy;
- Board Charter; and
- Diversity Policy.

QCA Corporate Governance Code Principles and Recommendations

The Company hereby discloses the extent to which the QCA Corporate Governance Code has been followed during the financial year. Where a departure from the recommendation has been identified, an explanation for this departure has been provided.

Principle 1	Application	Disclosure
Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy.	The Company's Annual Report as read with the Annual Financial Statements set out the Company's business model and strategy including how the company intends to deliver shareholder value in the medium to long-term. In summary, Pensana intends to build the world's first sustainable magnet metal supply chain to meet the burgeoning demand from electric vehicles and offshore wind turbines. In this regard Pensana aims to establish a rare earths processing hub at Saltend bringing back high value manufacturing to the United Kingdom and to construct a mine in Angola (Longonjo) producing ethically sourced rare earths. Key challenges include construction and financing risks in relation to both Saltend and Longonjo. Pensana is in advanced discussions with a range of funders to put in place the necessary development funding and has also appointed a team of skilled and experienced executives, employees and contractors to ensure construction is timeously and properly completed.
Principle 2	Application	Disclosure
The Company should seek to understand and meet shareholder needs and expectations.	Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.	The Board ensures that the shareholders are informed of all major developments affecting the Company via the investor relations section of the company website and through the release of regular media and Regulated News Service announcements, all of which are accessible via the company website. The following additional information is available to shareholders via the Company website: • Information briefings to media and analysts; • Notices of all shareholder meetings and explanatory notes and documentation; • Annual and Interim Reports. The Company encourages shareholders to attend all general meetings of the Company.

Principle 3 The Company should take into account wider stakeholder and social responsibilities and their implications for long-term success	Application The Board needs to identify the company's stakeholders and understand their needs, interests and expectations. Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	Disclosure The Board has identified all material stakeholder groups in the areas in which it operates in both the United Kingdom and in Angola and management have created forums and mechanisms to communicate with stakeholders and to obtain feedback from stakeholders. The Board Environmental Social and Governance (ESG) Committee monitors all key stakeholder engagement for the Company as well as ensuring that the Company fulfils its social responsibilities as identified by management and the Board.
Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	Application The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy.; Companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).	Disclosure The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework. In addition the Board Audit and Risk Committee reviews the Company's risk register on at least an annual basis prior to the risk registers presentation to the Board. The primary objectives of the risk management system at the Company are to ensure: (a) all major sources of potential opportunity for and harm to the Company (both existing and potential) are identified, analysed and treated appropriately; (b) business decisions throughout the Company appropriately balance the risk and reward trade off; (c) regulatory compliance and integrity in reporting is achieved; and (d) senior management, the Board and investors understand the risk profile of the Company. In line with these objectives the risk management system covers: • Operations risk; • Financial reporting; • Compliance / regulations • System/IT process risk • The degree of risk tolerance and risk appetite in respect of each identified risk. The key risks, as identified are disclosed annually in the Company's annual report.
Principle 5 Maintain the board as a well-functioning, balanced team led by the chair	Application The board members have a collective responsibility and legal obligation to <i>promote the interests of the Company</i> and are collectively responsible for defining corporate governance arrangements.	Disclosure The Board is chaired by an Independent Non-Executive Director and is comprised of a balance of Independent Non-Executive Directors and Executive Directors, details of whom are disclosed on the Company's website and in the Annual Report. Non-Executive Directors are expected to make sufficient time available to fully engage with the activities of the Board and relevant Committees. This includes time preparing for the meeting and reviewing relevant papers, the meetings themselves and subsequent follow ups. Refer to page p.15 for details of the number of meetings. Executive Directors are required to make sufficient time available to <i>discharge their duties in executive office</i>. The Board has formed and is supported by the following committees, each of which is chaired by an Independent Non-Executive Director: • Audit and Risk Committee • Remuneration Committee • Environment, Social and Governance Committee • Board Nomination Committee.

		The Committees' terms of Reference are disclosed on the Company's website. The number of Board and Committee meetings attended by each director is recorded annually in the Company's Annual Report.
Principle 6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Application The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.	Disclosure The composition of the Board has changed during the year in order to ensure that combined skills, experience and personal qualities of the Board match the requirements of the Company in its current stage of development. The Board is assisted by a Lead Independent Director who chairs the Audit and Risk Committee as well as the Remuneration Committee. In addition, a senior independent director chairs the Environment Social and Governance committee and serves on the Remuneration Committee. The Company Secretary is in attendance at all Board and Committee meetings and provides independent advice to the Board and Board Committees on all governance matters. The profiles of each director are disclosed on the Company's website and are published in the Annual Report.
Principle 7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Application The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time.	Disclosure An internal evaluation of the reconstituted Board will be managed by the Company secretary at the end of the newly constituted Boards first year of its term of office. The Board Nominations Committee monitors on a continual basis succession plans for each director and the Board as a whole. No formal Board performance evaluation has been undertaken in the period.
Principle 8 Promote a corporate culture that is based on ethical values and behaviours	Application The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.	Disclosure The Board is committed to creating a corporate culture which is underpinned by the highest by sound ethical values and the following by every director and employee of sound ethical behaviours. The Board ensures that ethical corporate values guide the objectives and strategy of the Company. The Company has a Code of Conduct that sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive to abide by when dealing with each other, shareholders and the broad community. The Board endeavours to ensure that the sound ethical corporate culture of the Company is recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.
Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Application The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity.	Disclosure The Board are of the opinion that its governance structures and processes are suitable for the current size and complexity of the Company and applicable for its present stage of development. The Board is committed to ensuring that the governance structures as reported upon in the Annual Report will evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.
Principle 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Application A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.	Disclosure The Annual Report includes details of the key reportable activities of all board committees, during the year. A Principle Risks and Uncertainties Report as well as a Remuneration Report is included in the Company's annual report. The results of all voting in shareholders meeting will be disclosed on the Company's website.

Audit committee report

Dear Shareholder

As the recently appointed Chair of the Committee, I am pleased to have this opportunity to summarise some of the key developments during the Year, as well as our ongoing responsibilities and objectives.

The Audit and Risk Committee plays a vital role at Pensana by ensuring that the Group has effective and appropriate risk Management and internal control systems, backed up by comprehensive financial, governance and reporting functions and as we look to make a further stepped change in the Groups history, with the imminent move towards the main financing and project developments in the UK and Angola, I will ensure that the Audit Committee provides the appropriate guidance, governance and oversight to Management, in order to help facilitate the effective delivery of the projects..

Financial reporting

As part of its role, the Audit Committee assessed the audit findings that were considered most significant to the financial statements, including those areas requiring significant judgment and/or estimation. The key areas of consideration during the year were as follows:

Going Concern

In addition to the Group's requirement to be able to continue as a going concern for a period of at least 12 months from the date of signing of the financial statements, the ability for the Group to have operated unhindered during Covid 19 was of key concern during the year, given that the Group is not yet revenue generating whilst key metallurgical pilot plant test work programmes were being undertaken. The Committee regularly met with Management to discuss the Group's cashflow forecast against required workstreams and the anticipated ramp up in group overheads. As the projects expanded, consideration was given to the timing and quantum of planned equity placings to ensure ongoing project momentum and the unhindered continuation and completion of the key workstreams necessary to progress towards the announcement of our FEED study later this year. As disclosed in note 3 to the financial statements a material uncertainty in respect of going concern is considered to exist and the Committee evaluated this conclusion and disclosures.

Carrying value of development assets and risk that an impairment is required

During the year, the Group transferred its flagship Angolan exploration project, Longonjo from an E&E asset into a development asset. Under IAS 36, the carrying value of development assets required assessment for indicators of impairment at each reporting period and, where indicators were identified by Management, tested for impairment. As the Committee we reviewed and evaluated both the internal and external factors identified, considered the broader rare earth market and the disclosures in the financial statements and ensured that the critical judgements associated with the impairment indicator assessment, required under IFRS, were incorporated together with disclosure of the basis for the transfer to development asset status in the financial statements

Capitalisation of costs and the carrying value of the Saltend project

In April 2021, the Group successfully obtained planning permission in respect of the Saltend magnet metals separation facility. In accordance with IAS 16, when planning permission has been obtained and future economic benefits associated with the project are probable, costs in relation to the development of the asset should be capitalised. Determination of costs eligible for capitalisation requires an element of judgement, particularly around any internal costs capitalised. Consideration was given by the Committee as to the appropriate cut-off point at which Management proposed to start capitalisation of the Saltend Project expenditure and as to the nature of the costs proposed for capitalisation. Furthermore, consideration was given to Management's impairment indicator assessment of the Saltend project against IFRS requirements and the Committee satisfied themselves that that no indications of impairment were present.

Sale of the Tanzanian assets and carrying value

As at 31 December 2020, the Group had reflected the Tanzanian assets as an 'asset held for sale' under IFRS 5, with a carrying value of \$2.4m on the basis of a signed Sale and Purchase Agreement, with the said sale subject to certain conditions precedent. As at 30 June 2021, with the sale still to complete, Management indicated to the Committee that the sale did not remain highly probable within the next 12 months, particularly given the delays experienced to date. As a result, the Committee evaluated the assessment of fair value less cost to sell; an assessment as to whether the transaction was expected to complete with the original Purchaser; any potential variations to the terms of the sale; and specifically, the basis of Management's assessment that it was no longer highly probable that a transaction would be completed in a timely manner. Consideration was also given as to the likelihood of Management finding alternative buyers, without additional spending and resources being incurred, given that this is not part of the Group's strategic plans. Additionally, the Committee considered the political environment in Tanzania, and the lack of definitive interest to date. On the basis of the above considerations and assessments, the Committee agreed with Management that the Tanzanian asset should be reclassified as an exploration asset and that the asset be fully impaired to nil.

Terms of Reference

The committee's terms of reference have been approved by the board and follow published guidelines, which are available from the company secretary. The audit committee currently comprises the two directors, Paul Atherley (chairman) and Steven Sharpe (Senior iNED).

The Audit Committee's prime tasks are to:

- Review the scope of external audit, to receive regular reports from the auditor and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of Management judgment and estimation;
- monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- assess key risks and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the group's risk Management control and processes;
- act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk Management systems and processes;
- consider each year the need for an internal audit function;
- advise the board on the appointment of external auditors and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
- participate in the selection of a new external audit partner and agree the appointment when required;
- undertake a formal assessment of the auditors' independence each year which includes:
 - a review of non-audit services provided to the group and related fees;
 - discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
 - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
 - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

Meetings

The committee meets prior to the annual audit with the external auditors to discuss the audit plan and again prior to the publication of the annual results. These meetings are attended by the external audit partner, Chair, CFO and company secretary. Additional formal meetings are held as necessary.

During the past year the committee:

- met with the external auditors, and discussed their reports to the Audit Committee;
- approved the publication of annual and half-year financial results;
- Considered the going concern of the Group and the planned equity placings and financing requirements prior to funds being raised in the September 2020 and June 2021;
- considered and approved the annual review of internal controls;
- decided that due to the size and nature of operation there was not a current need for an internal audit function;
- agreed the independence of the auditors and approved their fees for audit related services

External Auditors

BDO held office throughout the year and acts as the external auditor for the Group.



Steven Sharpe
Chair of the audit committee

Independent auditor's report to the members of Pensana Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Pensana Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors on 21 February 2020 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 30 June 2020 to 30 June 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements concerning the Group and Parent Company's ability to continue as a going concern. The matters explained in note 3 indicate that the Group and Parent Company will require additional funding to meet its liabilities as they fall due for a period of at least the next 12 months, that the required capital has not been secured at the date of this report and the availability of such funding is not guaranteed. As stated in note 3, these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter as a result of the judgements made by the Directors and the significance of this area and the resulting effect on our audit strategy.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter is described below.

- We obtained the Directors' cash flow forecasts and challenged the key underlying assumptions, including forecast levels of operating expenditure and development costs. In doing so, we considered factors such as the consistency of the forecast expenditure with the Group's strategic plans, actual expenditure compared to budget and third party contracted commitments.

- We made inquiries of the Directors regarding potential funding options, inspected correspondence with potential investors and proposals, and obtained written representation regarding discussions held with potential investors and the Board's conclusion that funds can be accessed to meet the Group's liquidity requirements under the forecasts and reasonable sensitivity scenarios.
- We discussed any potential further impact of COVID-19 and trading risks with the Directors and the Audit Committee including their assessment of risks and uncertainties associated with the development of the operations in both Angola and the UK. We formed our own assessment of risks and uncertainties based on our understanding of the business and mining sector and the impact of COVID-19 to date.
- We reviewed the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	91% (2020: 90%) of Group loss before tax 90% (2020: 92%) of Group total assets		
Key audit matters		2021	2020
	1. Classification and carrying value of Angolan development asset (FY20: Carrying value of Angolan E&E asset)	Yes	Yes
	2. Carrying value and classification of the Tanzania asset	Yes	Yes
	3. Going concern	Yes	Yes
Materiality	Group financial statements as a whole \$410,000 (2020: \$150,000) based on 1% (2020: 1%) of total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Pensana Plc is a Company registered in the UK and listed on the Standard Segment of the London Stock Exchange in the UK. The Group's principal operations are located in Angola and the UK. In approaching the audit we considered how the Group is organised and managed. We assessed the business as being principally two projects comprising of the Angolan subsidiaries that hold the Longonjo exploration project and the Saltend development project that is held in the UK parent company, as well as the corporate head office function.

Our Group audit scope focused on the Group's significant components which comprised the Angolan operating subsidiary, the UK parent company and the corporate head office company based in the UK. Whilst materiality for the financial statements as a whole was \$410,000, each component of the Group was audited or subject to review procedures to a lower level of materiality, as detailed further in the materiality section below. The significant components accounted for 90% of total assets and were subject to full scope audits conducted by BDO LLP using a team with experience of auditing in the mining industry, in Africa and with publicly listed entities. The remaining non-significant components were principally subject to analytical review procedures with specific procedures for any significant balances impacting the Group results including those related to the Tanzania asset described above.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we

do not provide a separate opinion on these matters. In addition to the key audit matter related to going concern set out in the *Material uncertainty related to going concern* paragraph above, the following were considered to be key audit matters:

Key audit matter	How the scope of our audit addressed the key audit matter
Classification and carrying value of Angolan development asset At 30 June 2021, the Group held a development asset on the statement of financial position as detailed in Note 11, totalling \$18.5m relating to the Longonjo Project. The asset was transferred from an exploration and evaluation asset to a development asset in the year. As detailed in Note 4, there are judgements and inherent uncertainties around the recoverability of development assets. Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of an asset at 30 June 2021 may not be recoverable. Management are required to include appropriate disclosure in the financial statements, specially in relation to key estimates and judgements. Given the materiality of the development asset in the context of the Group's statement of financial position and the judgements involved in making the assessment of whether any indicators of impairment exist we considered this to be a focus area for our audit.	We considered the Group's classification of the project as a development asset versus an exploration phase asset and the timing of the transfer. In doing so, we considered the status of the studies undertaken in relation to the project and associated financial models demonstrating commercial, technical and financial feasibility. We evaluated Management's impairment indicator assessment and performed our own assessment to determine whether there were any indicators of impairment. In doing so, we: - Reviewed the licence to confirm the Group held legal title to the Longonjo Project. - Reviewed reports in respect of exploration and development activity in the year and public announcements regarding future development proposals to assess whether there was any evidence from activity to date which would indicate a potential impairment. - Obtained approved budgets and minutes of Board meetings to confirm that further development expenditure was planned for the assets. - Obtained and reviewed the Technical Feasibility Study and Competent Person's Report to evaluate the level of headroom demonstrated by the financial model for the Longonjo Project to confirm it represented a premium to the carrying value. - Considered the market capitalisation of the Company to confirm it represented a premium to net asset value and evaluated the implied value on the Longonjo Project by recent equity raises. We assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of relevant accounting standards. Key observations: We found Management's conclusion that the Longonjo Project meets the criteria for classification as a development asset to be appropriate. We found Management's conclusion that there are no impairment indicators at 30 June 2021 relating to the development asset to be acceptable and appropriately disclosed.
Carrying value and classification of the Tanzania asset Management classified the Tanzania asset as a non-current asset held for sale in the prior period as detailed in Note 10. Given the significant delay in the completion of the sale, Management have re-assessed the classification of the asset under IFRS. In addition, Management	We considered Management's assessment that it was appropriate for the asset to be reclassified to an exploration asset. In doing so, we considered the progress of the completion of the sale as at 30 June 2021, reviewed minutes of Directors' meetings and made enquiries of Management and Directors as to the status of the sale process.

	have re-assessed the carrying value, which is based on the asset's fair value less cost to sell which is below cost. Based on Management's re-assessment as at 30 June 2021, the asset has been reclassified as an exploration asset as it is no longer considered by Management to meet the held for sale criteria within the relevant accounting standard. Management have fully impaired the asset. Management are required to include appropriate disclosure in the financial statements, specially in relation to key estimates and judgements. Given the significant judgements involved in both the classification and valuation, this represented a significant risk for our audit.	We obtained Management's analysis of the asset's fair value less cost to sell and considered the appropriateness of Management's judgement that the asset is impaired to nil considering factors such as the future plans for the asset and status of the previously entered sale and purchase agreement. We discussed Management's judgment with the Audit Committee. We assessed the appropriateness of the disclosures included in the financial statements with regards to the accounting policy and requirements of relevant accounting standards. Key Observations We found Management's conclusion that the held for sale criteria were no longer met to be appropriate and the estimates and judgements regarding the asset's carrying value to be written down to nil to be appropriate.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 \$	2020 \$	2021 \$	2020 \$
Materiality	\$410,000	\$150,000	\$230,000	\$56,000
Basis for determining materiality	1% of total assets	1% of total assets	0.4% of total assets	0.4% of total assets
Rationale for the benchmark applied	Exploration and development Group with significant asset base.			
Performance materiality	\$280,000	\$90,000	\$185,000	\$33,000
Basis for determining performance materiality	70% of materiality on the basis of being a second year audit and level of corrected and uncorrected adjustments	60% of materiality on the basis of being a first year audit	70% of materiality on the basis of being a second year audit and level of corrected and uncorrected adjustments	60% of materiality on the basis of being a first year audit

Component materiality

We set materiality for each component of the Group based on a percentage of between 10% and 56% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$40,000 to \$230,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$21,000 (2020: \$7,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or - the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We held discussions with Management and the Audit Committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with Management and the Audit Committee and our knowledge of the industry;
- We considered the significant laws and regulations of Angola, Tanzania, Australia and the UK to be those relating to the industry, financial reporting framework, tax legislation and the listing rules.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We considered the significant fraud risk areas to be in relation to management override of controls;
- We addressed the risk of management override of internal controls, including testing a risk-based selection of journals and evaluating whether there was evidence of bias in Management's estimates and judgements (Refer to the 'key audit matters' section) that represented a material misstatement due to fraud. Specifically:
 - We tested the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
 - We performed a detailed review of the Group's year-end adjusting entries and investigated any that appear unusual as to nature or amount and agreeing to supporting documentation;
 - For significant and unusual transactions, particularly those occurring at or near year-end, we obtained evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
 - We assessed whether the judgements made in accounting estimates were indicative of a potential bias (Refer to 'key audit matters' above);
- We reviewed minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

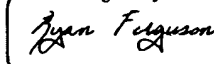
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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Ryan Ferguson (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

Date: 31 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Consolidated Statement of Comprehensive Income for the year ended 30 June 2021

		30 June 2021	30 June 2020
	Note	US\$	US\$
Administration expenses	6	(5,248,154)	(4,235,166)
Impairment of assets	10,11	(2,500,000)	-
Reversals of estimated credit losses on financial assets	9	-	107,448
Foreign currency exchange (loss) / gain	6	(1,835,705)	48,230
Loss from operations		(9,583,859)	(4,079,488)
Finance Income		342	3,268
Finance costs		(255)	-
Loss before income tax		(9,583,772)	(4,076,220)
Income tax credit	7	212,910	-
Total loss for the period		(9,370,862)	(4,076,220)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation ¹		2,455,677	(204,251)
Total comprehensive loss for the period		(6,915,185)	(4,280,471)
Net loss for the period is attributable to:			
Owners of Pensana Plc		(9,370,862)	(4,076,220)
Total comprehensive loss is attributable to:			
Owners of Pensana Plc		(6,915,185)	(4,280,471)
Loss per share attributable to owners of Pensana Plc:			
Basic (cents per share)	16	(4.70)	(2.62)
Diluted (cents per share)	16	(4.70)	(2.62)

¹ - Exchange differences arising on translation of foreign operations will be reclassified to profit and loss if specific future conditions are met

Immaterial reclassifications have been reflected in the comparative income statement between other income and finance income for consistent presentation with the current year.

Notes to the financial statements are included on pages 69 to 94.

Consolidated Statement of Financial Position as at 30 June 2021

		30 June 2021	30 June 2020
	Note	US\$	US\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	18,507,768	48,886
Exploration and evaluation expenditure	11	132,040	9,600,234
TOTAL NON-CURRENT ASSETS		18,639,808	9,649,120
Non-current assets classified as held for sale	10	-	2,500,000
CURRENT ASSETS			
Cash and cash equivalents	8	16,787,591	4,106,321
Trade and other receivables	9	5,370,007	183,061
TOTAL CURRENT ASSETS		22,157,598	4,289,382
TOTAL ASSETS		40,797,406	16,438,502
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	4,628,772	1,365,474
TOTAL CURRENT LIABILITIES		4,628,772	1,365,474
Liabilities directly associated with non-current assets classified as held for sale	10	-	211,844
TOTAL LIABILITIES		4,628,772	1,577,318
NET ASSETS		36,168,634	14,861,184
EQUITY			
Issued capital	14	279,398	221,945
Share premium	15	34,195,957	3,116,850
Reserves	15	51,534,520	51,992,768
Accumulated losses	15	(49,841,241)	(40,470,379)
TOTAL EQUITY		36,168,634	14,861,184

Immaterial reclassifications have been reflected in the comparative balance sheet between property, plant and equipment and exploration and evaluation assets and aggregation of receivable classes into trade and other receivables for consistent presentation with the current year. The notes on pages 69 to 94 form part of these financial statements.

The financial statements were approved by the board of directors and authorized for issue on 31 October 2021 and are signed on its behalf by



Steven Sharpe.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2021

	Fully paid ordinary shares	Share premium	Shares to be issued Reserve	Accumulated Losses	Merger Reserve	Foreign Currency Reserve	Share Based Payments Reserve	Equity Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2019	198,788	-	-	(36,394,159)	45,748,045	(1,828,748)	4,647,772	(500,000)	11,871,698
Loss for the year	-	-	-	(4,076,220)	-	-	-	-	(4,076,220)
Other comprehensive expense	-	-	-	-	-	(204,251)	-	-	(204,251)
Total comprehensive loss for the year	-	-	-	(4,076,220)	-	(204,251)	-	-	(4,280,471)
Issue of shares (note 14)	23,157	3,116,850	3,300,560	-	-	-	-	-	6,440,567
Share based payments	-	-	-	-	-	-	829,390	-	829,390
Balance at 30 June 2020	221,945	3,116,850	3,300,560	(40,470,379)	45,748,045	(2,032,999)	5,477,162	(500,000)	14,861,184
	Fully paid ordinary shares	Share premium	Shares to be issued Reserve	Accumulated Losses	Merger Reserve	Foreign Currency Reserve	Share Based Payments Reserve	Equity Reserve	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2020	221,945	3,116,850	3,300,560	(40,470,379)	45,748,045	(2,032,999)	5,477,162	(500,000)	14,861,184
Loss for the year	-	-	-	(9,370,862)	-	-	-	-	(9,370,862)
Other comprehensive income	-	-	-	-	-	2,455,677	-	-	2,455,677
Total comprehensive loss for the year	-	-	-	(9,370,862)	-	2,455,677	-	-	(6,915,185)
Issue of shares (note 14)	56,799	32,702,223	(3,300,560)	-	-	-	-	-	29,458,462
Capital raising costs	-	(1,686,037)	-	-	-	-	-	-	(1,686,037)
Issue of shares – conversion of performance rights (note 14)	654	62,921	-	-	-	-	(63,575)	-	-
Share based payments	-	-	-	-	-	-	450,210	-	450,210
Balance at 30 June 2021	279,398	34,195,957	-	(49,841,241)	45,748,045	422,678	5,863,797	(500,000)	36,168,634

Notes to the financial statements are included on pages 69 to 94

Consolidated Statement of Cash Flows for the financial year ended 30 June 2021

		30 June 2021	30 June 2020
	Note	US\$	US\$
Cash flows from operating activities			
Operating cash flows	21	(6,872,862)	(2,441,398)
Net cash used in operating activities		(6,872,862)	(2,441,398)
Cash flows from investing activities			
Interest received		342	3,268
Proceeds from deposits for Tanzanian assets disposed in prior periods		-	107,448
Payments for exploration expenditure		(6,582,398)	(2,895,689)
Payment for property, plant & equipment		(123,403)	(4,239)
Net cash used in investing activities		(6,705,459)	(2,789,212)
Cash flows from financing activities			
Interest paid		(255)	-
Proceeds from issues of equity securities		27,876,399	6,354,258
Share issue costs		(1,686,037)	(265,283)
Net cash provided by financing activities		26,190,107	6,088,975
Net increase in cash and cash equivalents		12,611,786	858,365
Cash and cash equivalents at the beginning of the year		4,106,321	3,312,442
Effects of exchange rate changes on the balance of cash held in foreign currencies		69,484	(64,486)
Cash and cash equivalents at the end of the year	8	16,787,591	4,106,321

Notes to the financial statements are included on pages 69 to 94.

Notes to the financial statements

1. General information

The consolidated financial statements present the financial information of Pensana Plc and its subsidiaries (collectively, the Group) for the year ended 30 June 2021 in United States dollars (USD or \$). Pensana Plc (the Company or the parent) is a public company limited by shares listed on the Main Market of the London Stock Exchange and incorporated in England & Wales on 13 September 2019. The registered office is located at Suite 31, Second Floor, Cheapside, London, United Kingdom, EC2V 6DN.

Pensana plans to establish Saltend as an independent, sustainable supplier of the key magnet metal oxides to a market which is currently dominated by China with initial feedstock to be shipped as a clean, high purity mixed rare earth sulphate (MRES) from the Company's Longonjo low impact mine in Angola.

In early 2020, Pensana Metals Ltd re-domiciled the group to the United Kingdom pursuant to a scheme of arrangement in which Pensana Metals Ltd became a wholly owned subsidiary of Pensana Plc. Prior to the transaction the Company was incorporated on 13 September 2019 and was a wholly owned subsidiary of Pensana Metals Ltd.

During the period the Board of Pensana Plc resolved to restructure the group to remove redundant holding companies and streamline the group structure. As part of this restructuring process the shares in the wholly owned subsidiaries, Sable Minerals GmbH and Sable Rare Earths GmbH were acquired directly by Pensana Plc during the period and it is anticipated that additional dormant entities in Tanzania and Australia will be liquidated in due course. Further information on the Group's structure is provided in Note 20.

2. New accounting standards and interpretations

(a) Changes in accounting policies and disclosures

From 1 July 2020, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2020.

Standard	Description	Effective date
Improvements to IFRSs'	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3	Amendments to IFRS 3 Business Combinations: Definition of a Business	1 January 2020
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Improvements to IFRSs'	Amendments to IFRS 9, IAS 39 and IFRS 8: Interest Rate Benchmark Reform	1 January 2020

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:

The Group has elected not to early adopt the following revised and amended standards.

Standard	Description	Effective date
IAS 16	Amendments to IAS 16 'Property, plant and equipment'	1 January 2022
IAS 37	Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets'	1 January 2022
Improvements to IFRSs'	Improvements to IFRS1, IFRS 9, IFRS 16 and IAS 41	1 June 2022
Amendments to IAS 8	Amendments to IAS 8: Definition of accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practise Statement 2	Amendments to IAS 1 and IFRS Practise Statement 2 – Disclosure of accounting policies	1 January 2023
Amendments to IAS 12	Amendments to IAS 12: Deferred tax related to assets and liabilities from a single transaction	1 January 2023
Amendment to IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023

Management has reviewed and considered these new standards and interpretations and none of these are expected to have a material effect on the reported results or financial position of the Group.

3. Significant accounting policies and Going Concern

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Article 4 of the IAS Regulation.

In the prior year the financial statements have 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 principal accounting policies adopted by the Group in the preparation of the financial statements are set out below.

The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in United States Dollars (US\$) rounded to the nearest dollar.

Basis of measurement

The consolidated financial statements have been prepared on the basis of historical cost, adjusted for the treatment of certain financial instruments, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 30 June 2021 the Group has a net asset position of \$36,168,634 (30 June 2020: \$14,861,184), had incurred a loss after income tax of \$6,065,991 (30 June 2020: \$4,076,220) and experienced cumulative net cash outflows from operating and investing activities of \$13,578,321 (30 June 2020: \$5,230,610). Cash and cash equivalents totalled \$16,787,591 (30 June 2020: \$4,106,321) at period end. On 18 June 2021 the Group announced the fundraising of circa \$21.1 million of equity by way of an equity placing.

The Directors have prepared a cashflow forecast for a period of at least twelve months from the date of this report. In assessing the going concern basis of preparation, the Directors have given consideration to the principal risks and uncertainties facing the business, including specific consideration of the impact of COVID-19 in terms of the availability of funding and progression of the Longonjo NdPr Project in Angola and the Saltend Project in the UK. The forecasts demonstrate that the Group will need to secure additional funding to meet its day to day corporate and operational working capital requirements, by the end Q3 FY2022. Post announcement of FEED and final investment decision expected by Q3 FY 2022 the Group will furthermore need to raise additional capital based on the forecasted exploration and development expenditures costs related to rollout of the Longonjo and Saltend projects and the Coola exploration.

The Directors have therefore considered mitigating actions and are confident of being able to raise the required capital through either debt or equity financing (or combination thereof) during the 12-month period and have engaged ABG Sundal Collier (ABGSC), a leading Nordic investment bank headquartered in Oslo, Norway, to progress the debt financing. Furthermore, the Company's expression of interest in the UK Government's up to £1bn Automotive Transformation Fund ("ATF") has been received positively by the programme board. The application for grant or other forms of financial support is currently under Government review, however the Company does not have any indication on the timing of any potential award. Despite the ongoing engagements, the directors note that the required capital has not been secured at the date of this report and the availability of such funding is not guaranteed. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Pensana Plc and its subsidiaries as at 30 June 2021.

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 20. 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.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated Statement of Profit or Loss and Other Comprehensive Income and within equity in the consolidated Statement of Financial Position. For the Period under consideration no NCI is applicable and the minorities have a free-carry on the Longonjo Project up until such point as main construction starts.

In the Company's financial statements, investments in subsidiaries are carried at cost less impairments.

Group reconstruction and merger accounting principles

The Company was incorporated on 13 September 2019 as a wholly owned subsidiary of Pensana Metals Ltd. The Company subsequently acquired 100% of the share capital of Pensana Metals and its subsidiary companies for the effective issuance of 152,973,315 shares to the shareholders of Pensana Metals Ltd further to the scheme of arrangement approved on 22 January 2020 and completed on 5 February 2020.

The shares issued to the former shareholders of Pensana Metals Ltd comprised the 50,000,000 shares with a nominal value of £0.001 per share subscribed on incorporation of the Company by Pensana Metals Ltd which were transferred to CHES Depositary Nominees Pty Ltd (a subsidiary of the ASX) for use in the scheme of arrangement and 102,973,314 shares with a nominal value of £0.001 per share additionally issued by the Company to CHES Depositary Nominees Pty Ltd for use in the scheme of arrangement. CHES Depositary Nominees Ltd subsequently issued CHES Depositary Instruments in proportion to the interests the former shareholders of Pensana Metals held in that company for trading on the ASX with 152,973,315 CHES Depositary Instruments issued for trading. The transaction represented a group reconstruction and common control transaction.

The accounting for common control transactions is scoped out of IFRS 3 and, accordingly the Group has developed an accounting policy with reference to methods applied in alternative GAAPs (Generally Accepted Accounting Principles). Consequently, the consolidated financial statements are presented as if the Company has always been the holding Company for the Group and the Group has elected to apply merger accounting principles. Under this policy, the Company and its subsidiaries are treated as if they had always been a Group. The results are included from the date the subsidiaries joined the Group and the comparatives reflect the results of the Company and its subsidiaries. No fair value adjustments occur as a result of the transaction and the assets and liabilities are incorporated at their predecessor carrying values.

Under the Companies Act 2006, the transaction was considered to meet the qualifying criteria for merger relief. Accordingly, shares issued by the Company as part of the scheme of arrangement are recorded at nominal value. The difference between the share capital and the investment is recorded in a merger reserve.

Under IAS 27, the investment is measured at cost at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the scheme of arrangement i.e. the net asset value of the company acquired as part of the common control transaction. Accordingly, the investment was initially recorded at \$11,756,018.

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. 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.

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 functional currency of the Company is British Pounds, the functional currency of its Australian subsidiaries is Australian Dollars and 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.

Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are not expected to be repaid in the foreseeable future are treated as part of the net investment in foreign operations. The unrealised foreign exchange gains and losses attributable to foreign operations are taken directly to the Consolidated Statement of Other Comprehensive Income and reflected in the foreign currency translation reserve. Such unrealised gains

and losses are recycled through the Consolidated Income Statement on disposal of the Group's shares in the entity. Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are expected to be repaid in the foreseeable future are recognised in the Consolidated Income Statement.

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 assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching, and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. 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:

- the rights to tenure of the area of interest are current; and
- 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, being based on finalisation of a definitive feasibility study, a bankable feasibility study (or equivalent), all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Capitalised development costs have not been depreciated to date, depreciation will commence upon commissioning of the assets. Prior to reclassification, capitalised exploration and evaluation expenditure is not depreciated but is assessed for impairment yearly.

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.

Where an indicator of impairment is identified, and impairment test is performed and if the recoverable amount is lower than the carrying amount an impairment is recorded. 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. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is assessed for impairment and the balance is classified as a development asset.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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.

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:

Asset	Depreciation Rate
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 a Share Incentive Plan, 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 or development 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 considered 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.

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.

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 will be 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 will include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration will be 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 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 will be capitalised into the cost of the related asset and amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation will be treated in the same way, except that the unwinding of the effect of discounting on the provision will be recognised as a finance cost rather than being capitalised into the cost of the related asset. As at 30 June 2021, the Group has not recognised any provision for restoration and rehabilitation as the Group does not have any obligation due to the limited disturbances to date as the Group is still in the early stages of developing the projects.

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.

t) Leases

IFRS 16 was adopted as of 1 July 2019 without restatement of comparative figures. On transition, neither the Group nor Company had any leases in scope of IFRS 16.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Right of use asset

A right of use asset and a lease liability has been recognized for all leases except leases of low value assets, which are considered to be those with a fair value below USD 5,000, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability adjusted for prepaid and accrued lease payments at the date of transition. As at the reporting date, there are no right of use assets.

Short term and low value leases

A practical expedient offered by IFRS 16 has been applied to not recognise a lease liability and right of use asset for such leases but to recognise payments on a straight-line basis over the lease term. Such leases are considered to either have a lease term of no more than 12 months or an underlying asset value of no more than USD 5,000. The Group only holds short term or low value leases. As such lease payments have continued to be recognised on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included as a separate line of the Statement of Financial Position.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

Lease liability

The lease liability is measured at amortised cost using the effective interest method. The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the incremental discount rate relevant to each lease as mandated under the modified retrospective approach. The lease payments include fixed payments, including in substance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a re-measurement of the liability. In such case, the corresponding adjustment will be reflected in the right of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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 assessment of development assets (note 12), exploration and evaluation expenditure (note 11), recovery of parent company investments and intercompany balances (note C2 and C3)

The ultimate recovery of the value of the Group's principal development assets as at 30 June 2021 (exploration and evaluation assets as at 30 June 2020), the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the Longonjo Project.

30 June 2021

Judgment was exercised in assessing the extent to which impairment indicators existed at 30 June 2021 in respect of the Longonjo Project and associated balances. In forming this assessment internal and external factors were evaluated. Management determined that no impairment indicators existed having considered the Company's market capitalisation relative to the Group's net asset value, the progression of the Longonjo Project and associated Competent Person's Report, financial Life of Mine Plan, studies and Bankable Feasibility Study equivalent assessments. The underlying financial Life of Mine Plan involves estimates regarding commodity prices, production and reserves, operating costs and capital development together with discount rates.

As at 30 June 2021 the exploration and evaluation assets associated with the Longonjo Project have been reclassified to development assets as the technical, commercial and financial feasibility of the project were considered to have been established based on the Bankable Feasibility Study equivalent generated.

In assessing potential impairment of investments and inter-company receivables (applying an expected credit loss approach for the latter) the Directors exercised judgment but considered the status of the Longonjo Project and factors above, together with the implied economic value of the assets and concluded no impairment provisions were necessary.

30 June 2020

Management considered whether there are indicators as to whether the asset carrying values for exploration and evaluation assets exceed their recoverable amounts. This consideration includes assessment of the following:

- expiration of the period for which the entity has the right to explore in the specific area of interest with no plans for renewal;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation activities have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Management judgement is required to determine whether the expenditures which are capitalised as exploration and evaluation assets will be recovered by future exploitation or sale or whether they should be impaired. In assessing this, management determine the possibility of finding recoverable ore reserves related to a particular area of interest, which is a subject to significant uncertainties. Many of the factors, judgements and variables involved in measuring resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in resources could impact the carrying value of exploration and evaluation assets.

Based on the information the Company has on the above, it was concluded by management that no impairment indicator existed at 30 June 2020 for the exploration and evaluation assets. In forming this assessment the Directors exercised judgment and considered the results of ongoing exploration work, the implied valuations provided by the equity placings in the period, the progression towards a Bankable Feasibility Study and the resource statement.

In assessing potential impairment of investments and inter-company receivables (applying an expected credit loss approach for the latter) the Directors exercised judgment but considered the status of the exploration and evaluation assets and factors above, together with the implied economic value of the assets and concluded no impairment provisions were necessary.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions (note 24)

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 and requires estimates for inputs such as share price volatility. The share-based payments arrangements are expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each reporting date, vesting assumptions are reviewed to ensure they reflect current expectations and immediately recognises any impact of the revision to original estimates. Judgment is required as to the likelihood of the vesting conditions being met, such as project milestones being achieved if fully vested share options are not exercised and expire then the accumulated expense in respect of these is reclassified to accumulated losses.

Assets held for sale (note 10)

As at 30 June 2020 the carrying value of assets at Miyabi, considered on the basis of classification as non-current assets held for sale, were carried at the lower of carrying value and fair value less cost to sell of \$2.4 million. The assessment of fair value less cost to sell was considered by the Board and represented a key judgement, based on internal valuation models and the terms of a proposed sale at that time. Subsequent to 30 June 2020 a sale and purchase agreement was entered into with a counterparty in respect of that process, which remained subject to conditions precedent being satisfied. The sale terms include a royalty arrangement which the Board valued as part of its assessment of the fair value less cost to sell. This required estimates of future production from the project based on the purchaser's proposed mine plan and studies, gold price assumptions and discount rates. A 10% change in the forecast gold price or a 1% change in the discount rate would indicate a \$0.2 million or \$0.04 million change in the fair values less cost to sell respectively.

As at 30 June 2021, given the ongoing impact of COVID-19 and the failure of the counterparty to satisfactorily progress the transaction there is significant uncertainty as to the timing of any transaction and ability to realise value from the Miyabi Gold Project. Accordingly, the assets have been impaired and reclassified out of 'held for sale' status as the criteria within IFRS are no longer considered to have been met.

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 two operating segments being related to the activities in Angola and Saltend (UK), on the basis that the assets in Tanzania are fully impaired and were held for sale in 2020. The operations in the UK and Australia relate to running the Corporate Head Office only.

All significant exploration and evaluation expenditure are domiciled in Angola.

2020

	Angola	UK	Unallocated	Total
	US \$	US \$	US \$	US \$
Non-current assets	9,642,118	-	7,002	9,649,120
Current and non-current liabilities	-	126,441	1,450,877	1,577,318
Operating Loss	(290,083)	(1,309,990)	(2,479,415)	(4,079,488)
Loss before tax	(287,245)	(1,309,990)	(2,478,985)	(4,076,220)
Loss for the year	(287,245)	(1,309,990)	(2,478,985)	(4,076,220)

2021

	Angola	UK	Unallocated	Total
	US \$	US \$	US \$	US \$
Non-current assets	18,473,893	162,330	3,585	18,639,808
Current and non-current liabilities	51,980	1,514,687	3,062,105	4,628,772
Operating Loss	(3,268,401)	(5,655,689)	(659,769)	(9,583,859)
Loss before tax	(3,268,401)	(5,655,945)	(659,426)	(9,583,772)
Loss for the year	(3,268,401)	(5,655,945)	(446,516)	(9,370,862)

Non-current assets for this purpose consist of plant & equipment and exploration & evaluation assets. The Tanzanian assets classified as held for sale at 30 June 2020 were reclassified to current and in 2021 are fully impaired. Depreciation and additions to non-current assets are disclosed in notes 11 and 12.

6. Other Expenses

	Consolidated	
	2021	2020
	US \$	US \$
Administration expenses:		
General administration costs	1,643,907	987,457
Audit fees	136,868	61,612
Corporate advisor fees	11,299	213,530
Consultant Fees	455,380	829,678
Travel expenses	9,592	65,889
Legal fees	201,593	282,821
Operating lease rental expenses:		
Lease payments (short life leases)	187,987	67,682
Depreciation on non-current assets:		
Property, plant and equipment	22,713	2,997
Employee Benefits¹		
Performance rights and options granted to directors, officers and employees	450,210	829,390
Directors' fees, superannuation and salaries & wages	2,128,605	894,110
Total Administration expenses	5,248,154	4,235,166

¹ Key management personnel remuneration disclosed in note 23 includes amounts in "Employee benefits" disclosed above. Information in respect of the highest paid director is provided in the Remuneration Report.

Foreign currency exchange gains/losses:

Foreign currency exchange loss of \$1,835,705 (2020: \$48,320 gain) comprises realised foreign exchange movements on retranslation of monetary balances and unrealised foreign exchange movements on intercompany loans which are considered repayable in the foreseeable future.

7. Income Taxes

	Consolidated	
	2021	2020
	US \$	US \$
Current taxation		
Current tax credit	212,910	-

No Liability to corporation tax arose in ordinary activities for the year ended 30 June 2021 or 30 June 2020.

The tax assessed for the year the standard rate of tax in the UK of 19% (2020: 19%).

The differences are explained as follows:

	Consolidated	
	2021	2020
	US \$	US \$
Loss from continuing operations before tax	(9,583,772)	(4,076,220)
Loss on continuing activities multiplied by the rate of corporation tax in the UK of 19% (2020: 19%)	(1,820,917)	(774,482)
Tax effects of:		
Different tax rates in overseas jurisdictions	(215,897)	(238,995)
Permanent differences	549,449	-
Deferred tax assets not recognised (a)	1,700,275	1,013,477
Total tax credit	212,910	-

(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.

The Company is subject to 19% income tax in United Kingdom. In Australia Pensana Metals Limited is subject to a corporation tax rate of 26%. In Tanzania, all subsidiaries are subject to the 30% corporation tax. In Angola, Ozango Minerais and Coala Mining are subject to 25% corporation tax.

No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability is dependent on the future profitability of the individual entities within the Group, the timing of which is considered uncertain. The total unrecognised potential deferred tax assets in respect of losses carried forward is \$12,140,296 (30 June 2020: \$10,440,021).

8. Cash and Cash Equivalents

	Consolidated	
	2021	2020
	US\$	US\$
Cash at bank and on hand	16,787,591	4,106,321
	16,787,591	4,106,321

9. Trade and Other Receivables

	Consolidated	
	2021	2020
	US\$	US\$
Receivables from historic disposals	228,552	228,552
Credit loss provision	(228,552)	(228,552)
Net total	-	-
Other debtors	5,370,007	183,061

The receivables totalling \$228,552 (2020: \$228,552) were considered to be credit impaired owing to being significantly overdue. At year end the Group have undertaken an updated expected credit loss assessment and consider continued impairment to be appropriate considering scenario-based outcomes and noting the current economic environment.

Of the other debtors as at 30 June 2021, \$4,888,745 related to payment pending as part of the equity raise completed on 25 June 2021. Post year end receipts in the amount of \$2,983,280 have been received. The remaining amounts are anticipated to be received in the near term based on arrangements with the counterparties and accordingly no credit loss provision is considered appropriate.

10. Assets held for sale

The Tanzanian assets are held at fair value less cost to sell, being lower than the original cost. The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 30 June 2020 was determined based on an offer received during the sale review process.

The fair value methodology adopted at 30 June 2020 was categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates were made in relation to transaction value from sales agreements or offers received, which were significant inputs to the valuation. Any changes in these estimates would impact the FVLCD of the underlying asset. The sale terms involved a net cash consideration of \$0.5 million and a 2% royalty from future gold sales over 5 years. Management estimated the fair value of the disposal group based on the cash consideration and royalty. The royalty instrument was valued using a discounted cash flow model with the following key assumptions: forecast gold price \$1,300/oz, production of 126,955 Oz, discount rate of 8%. Refer to Note 4 for details of sensitivity analysis on the assumptions.

As detailed in note 4, as at 30 June 2021 the Tanzanian assets and liabilities have been reclassified out of non-current assets and non-current liabilities held for sale to exploration and evaluation assets. The reclassification was done on the basis that the sale did not remain highly probable within the next 12 months and that the likelihood of finding a buyer without additional spending and resources being incurred, given that this is not part of the Group's strategic plans, was improbable. Furthermore, the ability to realise any value from the Tanzanian asset in its current state is improbable. As a result thereof the asset was fully impaired at year end.

Expenses incurred during the current and prior year in relation to the Miyabi exploration project were immaterial. Management do not consider the Miyabi project to represent a separate major line of business and therefore the expenses have not been disclosed separately as a loss from discontinued operations.

The principal classes of assets and liabilities classified as held for sale are as follows:

	2021	2020
	US\$	US\$
Assets		
Exploration and evaluation assets	-	2,500,000
Assets held for sale	-	2,500,000
Liabilities		
Trade and other payables	-	211,844
Net assets directly associated with disposal group	-	2,288,156

11. Exploration and Evaluation Expenditure

	2021 US\$	2021 US\$
Carrying value:		
Balance at beginning of the year	9,600,234	6,403,689
Additions	8,931,882	3,196,545
Transfer from asset held for sale	2,500,000	-
Impairment of asset	(2,500,000)	-
Transfer to Longonjo development asset	(18,400,076)	-
Balance at end of the year	132,040	9,600,234

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.

12. Property, plant and equipment

	Buildings	Plant and equipment	Development asset	Assets under construction ²	Motor vehicles	Office equipment	Computer equipment	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cost								
Balance at 1 July 2020	6,199	1,405	-	-	54,507	6,080	23,620	91,811
Additions	-	8,799	-	65,728	-	-	6,991	81,518
Disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	18,400,076 ¹	-	-	-	-	18,400,076
Balance at 30 June 2021	6,199	10,204	18,400,076	65,728	54,507	6,080	30,611	18,573,405
Depreciation								
Balance at 1 July 2020	1,549	1,405	-	-	23,221	893	15,857	42,925
Charge for the year	258	2	-	-	17,432	507	4,513	22,712
Disposals	-	-	-	-	-	-	-	-
Balance at 30 June 2021	1,807	1,407	-	-	40,653	1,400	20,370	65,637
Net Book Value								
At 30 June 2020	4,650	-	-	-	31,286	5,187	7,763	48,886
At 30 June 2021	4,392	8,797	18,400,076	65,728	13,854	4,680	10,241	18,507,768

1 During the year, exploration and evaluation expenditure in relation to the Longonjo project was transferred to development asset as of 25 June 2021.

2 Assets under construction relate to Saltend

13. Trade and Other Payables

	Consolidated	
	2021 US\$	2020 US\$
Trade and other payables ²	2,988,864	803,889
Accrued expenses	1,639,908	561,585
	4,628,772	1,365,474

² There has been no interest charged on the trade payables

14. Issued Capital

Consolidated	2021 No.	2021 US\$	2020 No.	2020 US\$
Fully paid ordinary shares				
Balance at beginning of the period	171,766,032	221,945	152,973,315	198,788
Share Placement	16,508,633	20,342	16 948 670	20 885
Shares issued in lieu of fees	550,000	654	-	-
Shares issued in lieu of fees and conversion of performance rights	1,321,157	1,728	1,844,047	2,272
Share Placement	13,500,000	17,471	-	-
Share Placement	12,500,000	17,258	-	-
Balance at end of financial year	216,145,822	279,398	171,766,032	221,945

Shares not yet issued - - 16,508,633 20,342

Company	2021 No.	2021 US\$	2020 No.	2020 US\$
Fully paid ordinary shares				
Balance at beginning of the period / incorporation	171,766,032	221,945	50,000,000	50,000
Scheme of Arrangement	-	-	102,973,315	148,788
Share Placement	16,508,633	20,342	16 948 670	20 885
Shares issued in lieu of fees	550,000	654	-	-
Shares issued in lieu of fees and conversion of performance rights	1,321,157	1,728	1,844,047	2,272
Share Placement	13,500,000	17,471	-	-
Share Placement	12,500,000	17,258	-	-
Balance at end of financial year	216,145,822	279,398	171,766,032	221,945

Shares not yet issued - - 16,508,633 20,342

In the prior financial year, on 13 September 2019, the Company was incorporated with 50,000,000 shares with a par value of £0.001 subscribed for, by the then parent entity, Pensana Metals Ltd for £50,000 (\$62,530) with an irrevocable undertaking for settlement upon completion of the proposed scheme of arrangement. At that time, the Company was a wholly owned subsidiary of Pensana Metals Ltd. On 5 February 2020, the Group then completed the scheme of arrangement, which was approved by the court in Australia and the majority of shareholders of Pensana Metals Ltd. The scheme resulted in the acquisition of Pensana Metals Ltd by Pensana Plc, resulting in the re-domicile of the Pensana Group in the United Kingdom and the ultimate holding Company, Pensana Plc incorporated in England and Wales. The shares issued to the former shareholders of Pensana Metals comprised the 50,000,000 shares subscribed on incorporation of the Company by Pensana Metals Ltd which were transferred by that company to CHESS Depositary Nominees Pty Ltd (a subsidiary of the ASX) for use in the scheme of arrangement and 102,973,314 shares additionally issued by the Company to CHESS Depositary Nominees Pty Ltd for use in the scheme of arrangement. CHESS Depositary Nominees Ltd subsequently issued CHESS Depositary Instruments in proportion to the interests the former shareholders of Pensana Metals held in that company for trading on the ASX. The 152,973,315 shares issued and transferred with a nominal value of £0.001 per share equated to \$198,788.

Pensana Metals Ltd then became a wholly owned subsidiary of Pensana Plc in the prior period and was removed from the official list of ASX. Pensana Plc was then admitted to the official list of ASX and Pensana Plc CDI's were admitted for official quotation by ASX under the ticker PM8. Subsequently during the current financial year, Pensana Plc was delisted from the ASX.

Placements during 2021:

On 1 July 2020 the Company issued 16,508,633 fully paid ordinary shares to the Angolan Sovereign Wealth fund ("ASF"). This was the balance of the shares to be allotted out of a total of 25,808,633 fully paid ordinary shares that formed part of their second equity placing in the Company of \$ 5million as announced on 11 June 2020.

On 11 August 2020, the Company announced the conversion of 500,000 zero cost performance rights into fully paid ordinary shares on Listing on the London Stock Exchange.

On 11 August 2020, the Company issued 821,157 fully paid ordinary shares to third party service providers at a price of A\$0.33 per share, for a total of \$0.2 million.

On 25 September 2020 the Group raised an additional \$8.6 million (net of share issuance costs) via the placing of 13,500,000 fully paid ordinary shares with the ASF.

On 4 January 2021, the Company issued 550,000 fully paid ordinary shares (of which 250,000 were related to share options, and 300,000 to third party service providers at a price of £0.50 per share, for a total of \$0.2 million.

On 25 June 2021, the Group raised circa \$21.1 million (net of share issuance costs) via the placing of 12,500,000 fully paid ordinary shares to long term shareholders, the ASF and Chairman Paul Atherley.

Post period end 7,108,037 shares related to share awards were issued to executive management.

Placements during 2020:

The Company raised approximately \$6.4 million through the issue of 2 placements on the Company's UK share register to the Angolan Sovereign Wealth Fund ("FSDEA"). The March 2020 placing was for 7,648,670 fully paid ordinary shares at £0.14 (A\$0.27) to raise a US Dollar equivalent of \$1,365,884.

The June 2020 placement was for 25,808,633 fully paid ordinary shares at an average of £0.15 (A\$0.2784) to raise a US Dollar equivalent of approximately US\$5,000,000. The shares were issued in two tranches as follows:

- Tranche 1: 9,300,000 fully paid ordinary shares at £0.1491 (A\$0.273) raising \$1,739,028
- Tranche 2: 3,978,388 fully paid ordinary shares at £0.159 (A\$0.273) and 12,530,245 fully paid ordinary shares at £0.161 (A\$0.2893) for which consideration had been received at 30 June 2020 but the shares had not been issued and were therefore classified as shares to be issued within equity at \$3,249,034. The shares were issued on 1 July 2020.

On 23 June 2020 the Company issued 1,844,047 £0.001 shares in lieu of amounts due to creditors' equivalent to \$351,592. A further \$265,284 of transaction costs were incurred in relation to placings.

On 6 July 2020, the company was admitted on the main board of the London Stock Exchange under the ticker PRE: LSE.

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.

Share options on issue

During the year, 250,000 options expired. As at 30 June 2021, there are 2,750,000 shares under option.

Performance rights on issue

There are no performance rights outstanding as at year end.

15. Reserves

The following describes the nature and purpose of each reserve within equity.

Reserve	Description and purpose
Fully paid Ordinary Shares	Represents fully paid ordinary shares in the Company of £0.001 par value.
Share Premium	Represents the difference between the par value of the shares issued and the subscription or issue price.
Foreign Currency Reserve	Represents foreign exchange differences arising from the translation of the financial statements of entities in the Group denominated in a currency other than United States dollars.
Share Based Payments Reserve	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 24 to the financial statements.
Equity Reserve	The movement in the equity reserve in FY 2019 relates to the Company's acquisition of an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US\$500,000 from minorities. Ozango holds title to the Longonjo NdPr project.
Accumulated Losses	Cumulative net losses recognised in the statement of comprehensive income.

Merger Reserve	The Company issued shares at par value as part of a Group reorganisation to acquire 100% of the share capital of Pensana metals. The difference arising in the Group at the date of the group reorganisation is recorded in the non-distributable merger reserve as part of the transaction. The Company level merger reserve represents the difference between the investment and nominal value of shares issued in the Scheme of Arrangement.
Shares to be issued reserve	Represents the proceeds received on the placement of shares during FY 2020 where the shares were only legally issued in FY 2021.

16. Loss per Share

	2021 cents per share	2020 cents per share
Basic loss per share		
From continuing operations	4.70	2.62
Total basic loss per share	4.70	2.62
Diluted loss per share		
From continuing operations	4.70	2.62
Total diluted loss per share	4.70	2.62

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:

	2021 US\$	2020 US\$
Net loss	(9,370,862)	(4,076,220)
Losses used in the calculation of basic loss per share from continuing operations	(9,370,862)	(4,076,220)
Losses used in the calculation of diluted loss per share attributable to ordinary shareholders	(9,370,862)	(4,076,220)

	2021 No.	2020 ¹ No.
Weighted average number of ordinary shares for the purposes of calculating basic loss per share	199,554,645	155,723,451
Weighted average number of ordinary shares for the purposes of calculating diluted loss per share	199,554,645	155,723,451

¹ Options and performance rights have not been included in the diluted earnings per share as they were anti-dilutive in the prior period.

As at year end there are 2,750,000 share options on issue (2020: 10,858,037).

17. Dividends

No dividends were paid or proposed during the current or previous financial year.

18. 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 minimum expenditure requirements in respect of tenements.

No provision has been made in the accounts for the possibility of a native title claim application which is deemed appropriate due to the stage of development on the Angolan projects and the positive interaction with the local community on the Longonjo project as regards the relocation management aspects of the development. Any potential substantial claim may have an effect on the value of the relevant tenement and may vary from time to time.

(i) Operating leases

The Group has entered into leases with Regus Serviced Offices and Avenue HQ in the UK. The leases are currently operating on a short-term basis. As the group is expanding, lease commitments have been kept to a minimum as it is

likely that bigger premises will be required in the near future, hence the reason for the leases not being extended beyond a 12-month period at this point.

There are no restrictions placed upon the lessee by entering into these leases.

	Consolidated	
	2021 US\$	2020 US\$
<u>Operating lease expenditure</u>		
Less than 1 year ¹	35,923	3,866
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>35,923</u>	<u>3,866</u>

¹ The short-term lease commitments that are less than 1 year have been reviewed under IFRS16 and the short-term lease exemption has been applied

(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	
	2021 US\$	2020 US\$
<u>Exploration and evaluation expenditure</u>		
No longer than 1 year	10,985	10,382
Longer than 1 year and not longer than 5 years	26,670	38,655
Longer than 5 years	-	-
	<u>37,655</u>	<u>49,037</u>

19. 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.

20. Interests in Controlled Entities

Name of entity	Country of incorporation	Ownership interest	
		2021 %	2020 %
Parent entity:			
Pensana Plc	United Kingdom		
Controlled entities:			
Pensana Metals Ltd	Australia	100	100
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 Min Unipessoal Lda (previously Sable Minerals GmbH)	Portugal	100	100
SBLRTHS Unipessoal Lda (previously Sable Rare Earths GmbH)	Portugal	100	100
Ozango Minerais S.A.	Angola	84	84
Coola Mining LDA	Angola	90	90
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

Note: Pensana Plc is the ultimate holding Company as at 30 June 2021. During exploration phase on the projects the minority shareholders are entitled to free-carry, as such no non-controlling interest is currently recognised on the Longonjo or Coola projects. The parent entity and its controlled entities are not within a tax-consolidated Group.

21. 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	
	2021	2020
	US\$	US\$
Cash and cash equivalents	16,787,591	4,106,321

(b) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated	
	2021	2020
	US\$	US\$
Net loss	(9,370,862)	(4,076,220)
Add/less non-cash items		
Depreciation	22,712	2,997
Share based payments	450,210	829,390
Unrealised FX (gain) / loss	(1,101,568)	(296,780)
Issue of shares in lieu of payment to creditors	204,443	351,592
(Reversal)/ Provisions for estimated credit losses on financial assets	-	(107,448)
Impairment of assets	2,500,000	-
Research and development tax rebate	212,910	-
(Increase)/decrease in assets:		
Trade and other receivables	(315,092)	(108,144)
Other current assets	16,900	(20,355)
Increase/(decrease) in liabilities:		
Trade and other payables	507,485	983,570
Net cash used in operating activities	(6,872,862)	(2,441,398)

22. 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 14 and 15 respectively. The Group undertakes its exploration and evaluation and development 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 \$167,876 (2020: \$41,063).

(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 or customer contracts entered into by the Group, other than the outstanding proceeds due from the June 2021 equity placing as disclosed in note 9. The Group's internal policy requires deposits to be held with financial institutions holding a benchmark credit rating. At the balance sheet date, the majority of cash and deposits were held with the Barclays Bank which has a Fitch rating of A+ as at period end.

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 2021 and 2020 is the carrying amounts as per the statement of financial position.

Trade and other receivables

At 30 June 2021, the Group had trade and other receivables of \$5,343,997, refer to Note 9 (2020: \$140,162). 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. In respect of 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 in the absence of specific information which indicates the balance will be recovered.

(g) Foreign currency risk

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

At 30 June 2021, the Group had the following exposure to Australian Dollars (AUD) and Great British Pounds (GBP) foreign currency that is not designated in cash flow hedges:

	Consolidated 2021 US\$	Consolidated 2020 US\$
Financial Assets		
Cash and cash equivalents		
Australian dollars	71,993	831,876
Great British pounds	12,551,701	-
Angolan Kwanza	91,769	-
South African Rand	6,998	-
Euro	1,559	-
	12,724,020	831,876
Net exposure	12,724,020	831,876

A 5% change in the Australian Dollar/Great British pound will increase or decrease net loss and accumulated losses by \$636,201 (2020: \$41,594)

24. Share-based Payments

2021

During the year no performance rights were issued to directors and key management personnel.

The use of performance rights was a legacy arrangement under the previous ASX listing of the then parent Pensana Metals Ltd. During the year the Remuneration Committee deemed it appropriate to consider and amend certain legacy awards to take account of the expanded project scope adopted by the Company coupled with management have reached the original performance criteria of being in a position to initiate construction on the Longonjo concentrator development.

Further to the migration to the LSE and the delisting off the ASX the Company will be adopting share options as the long-term incentive mechanism and such future awards will be priced in Pound Sterling.

2021 – amendment to historical performance rights

Director / KMP	Number of Rights	Fair value ¹ per Right	Original Vesting Conditions ²	Original Grant date	Original Expiry date	Vesting status
P Atherley	3,858,037	n/a	Completion of the DFS and commencement of construction by 13 May 2023	13 May 2018	13 May 2023	Fully vested
D Hammond	1,000,000	n/a	Completion of the DFS and commencement of construction by 13 May 2023	17 September 2018	17 September 2023	Fully vested
T George	1,250,000	n/a	Commencement of construction of concentrator by end of December 2020	22 April 2019	22 April 2019	Fully vested
T George ¹	1,250,00	\$0.014 (£0.0108)	Commencement of concentrate sales by end of December 2021	22 April 2019	22 April 2019	Vesting extended. Vesting subject to time weighted pro-rata 1/3 basis on 31 December 2021/2022/2023
R Kaplan ¹	1,000,000	n/a	Commencement of construction of concentrator by end of December 2020	1 January 2020	31 December 2020	Fully vested
R Kaplan ¹	1,000,000	\$0.15 (£0.11)	Commencement of concentrate sales by end of December 2021	1 January 2020	31 December 2021	Vesting extended. Vesting subject to time weighted pro-rata 1/3 basis on 31 December 2021/2022/2023

¹ During the year, the amended awards were re-priced to reflect the extended vesting conditions. The following inputs were used under the Black-Scholes model:

Stock pricing (USD)	\$0.0956
Exercise price (USD)	\$0.0010
Time to maturity	4 years
Risk free interest rate	1.6%
Annualised volatility	100%

2020

During the prior period 2020 the following the following performance rights were issued.

Issued to	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
Robert Kaplan	1,000,000 ¹	Commencement of Construction by end of December 2020	1 January 2020	31 December 2020	Upon vesting conditions being met
Robert Kaplan	1,000,000 ²	Commencement of concentrate sales by end of December 2021	1 January 2020	31 December 2021	Upon vesting conditions being met

Performance rights

	KMP ¹	KMP ²
Grant date	1 January 2020	1 January 2020
Number of performance rights	1,000,000	1,000,000
Share price	A\$0.23	A\$0.23
Exercise price	-	-
Weighted average fair value	A\$0.23	A\$0.23
Total amount	\$156,400 (A\$230,000)	\$156,400 (A\$230,000)

Options

2021

During 2021 no share-based options were issued.

Reconciliation of options outstanding

The following reconciles outstanding share options provided as share-based payments at the beginning and end of the financial year:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	3,000,000 ¹	\$0.019	22,500,000	A\$0.05
Issued or to be issued during the financial year	-	-	-	-
Expired during the financial year	-	-	-	-
Balance	3,000,000	\$0.019	22,500,000	A\$0.05
Balance Post 10:1 Consolidation	-	-	2,250,000	A\$0.50
Forfeited during the financial year	-	-	-	-
Expired during the financial year	(250,000)	\$0.226	(2,000,000)	A\$0.50
Balance at end of the financial year	2,750,000	-	250,000	\$0.30
Exercisable at end of the financial year	2,750,000	-	250,000	A\$0.30

¹ During the year 2,750,000 legacy performance rights were re-classified as share-based awards with the migration from the ASX to the LSE

25. Related party transactions

Parent entity

The parent entity in the Group is Pensana Plc which is incorporated in United Kingdom.

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 20 to the financial statements.

(b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 23 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 23:

- Selection Capital Limited, a Company controlled by Mr Paul Atherley, has charged the Company \$251,345 for consultancy fees during the current year (2020: \$236,858).
- Fernan Pty Ltd controlled by Mark Hohnen, was paid \$63,349 during the current year for director fees (2020: \$33,500)

26. Remuneration of auditors

	Consolidated	
	2021 US\$	2020 US\$
Fee payable to BDO LLP as the Company's external auditor for the audit of the Company's annual financial statements:	95,393	61,612
Fee payable to BDO LLP as the Company's external auditor for audit related services to the Group:	41,475 ¹	-

¹ During the current period, there were audit related services fees of \$41,475 incurred by BDO with respect of the half year interim review.

27. Subsequent events

Subsequent to the year end the following events occurred:

- On 5 July 2021, the Company issued a total of 7,108,037 new ordinary shares of £0.001 each. The issue related to the vesting of executive share awards further to the commencement of construction in Angola.
- On 5 July 2021, the Company announced that early-stage development had commenced on the establishment of its rare earth processing hub at the Saltend Chemicals Park in Humber, UK.
- On 24 August 2021 the Company announced that Wood and pxGroup were on site at the Saltend Chemicals Park conducting geotechnical drilling and trenching for the foundations of the Company's rare earth processing hub, ahead of main construction subject to the finalisation of project financing later in the year.
- On 29 September 2021 the Company announced the appointment of Steve Sharpe as an Independent Non-Executive Director of the Company and Chair of the Audit and Risk Committee with immediate effect. Non-Executive Director Sandra Bates would further be stepping down from the Board effective the same day.

No other matters or circumstances have arisen since 30 June 2021 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.

Pensana PLC
Company Statement of Financial Position
as at 30 June 2021
(Company Registration Number 12206525)

		30 June 2021	30 June 2020
	Note	US\$	US\$
ASSETS			
NON-CURRENT ASSETS			
Investment in subsidiaries	C3	13,362,139	11,756,018
Trade and other receivables	C2	22,335,068	2,310,195
Property, plant and equipment		162,330	-
TOTAL NON-CURRENT ASSETS		35,859,537	14,066,213
CURRENT ASSETS			
Cash and cash equivalents	C1	16,383,163	3,249,034
Trade and other receivables	C2	4,910,721	42,792
TOTAL CURRENT ASSETS		21,293,884	3,291,826
TOTAL ASSETS		57,153,421	17,358,039
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	C4	16,240,345	126,439
TOTAL CURRENT LIABILITIES		16,240,345	126,439
TOTAL LIABILITIES		16,240,345	126,439
NET ASSETS		40,913,076	17,231,600
EQUITY			
Issued capital	14	279,398	221,945
Share premium	15	34,195,957	3,116,850
Reserves	15	13,528,019	15,202,792
Accumulated losses	15	(7,090,298)	(1,309,987)
TOTAL EQUITY		40,913,076	17,231,600

The financial statements were approved by the board of directors and authorized for issue on 31 October 2021 and are signed on its behalf by



Steve Sharpe.

The Notes to the financial statements, included on pages 98 to 99, form an integral part of these Financial Statements.
The Company's loss for the financial year was \$5.8 million (2020: \$1.3 million). The Company has taken advantage of the section 408 exemption in the Companies Act 2006 not to present a separate Statement of Comprehensive Income.

Company Statement of Changes in Equity for the financial year ended 30 June 2021

	Issued share capital (US\$)	Share premium (US\$)	Shares to be issued (US\$)	Merger Reserve (US\$)	Accumulate d Losses (US\$)	Foreign Currency Reserve (US\$)	Share Based Payments Reserve (US\$)	Total (US\$)
Loss for the year	-	-	-	-	(1,309,987)	-	-	(1,309,987)
Other comprehensive income	-	-	-	-	-	(35,541)	-	(35,541)
Total comprehensive income for the year	-	-	-	-	(1,309,987)	(35,541)	-	(1,345,528)
Shares issued on incorporation	50,000	-	-	-	-	-	-	50,000
Scheme of arrangement and merger relief	148,788	-	-	11,557,230	-	-	-	11,706,018
Issue of shares (note 14)	23,157	3,116,850	3,300,560	-	-	-	-	6,440,567
Share based payments	-	-	-	-	-	-	380,543	380,543
Balance at 30 June 2020	221,945	3,116,850	3,300,560	11,557,230	(1,309,987)	(35,541)	380,543	17,231,600

	Issued share capital (US\$)	Share premium (US\$)	Shares to be issued (US\$)	Merger Reserve (US\$)	Accumulate d Losses (US\$)	Foreign Currency Reserve (US\$)	Share Based Payments Reserve (US\$)	Total (US\$)
Opening balance as at 1 July 2020	221,945	3,116,850	3,300,560	11,557,230	(1,309,987)	(35,541)	380,543	17,231,600
Loss for the year	-	-	-	-	(5,780,311)	-	-	(5,780,311)
Other comprehensive income	-	-	-	-	-	1,239,152	-	1,239,152
Total comprehensive income for the year	-	-	-	-	(5,780,311)	1,239,152	-	(4,541,159)
Issue of shares (note 14)	56,799	31,016,186	(3,300,560)	-	-	-	-	27,772,425
Issue of shares – Conversion of performance rights	654	62,921	-	-	-	-	(63,575)	-
Share based payments	-	-	-	-	-	-	450,210	450,210
Balance at 30 June 2021	279,398	34,195,957	-	11,557,230	(7,090,298)	1,203,611	767,178	40,913,076

The Notes to the financial statements, included on pages 98 to 99, form an integral part of these Financial Statements.

Company Statement of Cash Flows for the financial year ended 30 June 2021

		30 June 2021	30 June 2020
	Note	US\$	US\$
Cash flows from operating activities			
Operating cash flows	C5	(5,744,829)	-
Net cash used in operating activities		(5,744,829)	-
Cash flows from investing activities			
Funding of group companies		(7,238,431)	-
Payments for property, plant and equipment		(72,718)	-
Net cash used in investing activities		(7,311,149)	-
Cash flows from financing activities			
Interest paid		(255)	-
Proceeds from issues of equity securities		27,876,399	3,249,034
Share issue costs		(1,686,037)	-
Net cash provided by financing activities		26,190,107	3,249,034
Net increase in cash and cash equivalents		13,134,129	3,249,034
Cash and cash equivalents at the beginning of the year		3,249,034	-
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	-
Cash and cash equivalents at the end of the year	C1	16,383,163	3,249,034

Note: The Company's bank account was only opened during June 2020 with the only cash transaction being the amount reflected above. All other transactions reflected on the Income Statement, Balance Sheet and Statement of Changes in Equity relating to FY 2020 were non-cash items in nature.

The Notes to the financial statements are included on pages 98 to 99 form an integral part of these Financial Statements.

Pensana Plc
Notes to the Company Financial Statements
for the financial year ended 30 June 2021

C1 Cash and Cash Equivalents

	30 June 2021 US\$	30 June 2020 US\$
Cash at bank and on hand	16,383,163	3,249,034

C2 Trade and Other Receivables

	<u>Prepayments</u>	<u>Other Debtors</u>	<u>Amounts owed by Group Undertakings</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
Current				
At incorporation	-	-	-	-
Movement in the period	42,792	-	-	42,792
At 30 June 2020	42,792	-	-	42,792
Non-current				
At incorporation	-	-	-	-
Movement in the period	-	-	2,310,195	2,310,195
At 30 June 2020	-	-	2,310,195	2,310,195
Current				
As at 30 June 2020	42,792	-	-	42,792
Movement in the period	(20,816)	4,888,745	-	4,867,929
At 30 June 2021	21,976	4,888,745	-	4,910,721
Non-current				
As at 30 June 2020	-	-	2,310,195	2,310,195
Movement in the period	-	-	20,024,873	20,024,873
At 30 June 2021	-	-	22,335,068	22,335,068

Balances with subsidiaries at the period-end were:

	30 June 2021 US\$	30 June 2020 US\$
Pensana Metals Limited	3,954,708	2,310,192
Ozango Minerais SA	3,091,151	-
Sable Rare Earths GmbH	2,488,407	-
Sable Minerals GmbH	12,800,802	-
Total	22,335,068	2,310,192

Amounts owed by Group undertakings are unrestricted and payable on demand but the directors do not anticipate that they will be paid within twelve months and therefore have classified them as non-current. Expected credit losses have been assessed, the viability of the project considered alongside the macro environment reviewed, and evidenced no need for adjusting the carrying value of the group loan receivables.

Pensana Plc is the ultimate holding Company as at 30 June 2021. See Note 20 of the Group financial statements.

C3 Investment in subsidiaries

	30 June 2021 US\$	30 June 2020 US\$
Pensana Metals Limited	11,756,018	11,756,018
Sable GmbH	1,606,121	-
Total	13,362,139	11,756,018

C4 Trade and Other Payables

	30 June 2021 US\$	30 June 2020 US\$
Intercompany loan payable to Pensana Metals	14,725,658	-
Trade Payables	307,619	-
Accrued Expense	1,207,068	126,439
Total	16,240,345	126,439

C5. Notes to the Statement of Cash Flows

Reconciliation of loss for the period to net cash flows from operating activities

	2021 US\$
Net loss before tax	(5,780,311)
Add/less non-cash items	
Restructuring of intercompany loans	(1,606,121)
Depreciation	334
Share based payments	450,210
Unrealised FX (gain) / loss	288,348
Issue of shares in lieu of payment to creditors	204,443
(Increase)/decrease in assets:	
Trade and other receivables	20,816
Intercompany receivables	(15,436,455)
Increase/(decrease) in liabilities:	
Trade and other payables	16,113,907
Net cash used in operating activities	(5,744,829)

FIVE YEAR PERFORMANCE

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder equity for the five years to 30 June 2021:

	Pensana Plc		Pensana Metals			
Description	30 June 2021 US\$	30 June 2020 US\$	30 June 2019 US\$	30 June 2018 US\$	30 June 2017 US\$	30 June 2016 US\$
Statement of comprehensive income						
Finance and other Income	\$342	\$3,268	\$327,705	\$1,773	\$2,349	\$2,640
Net loss before tax	(9,583,772)	\$4,076,220	\$4,172,383	\$1,414,399	\$6,928,372	\$981,881
Net loss after tax	(9,370,862)	\$4,076,220	\$4,172,383	\$1,414,399	\$6,928,372	\$981,881
Weighted average number of ordinary shares*	199,554,645	155,723,451	152,573,315	152,573,315	152,573,315	152,573,315
Basic (loss) per share	(4.70) cents per share	(2.62) cents per share	(2.73) cents per share	(0.93) cents per share	(4.53) cents per share	(0.64) cents per share
Diluted (loss) per share	(4.70) cents per share	(2.62) cents per share	(2.73) cents per share	(0.93) cents per share	(4.53) cents per share	(0.64) cents per share
Statement of financial position						
Property, plant and equipment	\$18,507,768	-	-	-	-	-
Exploration & Evaluation expenditure	\$132,040	\$9,642,118	\$6,445,573	\$4,194,912	\$6,648,150	\$11,237,795
Net current assets	\$17,528,826	\$5,219,069	\$5,426,125	\$3,809,052	\$1,256,069	\$916,116
Total equity attributable to equity shareholders	\$36,168,634	\$14,861,184	\$11,871,698	\$8,003,964	\$7,904,219	\$12,153,911
Share price history						
Share price at start of year (US\$ cents)	18.6	16.2	12.7	21.2	20.6	19.3
Share price at end of year (US\$ cents)	150.5	18.6	16.2	12.7	21.2	20.6
Market capitalisation	\$325.7m	\$31.9m	\$23.5m	\$10.1m	\$15.6m	\$12.3m

* The comparatives reflect the share capital of Pensana Plc immediately following the Scheme of Arrangement that came into effect in Q3 FY 2020, and do not reflect the actual shares in issue by Pensana Metals Ltd in the prior periods.