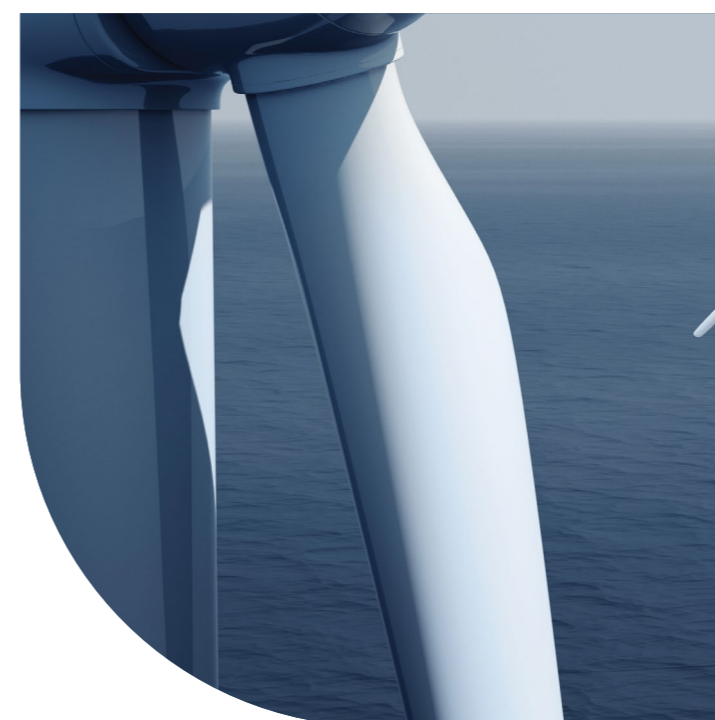


PENSANA Plc

2022 ANNUAL REPORT

for the financial year ended 30 June



www.pensana.co.uk

Independent and sustainable

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The directors of Pensana Plc (the company) submit herewith the annual financial report of Pensana Plc (consolidated entity) for the year ended 30 June 2022.

CORPORATE HIGHLIGHTS

- Financing well advanced, including support from the United Kingdom (UK) government's UK Export Finance and the Automotive Transformation Fund
- Successful institutional equity placing of £10 million with M&G, one of the UK's largest and long-standing fund managers
- Increasing engagement with UK and United States (US) generalist institutional investors following M&G's 5% direct investment
- Approaches received from major European and US electric vehicle and wind turbine original equipment manufacturers (OEMs) to secure magnet metal supply chain
- Appointment of highly experienced natural resources financier, Mr Steven Sharpe, and post period-end, appointment of industry leading expert Ms Alison Saxby as non-executive directors of the company

Post-period-end:

- Groundbreaking at the Saltend rare earth processing hub, with attendance by the then Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Kwasi Kwarteng MP, where he also launched the UK government's Critical Minerals Strategy
- Partnering with Polestar on its Polestar 0 Project with the goal of creating the first climate neutral car by 2030
- Signing of a memorandum of understanding with a large non-Chinese magnet manufacturer for an offtake of 25% of Pensana's rare earth oxide production
- Received green bond certification from CICERO, the leading independent provider of assessments on green bond frameworks
- Successful equity placing of US\$10.0 million with Fundo Soberano de Angola, the Angolan Sovereign Wealth Fund, specifically designated towards the Longonjo Project's early works programme which is now underway

OPERATIONAL HIGHLIGHTS

- Front-end engineering design (FEED) studies and value engineering for both Saltend and Longonjo completed
- Very encouraging results reported from the Coola carbonatite and the recently identified Sulima West
- Progress on decarbonising operations with agreements with Yorkshire Energy Park and Rede Nacional de Transporte to explore renewable energy and engineering successes including designing plant to displace diesel powered equipment with low-carbon electricity powered equipment

FY2022 RESULTS

TOTAL COMPREHENSIVE LOSS FOR THE PERIOD
US\$10,190,145
 (2021: US\$6,915,185)

TOTAL LOSS AFTER TAX FOR THE PERIOD
US\$10,382,469
 (2021: US\$9,370,862)

PROJECT DEVELOPMENT EXPENDITURE OF
US\$20,846,747
 (2021: US\$6,705,801)

CASH AND CASH EQUIVALENTS
US\$2,930,162
 (2021: US\$16,787,591)



3D rendering of the planned Saltend rare earth processing hub

PENSANA AT A GLANCE

Pensana is looking to establish a world-class, independent and sustainable supply chain of rare earth metals vital for electric vehicle, wind turbine and other strategic industries

NDPR DEMAND GROWTH

Globally strategic product with strong market dynamics, with total magnet rare earth demand forecast to grow by a compound annual growth rate of 8.3% to circa 250,000t by 2035, mainly driven by growing demand for electric vehicles and offshore wind turbines

STRATEGIC LOCATION

Located in a UK maritime freeport, the Saltend rare earth processing hub leverages off significant existing infrastructure

MANAGEMENT TEAMS

Experienced construction and operations management teams

COLLABORATION AND PARTNERSHIPS

with globally recognised OEMs, electric vehicle and wind turbine manufacturers

SALTEND RARE EARTH PROCESSING HUB

TOTAL RARE EARTH OXIDE (TREO) PRODUCTION TONNES PER YEAR
circa 12,500t
BY 2025

SALTEND RARE EARTH PROCESSING HUB is an attractive alternative for mining companies who may otherwise be limited to selling their products to China.



NEODYMIUM AND PRASEODYMIUM (NDPR) PRODUCTION TONNES PER YEAR
4,500t to 5,000t
BY 2025

CREATE **>500 jobs** DURING CONSTRUCTION

PROVIDE HIGH-VALUE FULL-TIME JOBS TO **125 employees**

Feedstock from Longonjo, South America and Europe

Offtake initially from South East Asia, UK and US and later Europe

LONGONJO OPERATIONS

ONE OF THE **world's largest** RARE EARTH DEPOSITS; INITIAL 20-YEAR MINE LIFE

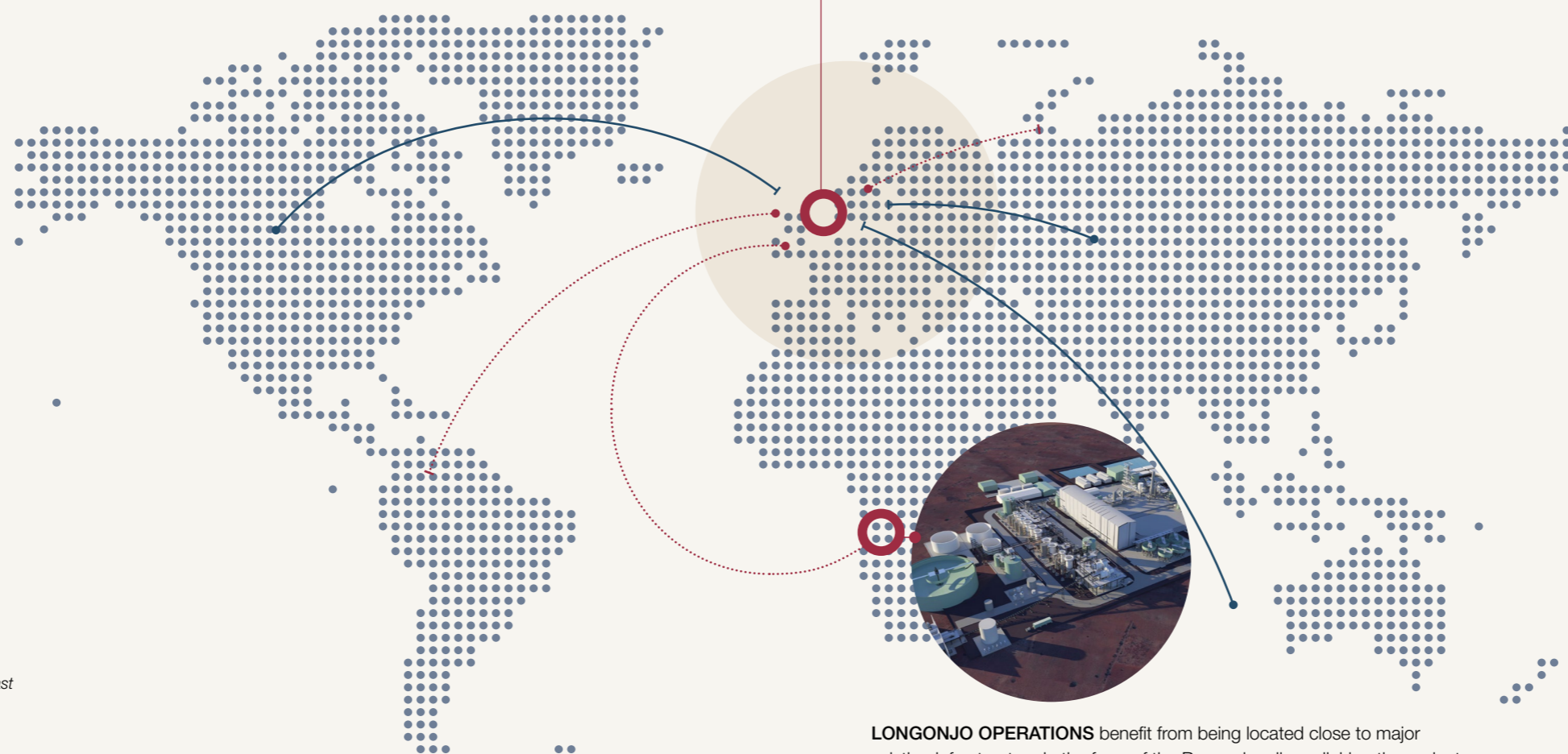
30Mt OF PROVEN AND PROBABLE RESERVES

NEAR-SURFACE **mining**

1.6mtpa FLOTATION CONCENTRATOR

CALCINING AND PRECIPITATION CIRCUITS WILL PRODUCE **±40,000tpa** OF HIGH-VALUE MIXED RARE EARTH DOUBLE SULPHATE (MREDS) FOR EXPORT TO SALTEND

CREATE **+/- 1,000 jobs** DURING CONSTRUCTION AND **+/- 650** DURING OPERATIONS



LONGONJO OPERATIONS benefit from being located close to major existing infrastructure in the form of the Benguela railway, linking the project to the Atlantic Port of Lobito, road and hydro power infrastructure.



CHAIRMAN'S REVIEW

Pensana is at the forefront of tackling these challenges. By establishing an independent and sustainable supply chain to the highest international standards, we will be able to provide our customers with the assurances they need in terms of supply chain resilience and transparency in terms of ESG.

An example of this was the recent announcement that Pensana has been selected by Polestar to join its collaboration to produce the world's first climate-neutral car. The Polestar 0 Project is aiming to develop a climate-neutral supply chain for all its raw materials.

During the year, we received green bond accreditation from CICERO, Norway's foremost institute for climate research, recognised as a leading provider of independent reviews of green bond and sustainability financing frameworks. CICERO rated the planned operations as light green with a governance score of good.

We recently launched our blueprint for sustainable rare earths, which outlines our aim to produce the lowest embedded carbon products in the rare earth industry, as well as a deep and meaningful carbon reduction with the company's goal of achieving net zero across the value chain by no later than 2040. The blueprint is an important document as it clearly sets out our commitment to all stakeholders and importantly to our customers that we put the highest ESG standards at the heart of our operations. Sustainability is always going to be a work in progress, however, the blueprint provides a clear pathway to embedding ESG into every decision, at every stage, using independent experts to monitor our progress.

At Saltend, we have signed a letter of intent securing private wire connection to Yorkshire Energy Park for 4MW rising to 10MW of low-carbon electricity for 10 years. The 200MW offshore wind-connected battery will provide low-carbon power for the separation facility and will later power the conversion of NdPr oxides into magnet metal.

We are partnering with Equinor on the Hyrdogen2Humber Saltend Project studying the use of low-carbon hydrogen to recycle the 7t of permanent magnets in each of the 260m-high offshore wind turbines being installed at the 3.6GW Dogger Bank wind farm.

At Longonjo, we have signed a 10-year contract for low-cost, low-carbon hydroelectric power and the process team, led by chief operations officer, Mr Rocky Smith, has developed an innovative process route to recycle chemicals.

It is with great pleasure that I am able to report to shareholders on a year of considerable progress for the company in its development of the world's first independent and sustainable magnet metal rare earth processing hub at Saltend Chemicals Park in the UK.

The electrification of motive power is forecast to become the biggest energy transition in history. Two of the biggest components of this transition are the phasing out of internal combustion engines in favour of electric vehicles and the rapid growth of offshore wind, both of which are heavily dependent on powerful rare earth permanent magnets.

Currently, China supplies over 90% of these magnets and has made it clear that it is going to need all its production for its US\$11 trillion 2060 carbon-neutral plan and that it feels under no obligation to supply the rest of the world.

An additional concern for European and US OEMs is that the current supply from China may not meet their environmental, social and governance (ESG) standards. Global Witness recently reported that over 16,000 Chinese miners have crossed the border into neighbouring Myanmar and are using highly toxic methods to extract rare earths, devastating ecosystems, endangering livelihoods and restricting access to safe drinking water.

Mr Paul Atherley (Pensana chairman) and Rt Hon Kwasi Kwarteng MP (then Secretary of State at the Department of Business, Energy and Industrial Strategy) at the Saltend groundbreaking ceremony



In July, we were delighted to welcome the then Secretary of State at the Department of Business, Energy and Industrial Strategy, the Rt Hon Kwasi Kwarteng MP, to the Saltend groundbreaking ceremony and we were particularly honoured that he chose to launch the UK's Critical Minerals Strategy at the event.

It was with great pleasure that we were able to support the UK Department of International Trade with the first-ever Mining Trade Mission to Angola with over 40 attendees including delegates from the Department of International Trade, foreign dignitaries including the Ambassador of Norway and the Ambassador of the UK, miners Rio Tinto and Anglo American and representatives of the Angolan Ministry of Mineral Resources and Petroleum.

With all relevant approvals in place and the delivery of the FEED studies for both projects in record time, in August we announced the appointment of a highly experienced project delivery team led by Mr Hamish Westwater for Saltend and Mr Kevin Botha for Longonjo who, together, are leading 134 specialist engineers in the execution and commissioning of both projects signifying the transition from the study phase to the commencement of construction.

We are seeing increased levels of interest from automotive and offshore wind OEMs and are in advanced discussions with a number of parties seeking offtake arrangements.

We are also in early discussions with new and existing major magnet manufacturers about becoming part of a realignment of international magnet metal supply chains and have recently signed a memorandum of understanding with a large non-Chinese magnet manufacturer for an offtake of 25% of Pensana's rare earth oxide production post year-end.

At the time of writing, we are in the final stages of financing and, despite the current turbulence in the world's financial markets, we are receiving strong interest and aiming to complete the main financing by the end of Q4 calendar year 2022.

I would like to take this opportunity to thank our major shareholders and, in particular, President Carlos Lopez and the board of Fundo Soberano de Angola for their ongoing support which is very much appreciated.

Despite the challenges presented by COVID-19, it has been a year of considerable achievement and I would like to take this opportunity to thank the executive team led by chief executive officer (CEO), Mr Tim George, and

individually Mr Rob Kaplan, finance director, Mr Rocky Smith, chief operating officer and Mr William Izod, chief commercial officer, for their important contributions to the huge progress that has been made over the past year.

I would like to welcome industry-leading expert Ms Alison Saxby to the board. Ms Saxby was previously managing director at Roskill and brings over 35 years of experience in industrial minerals and metals to the board.

Finally, I would like to thank my fellow directors for their very valuable contributions during the year. A note of thanks to Baroness Lindsay Northover for her leadership in the development of the ESG strategy, Mr Steve Sharpe for his invaluable insights on financing and Dr Jeremy Beeton for his guidance on the challenges ahead as we move into the construction phase.

We very much look forward to reporting to you on the progress of your company over the forthcoming 12 months.

Paul Atherley
Chairman

27 October 2022



CHIEF EXECUTIVE OFFICER'S REVIEW

footprint electrically powered, socially engaged and low-impact waste-responsible operations focused on reagent recycling on both sides of the Atlantic Ocean;

- optimisation of the construction works programme execution alongside a selected long lead equipment procurement focus that allows Pensana to meet the inflection point of the NdPrO supply/demand cycle anticipated in the next two years and in time for the demand uplift remaining for the next decade;
- growing recognition of Pensana's emergence as evidenced by engagement with significant industry players towards securing product entry points into a rapidly evolving market driven by provenance as well as price; and
- completion of value engineering and optimisation which assisted in mitigating the financial impact of supply chain challenges and inflation.

Pensana has taken its project status from exploration to development stage within a five-year period. The addition of the Reedmere site as the separation facility at Saltend to complement the Longonjo resource and operations has positioned the company for accelerated growth in:

- spare capacity (as a consequence of scalability and flexibility of feedstock sourcing) to process additional light rare earth oxides at Saltend;
- expansion to heavy rare earth oxides (HREOs) being at scoping study stage within the footprint at Reedmere;
- future magnet metal/alloy production;
- recycling as a natural progression of activities and part of the growing circular economy ambitions;
- participation in livelihood restoration/enhancement opportunities at Longonjo and net zero ambitions at Humber alongside the local non-governmental organisations (NGOs); and
- expanding full shape and form towards creating Pensana's independent rare earth supply chain into the user market and providing a future destination for separation opportunity.

This has been achieved against a background of uncertain global dynamics and is evidence of the tenacity of the project team and the individuals concerned. My particular appreciation goes to the following:

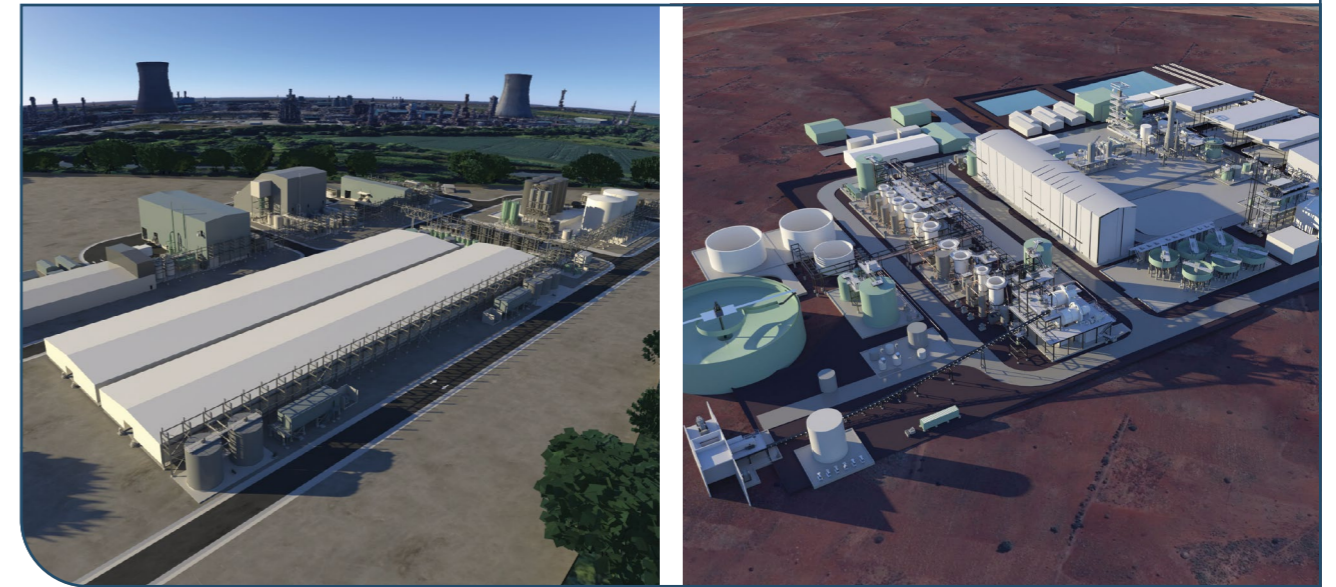
- Ongoing belief in the project by Mirempet and their support in providing the legislative, regulatory and investment-friendly environment towards diversification of the Angolan Mineral Resource base alongside the Fundo Soberano de Angola professional team responsible for motivating ongoing

This past year has demonstrated the cross-disciplinary experience and collective resilience of the Pensana team and its associates. An aspirational concept has been transformed into a multi-faceted development project now ready for construction at both sites, at a pace rarely seen elsewhere in the industry.

Maintaining persistent and routine dynamic feedback loops throughout the year between the key technical, finance, ESG and legal work streams has resulted in:

- fully permitted, operationally robust and fit-for-purpose technical solutions for both the Angolan and UK operations, with the value engineering exercise undertaken in 2022 maintaining the overall project feasibility within tight capital constraints despite logistics, emerging inflationary pressure and other post-COVID-19-related factors;
- a manageable, financeable project with healthy and timeous returns on investment against a background of (more) stable NdPr pricing and a de-risked chemical process;
- sustainable cost competitiveness of operational costs versus the existing dominant Asian production;
- ESG credentials built into the DNA of the design process now being translated into the effective roll-out of low-carbon

3D renderings of Saltend SX refinery and Longonjo concentrator and MREDS refinery



investment decisions. Where else in Africa do you have such internal investment support from a sovereign wealth fund?

- Healthy support from the East Riding Council recognising the importance of establishing a processing hub at Saltend with expansion potential in absorbing the change from the Abadan to the Reedmere site within the Saltend Chemicals Park;
- Support from Ambassador Roger Stringer and the Angola/UK Department of International Trade team, led by Mr Eden Clayton in Luanda, and their ongoing efforts to improve the growing UK/Angola trade and investment dynamics/volumes;
- Wood Group in the Perth, Johannesburg, Reading and other offices for persevering in dealing with the ambitions of a nimble-minded management team in the production of the final design, which is now agreed upon and frozen for construction to proceed;
- Various on-site technical teams including SRK, Snowden Optiro, Mr Mark Sonter, Earth Environmental and Geotechnical, Professional Cost Consultants and various vendors participating in the piloting and design review process who have pragmatically supported the project concepts and translated their experience from art into the possible;

- A special thanks to the Nagrom laboratory team in Perth, under Mr Roy Gordon, and in virtual isolation, who have successfully piloted the entire Pensana process design through various permutations over the past year despite the COVID-19 lockdown. This has been particularly important in the conclusion of the process required to produce a deleterious-free mixed rare earth concentrate from the Longonjo refinery to meet Saltend's stringent feedstock requirements;
- Without the co-operation in the design process of the likes of HCVAfrica, Ivy House, Grupo Simples, Development Workshop and Holistocos on the environmental and social front, we would have fallen short of our overall ambition to integrate the ESG requirements into the project delivery process; and
- In preparation for the main construction programmes in 2023, logistics and procurement optimisation support from Deugro has served to defray some of the market uncertainties emerging over the past 12 months alongside the work done by the team in ensuring operational readiness preparation has been given proper and timeous attention.

The recent Reserve Statement, where a 30Mt JORC-compliant (2012 Australian

Code for Reporting of Mineral Resources and Ore Reserves) Longonjo Ore Reserve was reported, is an example of the results of the combined team's efforts to present an overall project opportunity to the market at a time when there is the opportunity of becoming a leading company in realising the drive towards energy transition and diversification of energy dependency.

Against the recent completion of peaceful Angolan elections, the ongoing surrounding infrastructure activities supporting the choice of Saltend as the preferred location as a separation and development hub for the future completion of key technical, ESG and legal workstreams and initiation of strategic partnerships, we have now placed ourselves in a strong position to be able to finance both projects and the team will be focusing all their attention on completing this key workstream in a challenging economic environment.

I look forward to being able to report on the completion of financing and construction progress in the near future.

Tim George
Chief executive officer

27 October 2022

BOARD OF DIRECTORS

DIRECTORS AND DIRECTORS' DETAILS



**PAUL
ATHERLEY**
Executive chairman

Appointed: 13 May 2018

Mr Atherley is the founding director of Pensana Plc. He has pioneered the establishment of an independent and sustainable rare earth processing hub in the UK and value-added mineral processing in Angola. He is a highly experienced senior resources executive with wide-ranging international and capital markets experience. He graduated as a 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 is a strong supporter of Women in science, technology, engineering and mathematics (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:

- Alkemy Capital Investments Plc (January 2021 to present)
- Co-founder of the Arch Sustainable Resources Fund

Former directorships of listed companies in the past three years:

- Berkeley Energia Limited (Australian Securities Exchange (ASX)/Alternative Investment Market (AIM))
- Leyshon Resources Limited (May 2004 to 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 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 and engineering sector, migrating to chairman and CEO of Xceldiam, an Angola-focused AIM-listed diamond exploration company and subsequently, as non-executive director 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 the past three years:

- None



**ROBERT
KAPLAN**

*Executive director/finance
director*

Appointed: 31 March 2022

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 UK and sub-Saharan corporate finance together with experience in mining operations in Angola, South Africa Tanzania.

Mr Kaplan joined Pensana from London Stock Exchange (LSE)-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 dollar 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 LSE. Prior to this, he was financial director of Xceldiam, an Angola-focused AIM-listed diamond exploration company.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past 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 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 CEO of Euromax Resources Limited, senior vice president of European Goldfields Limited, managing director at Canaccord Genuity, managing director at Endeavour Financial, assistant general manager at Standard Bank London Limited and assistant director of N M Rothschild & Sons Limited.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- None



**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 served as an independent non-executive director of John Laing Group Plc for six years and was a member of the governing Court of Strathclyde University for nine years.

With a BSc CEng 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:

- None

Former directorships of listed companies in the past three years:

- OPG Power Ventures Plc (2016 to 2020)
- WYG Plc (2017 to 2019)
- John Laing Plc (2015 to 2021)



**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 to 2020) and Zambia (2017 to 2020) and a Minister in the Department for International Development from 2011 to 2015, including serving as Parliamentary Under Secretary and Africa Minister from 2014 to 2015. 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 an Honorary Associate Professor at the Institute of Global Health Innovation, Imperial College, London; a trustee on the British International Investment's MedAccess Trust board (formerly CDC), a former 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 the past three years:

- None



ALISON SAXBY

Non-executive director

Appointed: 17 August 2022

Ms Saxby is an industry-leading expert with over 35 years of experience in industrial minerals and metals. Her expertise includes pricing, deep market knowledge, research, and communications, gained through consultancy projects, minerals trading and commercial reports. She was previously a managing director at metals consultancy Roskill, where she led the strategic direction of the company's research and products through a period of growth, with a focus on critical minerals. Prior to that she held roles at Fastmarkets as an independent consultant. Ms Saxby was recently a member of the UK government's Critical Materials Global Expert Mission to both Canada and the United States of America for Innovate UK-KTN, and is working with Edumine to provide educational courses on critical materials. She is the author of numerous publications on critical and other minerals and originally trained as a mineral engineer.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- Roskill

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 2022.

Description	Pensana Plc			Pensana Metals Limited		
	30 June 2022 US\$	30 June 2021 US\$	30 June 2020 US\$	30 June 2019 US\$	30 June 2018 US\$	30 June 2017 US\$
Statement of comprehensive income						
Finance and other income	28	342	3,268	327,705	1,773	2,349
Net loss before tax	(11,712,022)	(9,583,772)	(4,076,220)	(4,172,383)	(1,414,399)	(6,928,372)
Net loss after tax	(10,382,469)	(9,370,862)	(4,076,220)	(4,172,383)	(1,414,399)	(6,928,372)
Weighted average number of ordinary shares ¹ (number)	229,019,699	199,554,645	155,723,451	152,573,315	152,573,315	152,573,315
Basic (loss) per share (US\$ cents per share)	(4.53)	(4.70)	(2.62)	(2.73)	(0.93)	(4.53)
Diluted (loss) per share (US\$ cents per share)	(4.53)	(4.70)	(2.62)	(2.73)	(0.93)	(4.53)
Statement of financial position						
Property, plant and equipment	37,770,292	18,507,768	–	–	–	–
Exploration and evaluation expenditure	181,206	132,040	9,642,118	6,445,573	4,194,912	6,648,150
Net current assets	1,683,787	17,528,826	5,219,069	5,426,125	3,809,052	1,256,069
Total equity attributable to equity shareholders	39,635,285	36,168,634	14,861,184	11,871,698	8,003,964	7,904,219
Share price history						
Share price at the start of the year (US\$ cents)	150.5	18.6	16.2	12.7	21.2	20.6
Share price at the end of the year (US\$ cents)	72.0	150.5	18.6	16.2	12.7	21.2
Market capitalisation (US\$ million)	169.0	325.7	31.9	23.5	10.1	15.6

¹ The comparatives reflect the share capital of Pensana Plc immediately following the scheme of arrangement that came into effect in Q3 FY2020, and do not reflect the actual shares in issue by Pensana Metals Limited in the prior periods.

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 processing hub in the UK and the Longonjo NdPr Project in Angola.

Pensana plans to establish Saltend as an independent, sustainable supplier of key magnet metal oxides to a market which is currently dominated by China, with initial feedstock to be shipped as clean, high-purity MREDS from the company's Longonjo low-impact mine in Angola.

PRINCIPAL ACTIVITIES

The year saw significant progress with a series of technical programmes successfully completed including process piloting covering the entire process in terms of final equipment selection and the conclusion of geotechnical drilling and trenching at both the Saltend and Longonjo sites ahead of main construction activities. The year also saw significant project progress with FEED and value engineering for both Saltend and Longonjo being completed.

Post year-end, during July 2022, Pensana broke ground at Saltend, with attendance from the then Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Kwasi Kwarteng MP. During September 2022, Pensana issued its first Mineral Reserve estimate, in line with JORC requirements, confirmed by work done by Snowden Optiro.

Post year-end, during September 2022, final planning approval of the company's expanded site at Saltend was obtained. The expanded site is large enough to cater for future downstream expansion opportunities, e.g. heavy rare earth separation and metal conversion.

The company also completed the environment and social impact assessment (ESIA) process for Longonjo, and, as part of the environmental permitting requirements at Saltend, the company has undertaken a number of risk and environmental assessments, illustrating that the facility will not adversely

impact the environment. Refer to the environmental, social and governance report on **page 45** for more details.

OPERATING AND FINANCIAL REVIEW

During the year ended 30 June 2022, the consolidated entity incurred an increased year-on-year comprehensive loss of US\$10,190,145 (2021: US\$6,915,185), comprising:

- Administration and corporate expenses increased by 67% to US\$8,787,109 (2021: US\$5,248,154) mainly due to the increased employee costs associated with the group's increased operational activity;
- Net foreign currency exchange loss of US\$2,063,147 (2021: US\$619,972 gain), comprising:
 - Loss on foreign exchange movements recorded in the income statement of US\$2,255,471 (2021: US\$1,835,705) on monetary balances and inter-company funding which are considered repayable in the foreseeable future; and
 - Gain on exchange movements on retranslation of non-US dollar functional currency entities into the group's US dollar presentational currency and currency movements on inter-company balances considered permanent as equity and recorded in the statement of changes in equity of US\$192,324 (2021: US\$2,455,677).

Group net assets increased in the year by 10% to US\$39,635,285 from US\$36,168,634. This was primarily driven by additions to Longonjo's development asset of US\$12,825,233 (2021: re-classification of \$18,400,076). This was partially offset by a decrease in cash and cash equivalents.

Of the other debtors as at 30 June 2022, US\$630,097 (2021: US\$4,888,745) relates to payment pending as part of the equity raise completed on 25 June 2021. During the year, US\$3,589,178 was received from debtors relating to this equity raise. Management has reassessed the carrying value of long-outstanding debtors as at 30 June 2022 and has provided for an expected credit loss of US\$669,470 against this receivable.

The group's movement in share capital for the year comprised the share capital issued by the company on equity placings.

Year-on-year, the cash and cash equivalents balance decreased by 83% to US\$2,930,162 (2021: US\$16,787,591) at year-end on the back of increased capital expenditure at both Longonjo (US\$14,614,045) and Saltend (US\$6,158,982).

GROUP NET ASSETS INCREASED IN THE YEAR BY **10% TO US\$39,635,285 FROM US\$36,168,634**

THE SALTEND FACILITY IS DESIGNED TO PRODUCE **circa 12,500t PER ANNUM OF RARE EARTH OXIDE**

4,500t TO 5,000t OF NDPR, BEING 5% OF THE WORLD MARKET

With project activity increasing over the year, the group experienced a 112% increase in net cash outflows from operating and investing activities of US\$28,794,950 (US\$13,578,321). Net cash outflows from operating activities of US\$7,948,231 increased from US\$6,872,862 due to an increase in operating losses. Investing cash flows of US\$20,846,719 (2021: US\$6,705,459) primarily related to expenditure on the Longonjo Project (US\$14,614,045) and work performed at Saltend (US\$6,158,982).

Proceeds from the issuance of equity before share issue costs for an amount of US\$17,449,674 (US\$27,876,399) was the source of financing to facilitate the site development and exploration spend over the period.

The directors have prepared a cash flow forecast for the period ended 31 March 2024. The forecast indicates that while the group has sufficient funding to meet its corporate and general operating costs, the group will require additional funding over the next 12 months to meet its committed and planned development expenditure and operating costs related to the Saltend, Longonjo and Coola Projects.

The group is currently in the process of raising financing for both the Saltend and Longonjo Projects which may include issuing a green bond which, together with further issues of equity and debt financing, is expected to raise sufficient funding for the ongoing development of the Saltend and Longonjo Projects and further exploration at Coola.

The ability of the company and group to continue as a going concern is dependent on securing such additional funding given the forecast expenditure above. The company is well advanced in its main financing workstreams and despite the current turbulence in the world's financial markets, the company is receiving strong interest and is aiming to complete the main financing by the end of Q4 calendar year 2022. Conditions with regards to financing and cash flow mentioned above indicate a material uncertainty which may cast significant doubt as to the company's and group's ability to continue as a going concern and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

Refer to note 3 to the financial statements for more detail on the going concern statement.

KEY PERFORMANCE INDICATORS

Given that the group is in the development stage for the Saltend and Longonjo Projects, and mineral exploration stage at the Coola Project, and has no turnover, the board considers usual financial key performance indicators (KPIs) as inappropriate in the measurement of value creation of the group. The board considers the carrying value of the development assets and the cash balance to be the most applicable KPIs 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 review and CEO's review and in the technical development programme update as highlighted on **page 17**.

BREXIT

During the year, the board regularly considered the potential impact of the UK 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 have not been negatively impacted by Brexit.

WAR IN UKRAINE

During the year, the board regularly considered the impact of the war in Ukraine and its potential impact on the company and the industry. The board is continuously monitoring supply chains, labour availability and future energy supply and is strategically positioning the group to mitigate any potential negative impact of the war in Ukraine.

PENSANA'S STRATEGY

Pensana plans to establish its Saltend refinery as an independent, sustainable supplier of key magnet metal oxides to a growing market which is currently dominated by China. The Saltend facility is being designed to produce circa 12,500t per annum of rare earth oxides, of which 4,500t to 5,000t will be 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 host to a range of companies including BP Petrochemicals technology, INEOS, Air Products, Triton Power, Nippon Gohsei

Electric motors and wind turbines will be at the core of our clean energy future. NdPr 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 90% of the world's production of NdPr being currently controlled by China



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 clean, high-purity MREDS from the company's Longonjo low environmental-impact mine in Angola. The open-cast mine, state-of-the-art concentrator and proprietary MREDS processing plant are being designed by Wood Group to the highest international standards and will be powered by minimal carbon hydroelectric 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 greenhouse gas (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 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.

SUSTAINABILITY

Pensana continues to progress on its ambition to provide an independent and sustainable source of rare earths. The business has successfully gained third-party recognition confirming the alignment of its Saltend Project with the CICERO shades of green rating for sustainable finance. The innovative methodology used by CICERO is aligned to the International Capital Market Association's (ICMA) Green Bond Principles and issuance of an opinion provides robust independent verification that Pensana's Saltend Project is aligned to best practice in the climate financing sector. Additionally, this year the business has voluntarily provided its first Task Force on Climate-related Financial Disclosures (TCFD) one year ahead of the requirement to do so. The TCFD disclosures include a summary of the steps taken by the business to mitigate risks and adapt the business model to be more resilient to the threats from climate change.

Post year-end, Pensana successfully achieved planning consent for the larger Reedmere site at Saltend and as part of this undertook a number of environmental and social assessments. Assessments undertaken, among others, included pollution assessments, air emissions modelling, biodiversity surveys and cultural heritage assessments. Pensana voluntarily committed to engage in a programme of planting trees to bolster the established habitat on the Saltend site.

FACILITATING A GREEN ENERGY REVOLUTION

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

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 MREDS, thus reducing logistics costs.



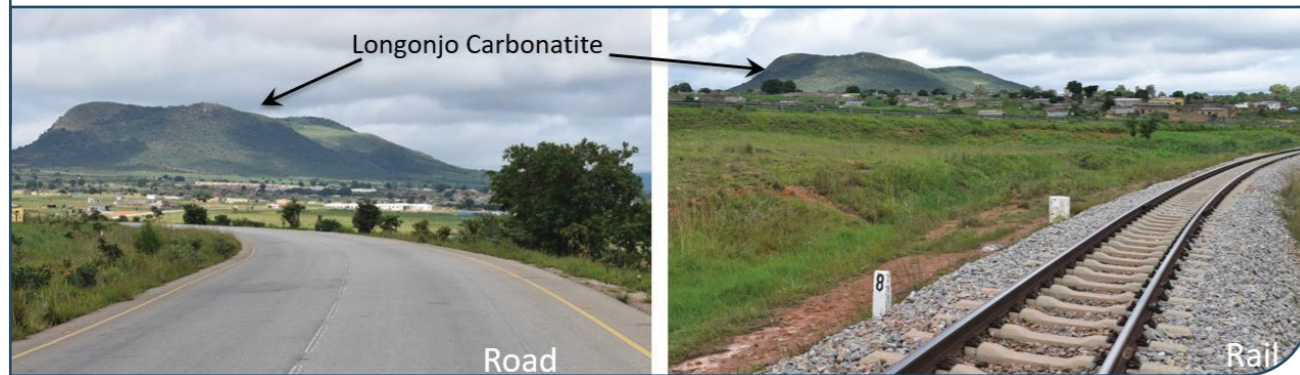
INFRASTRUCTURE ADVANTAGES

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 hydropower 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 hydropower-supplied transmission line is only 40km from the project



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



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 hydropower 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.

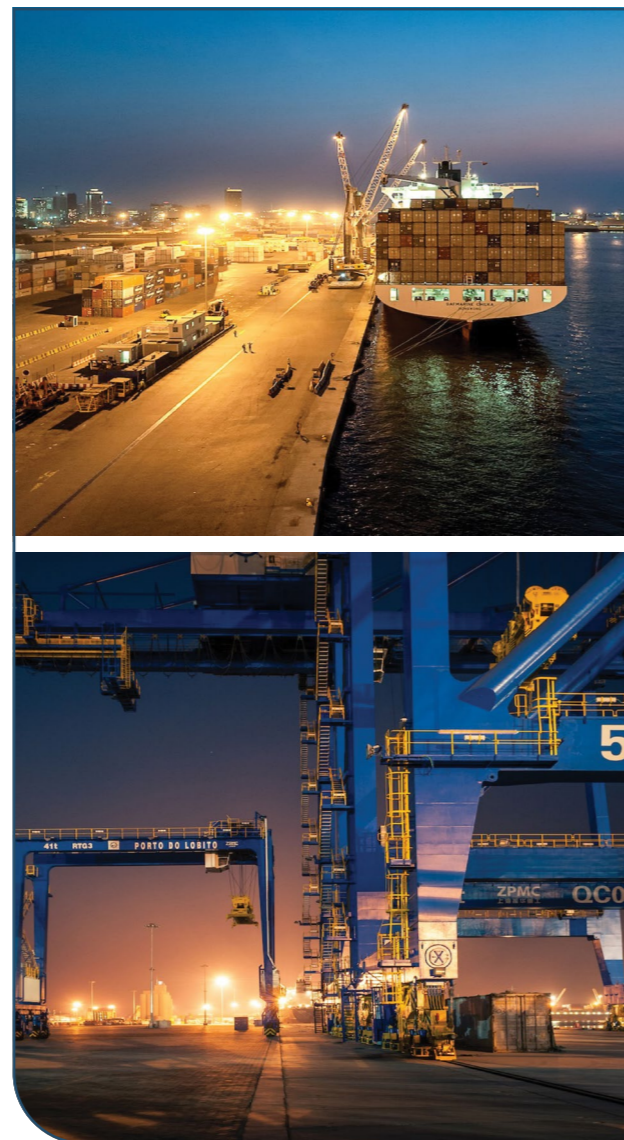
The refurbished national highway EN260 connects Angola's second-largest city of Huambo through the municipality of Longonjo to the Atlantic Port of Lobito.

The 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 of the Democratic Republic of the 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, 1,067mm (3ft 6in), which is used by most mainline railways in southern Africa. The maximum design speed is 90km per hour. The design capacity is 20Mt of cargo and 4 million passengers per year.

The Angolan government invested approximately US\$2 billion for the refurbishment and upgrade of the Port of Lobito 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 414m long, the ore terminal has a 310m jetty and the dry dock has an area of 90,000m².

The new Laúca hydropower plant is in the north of the country in the middle part of the Kwanza River. The project consists of a main powerhouse with six units and an eco-powerhouse with one unit. Total capacity of HPP Laúca will be 2,070MW with a head of about 200m. 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 45km of Pensana's Longonjo Project. The Longonjo Project will shortly be tapping into this grid, post a final investment decision.

Port of Lobito infrastructure directly connects to the Benguela rail line



TECHNICAL DEVELOPMENT AND METALLURGICAL TESTWORK PROGRAMMES

Several metallurgical pilot testwork programmes continued during the year, confirming the final design criteria for the concentrator, MREDS plant and the Saltend refinery. The on-site concentrator plant scenario is modelled around an open pit free-dig orebody with an additional refinery to be built alongside producing a high-grade NdPr-rich MREDS. This two-stage process will see a clean, high-purity product exported through the Port of Lobito for further processing at our planned Saltend rare earth separation refinery, adding further value in-country and allowing access to a wider market for the separated rare earth products.

100t of large-diameter drill core was collected in 2021 from Longonjo and processed in a continuous flotation pilot plant during the year to produce a high-grade mineral concentrate for further testing. This concentrate, in addition to concentrate produced from trench material extracted in 2020, formed the feedstock for MREDS plant piloting and downstream Saltend testwork currently in progress.

All process flow sheets are now frozen per the overviews in figures 1, 2 and 3.

With the exception of the variability testwork, all concentrator testwork was completed at the ALS Perth facility in continuation of piloting activities completed last year. The variability testwork programme was completed at Auralia Metallurgy in Perth in order to expedite the programme concurrently with other activities. The main areas of investigation are outlined below:

- Completion of a concentrator variability programme to understand and define feed blend requirements;
- Flotation testing of site water and impacts of any seasonal changes on the process; and
- Optimisation of process water recycled and the impact of the build-up of flotation reagents and inorganic and organic dewatering reagents.

Figure 1: Longonjo concentrator process flow diagram

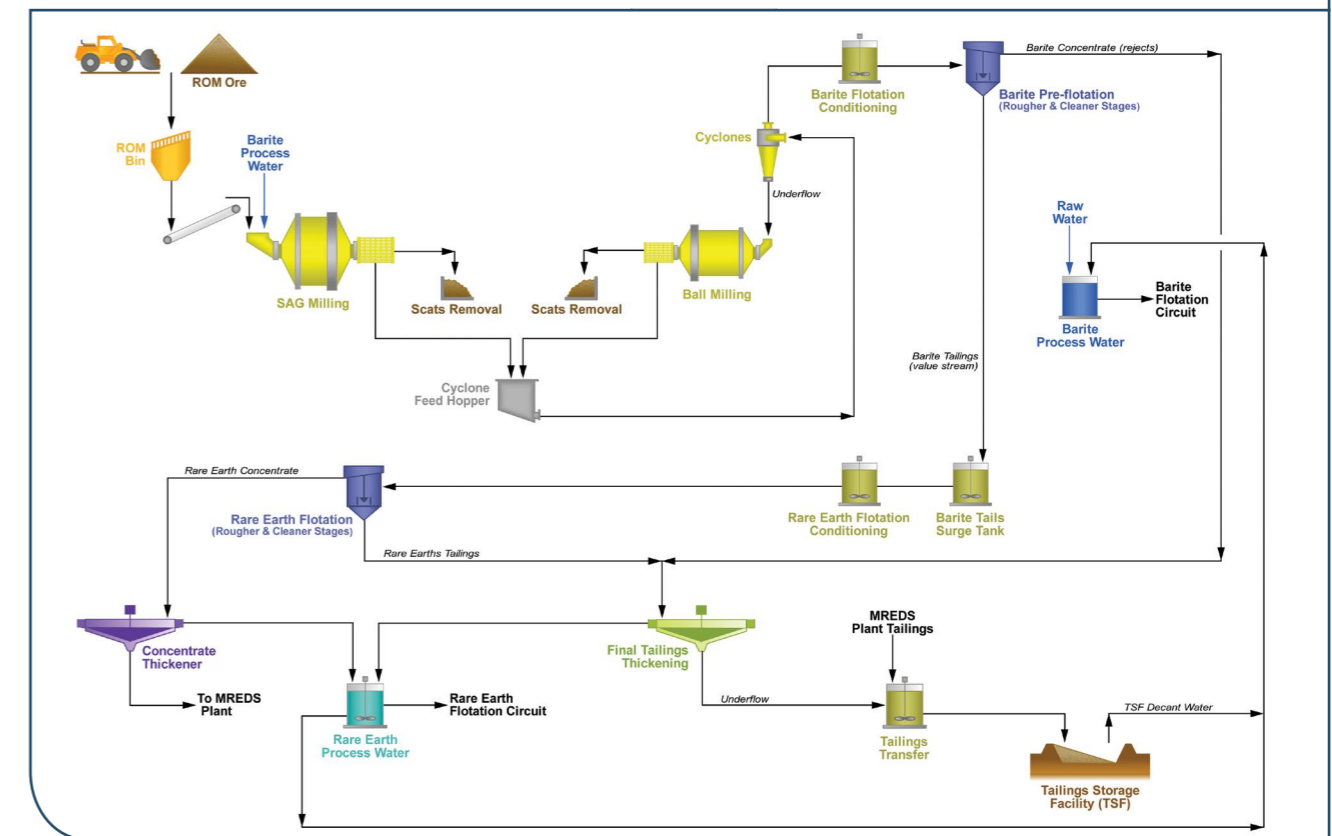


Figure 2: Longonjo MREDS refinery process flow diagram

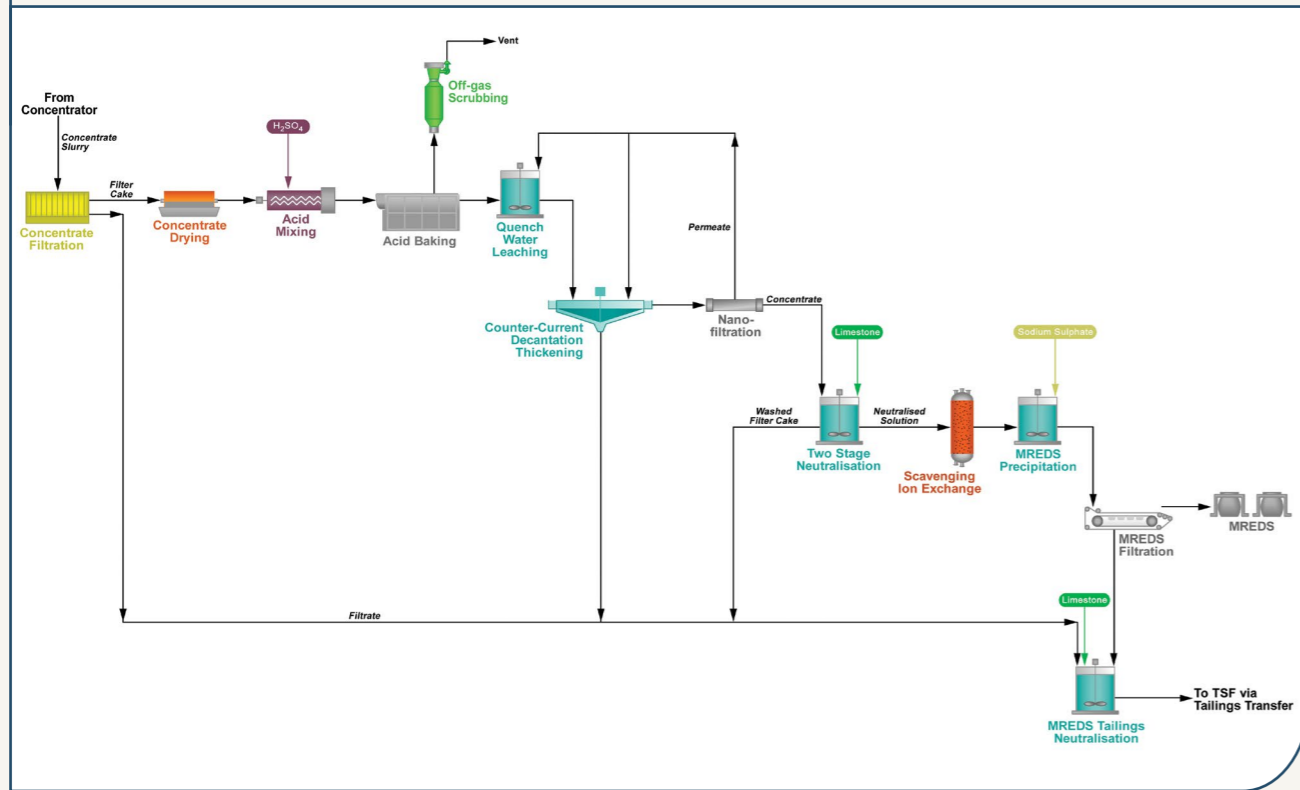
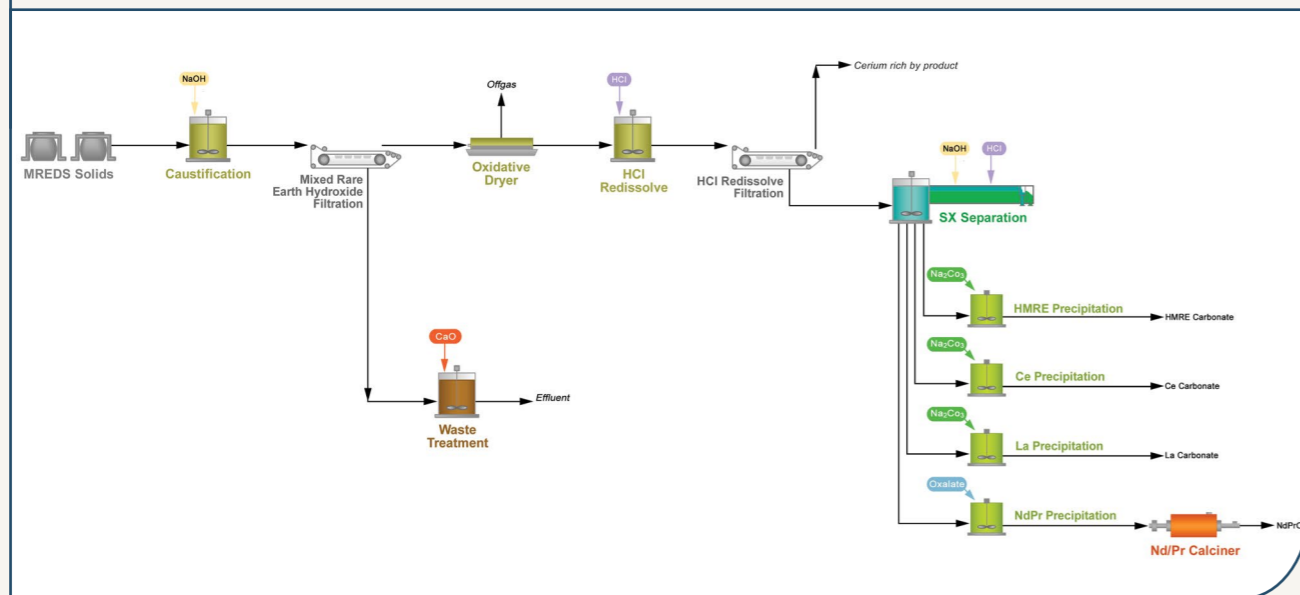
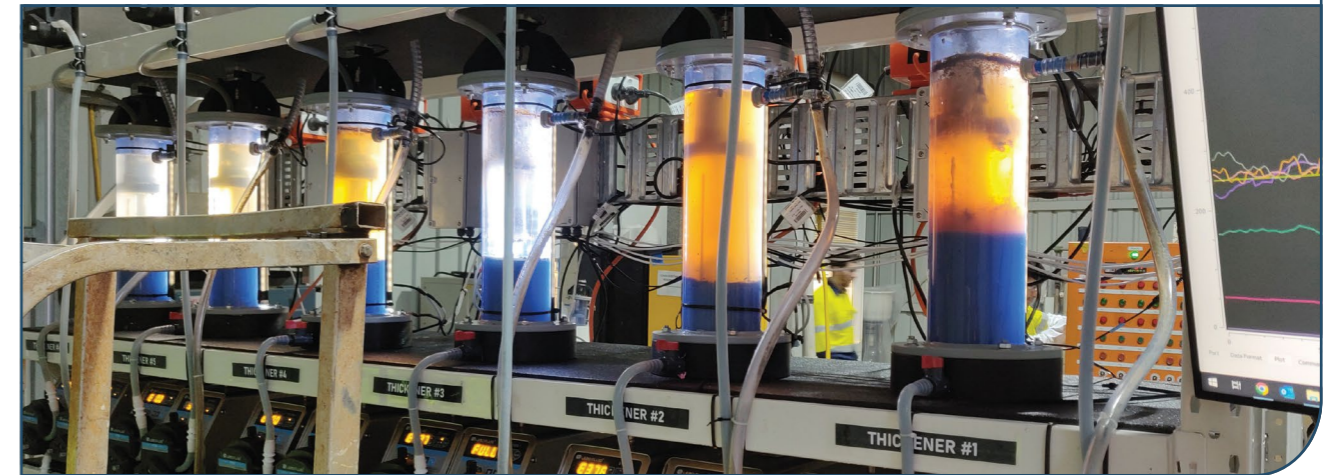


Figure 3: Saltend SX refinery process flow diagram



The images show examples of testwork stages that were undertaken.

Pilot plant leach extraction circuit in operation



Impurity removal circuit during operation



Carbonate product precipitation circuit setup



Acid-mixed material once the acid mixing parameters were optimised



The testwork for the MREDS plant design was undertaken by Nagrom at their facility in Perth, with vendors brought in as required. The following MREDS testwork was completed during the reporting period, with several items continuing:

- Continuous piloting of the acid mixing and baking circuits to produce representative feed for downstream processing, including exposure of corrosion coupons to process conditions to assist in the selection of appropriate materials of construction;
- Optimisation of the leach extraction process to reduce costs while still producing quality MREDS product;
- Piloting of the leach extraction and impurity removal processes, the latter of which is continuing, and will culminate in the piloting of the MREDS precipitation circuit; and
- Vendors of key equipment were invited to view their respective areas of the process, taking samples where required for equipment sizing.

Lastly, confirmatory testwork was undertaken on Saltend refinery processes to provide samples for vendor testwork and equipment sizing, including:

- front-end caustification, oxidation and redissolution of the Longonjo MREDS;
- solvent extraction (SX) isotherm development;
- impurity removal by ion exchange; and
- final product precipitation for equipment sizing.

The images show examples of testwork stages that were undertaken.

ENVIRONMENTAL AND SOCIAL IMPACT – LONGONJO

During the reporting year, the revised ESIA was completed for the revised life of mine. This report was completed independently by HCV Africa and Grupo Simples. The business has now moved into the implementation phase and is implementing the mitigations recommended by the report. The report included studies on biodiversity, soils, hydrology, hydrogeology, air quality, noise levels, visual effects and socio-economic aspects.

In parallel, the business has completed a comprehensive planning assessment for the resettlement action plan. This process has involved mapping out current land ownership and usage to ensure all those affected by the project can be suitably compensated. To ensure human rights were protected through this process, Development Workshop, a Huambo-based NGO specialising in Angolan land rights, led the process of identifying land ownership. The business is currently developing a compensation and eligibility matrix which will provide structure to ensure all project-affected persons receive fair and equitable compensation.

Additionally, the business is developing a livelihoods restoration plan. Through close collaboration between Pensana's local subsidiary, Ozango, Development Workshop 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 and to ensure food security for the people affected by the reduction of land and agricultural production. To ensure a more prosperous future for local populations, this project includes a component of sustainable agricultural development, including the development of demonstration plots to review effective agricultural practices for the area. Furthermore, partnerships have been developed with local universities and businesses including fertiliser producers and retailers to review the most effective package to support livelihoods restoration.

A systematic radiation monitoring programme on naturally occurring radioactive material continues to provide baseline data ahead of future development activities and has been implemented in accordance with independent oversight from Mr Mark Sonter of internationally respected Radiation Advice & Solutions.

OPERATIONAL READINESS

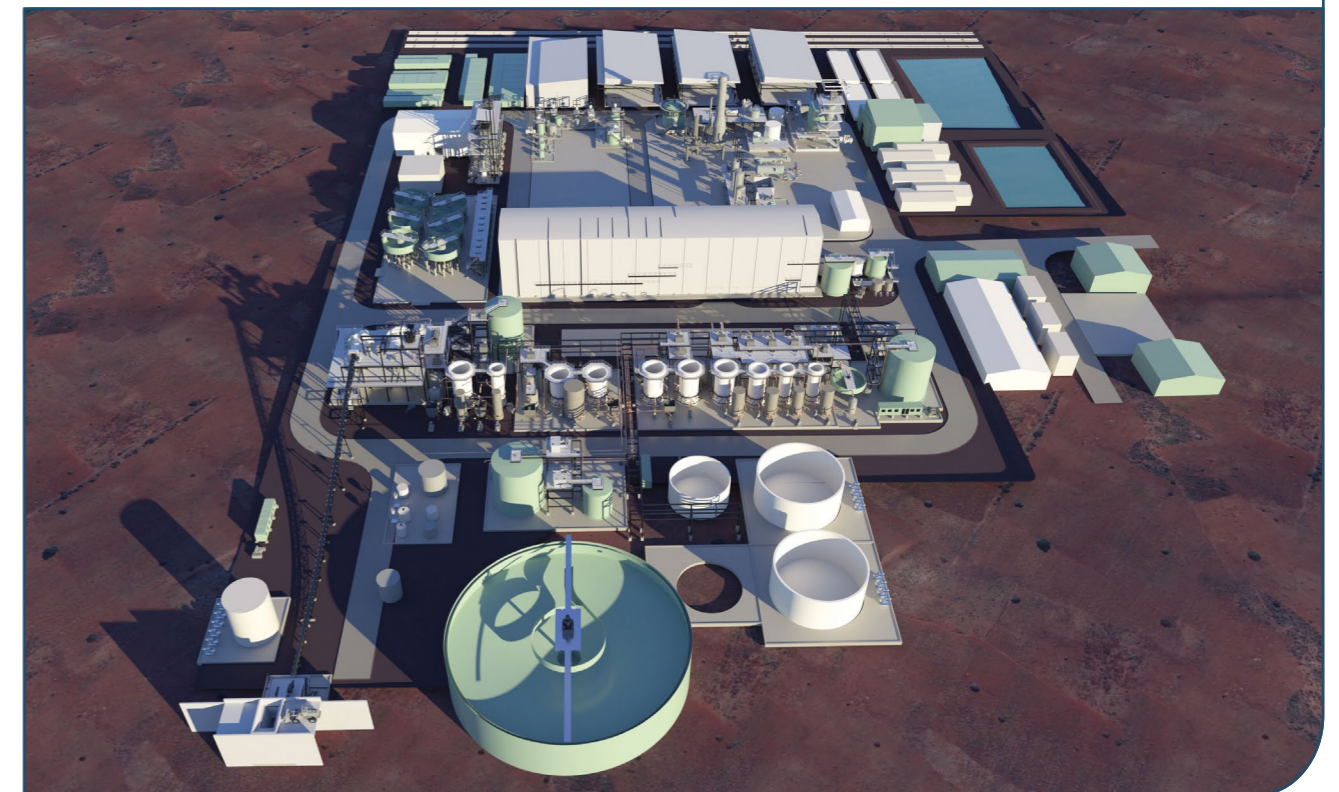
Recruitment for key positions in human resources, logistics, environment and safety commenced in 2022. Recruitment will continue into 2023 to support the early works programme and the start of construction. Angolan nationals have been prioritised for these positions. Engagement with local communities closest to the Longonjo Mine area has started to identify potential candidates for Paterson A-band and B-band positions.

Longonjo rail station

Loading samples into a container for transportation to the Port of Lobito



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



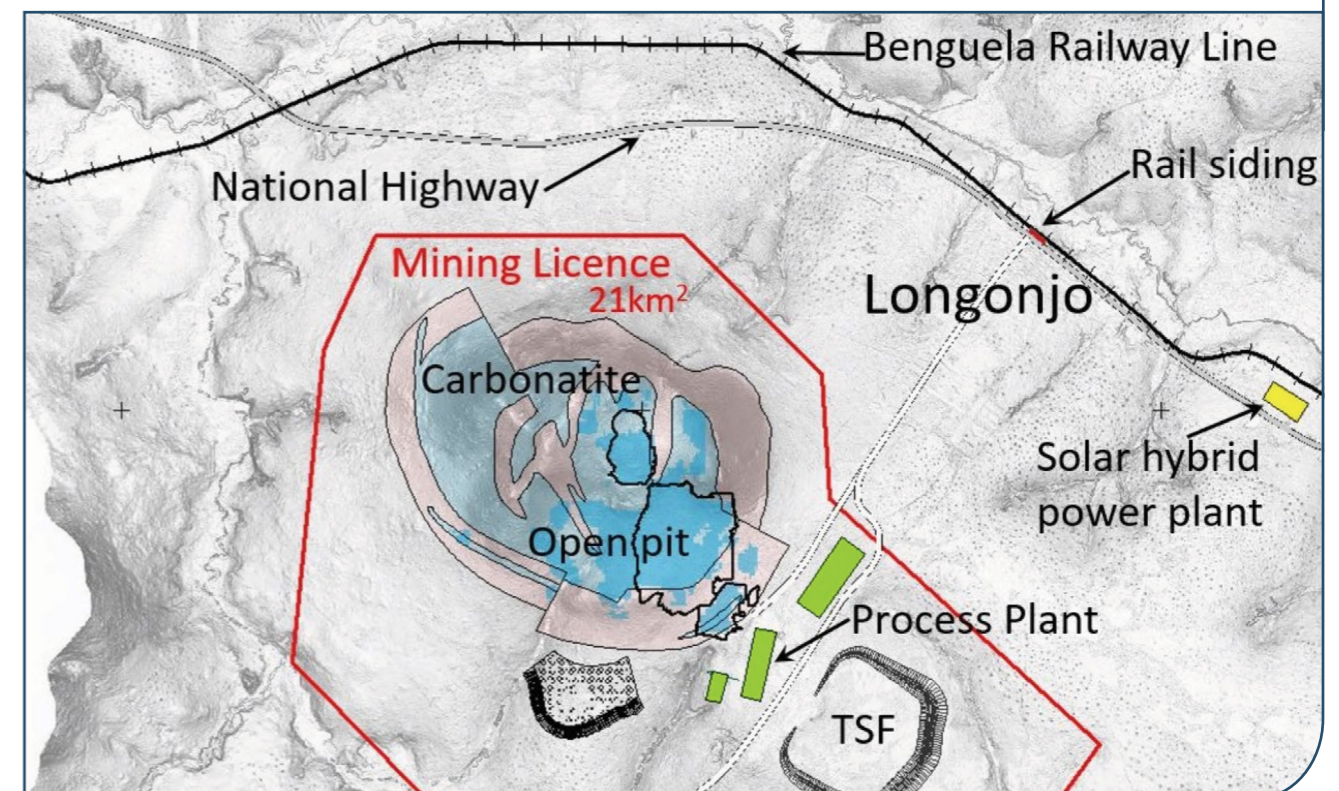
Consultations continued with the relevant authorities in respect of preparation for the mine construction and operations activities including:

- Port of Lobito – in respect of the arrangements for the import of project containers and equipment during the construction period. Engagements also included discussions on the operational requirements for the importation of the reagents for the operational phase with particular focus on the bulk reagent imports;
- Caminho de Ferro de Benguela – in respect of the arrangements for both the movement of goods for the project and operational phase as well as the proposed new rail spur to the mine;
- Rede Nacional de Transporte/Empresa Nacional de Electricidade de Angola – in respect of the bulk power requirements and connection to the hydroelectric power supply from the Huambo area; and
- Administração Geral Tributária – in respect of tax requirements for the project.

Additional operational readiness activities for the period included:

- Review and update of the operational manpower plan based on the information from the developing engineering and study work;
- Review and update of construction and operational vehicle requirements based on the information from the developing engineering and study work;

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



- Ongoing review of the reagent requirements and identification of alternative sourcing options;
- Development and review of group-level policies and procedures;
- Development of over 80 documents for the Longonjo Project consisting of policies, procedures, standards and checklists for use in both the project and operational phase;
- Engagement with various service providers on solutions for health, safety and the environment (HSE), procurement and maintenance management; and
- Setup of logistics infrastructure and processes with Deugro South Africa to manage the project logistics.

PARTNERSHIPS AND COLLABORATION

Post year-end, during September 2022, the company announced it will be partnering with Polestar on its goal of creating the first climate-neutral car by 2030. The scope of the Polestar 0 Project is to identify and eliminate all GHG from the extraction of raw materials to when the car is delivered to the customer and onwards to the end of vehicle life.

PROJECT DELIVERY TEAM

Following the groundbreaking ceremony at the Saltend rare earths processing hub, the company announced details of the highly experienced project delivery team which will be responsible for the delivery of the Saltend and Longonjo Projects.

The eight-person project delivery team is leading a team of 134 specialist engineers from various disciplines, many of them experts in their field, dedicated to the execution and commissioning of both projects.

Key appointments to the project delivery team include:

- Mr Hamish Westwater as project director for Saltend. Mr Westwater has over 30 years' experience delivering complex projects in the chemical engineering sector for both contractors and clients. He specialises in fast-track delivery and leading all project phases from FEED studies through to final commissioning and start-up;
- Mr Kevin Botha as project director for Longonjo. Mr Botha is a qualified electrical engineer and project management professional with over 45 years' experience in the global mining industry. He has worked for blue-chip international companies and as a director and owner of companies providing engineering and project management services to the sector. Mr Botha's global experience includes multi-billion dollar projects and related portfolios in Africa including Angola, Namibia, Botswana and South Africa; and

- Mr Jeremy Clarke as project sponsor for Longonjo. Having worked at executive technical level with Anglo American, Mr Clarke has over 35 years of experience in gold, uranium, copper, and diamonds. He was previously consulting metallurgist for De Beers where he was responsible for metallurgical excellence at their plants globally.

BOARD APPOINTMENTS

On 31 March 2022, Mr Robert Kaplan was appointed as finance director. 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 UK and sub-Saharan Africa corporate finance together with experience in mining operations in Angola, South Africa and Tanzania. Mr Kaplan previously held the position of chief financial officer (CFO) at Pensana from 1 January 2020 to 30 March 2022.

Post year-end, Ms Alison Saxby was appointed as an independent non-executive director with effect from 17 August 2022. Ms Saxby is an industry-leading expert with over 35 years of experience in industrial minerals and metals. She was previously a managing director at metals consultancy Roskill.

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 into separation of HREOs and further downstream expansion into magnet metal/alloy production and magnet recycling.

CORPORATE ACTIVITIES

Equity placings

July
2020

On 1 July 2020, the company issued 16,508,633 fully paid ordinary shares to the Angolan Sovereign Wealth Fund. 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 US\$5 million as announced on 11 June 2020.

August
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 LSE.

August
2020

On 11 August 2020, the company issued 821,157 fully paid ordinary shares to third-party service providers at a price of AUD0.33 per share, for a total of US\$0.2 million.

September
2020

On 25 September 2020, the group raised an additional US\$8.6 million (net of share issuance costs) via the placing of 13,500,000 fully paid ordinary shares with the Angolan Sovereign Wealth Fund.

January
2021

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 US\$0.2 million.

June
and July
2021

On 25 June 2021, the group raised circa US\$21.1 million (net of share issuance costs) via the placing of 12,500,000 fully paid ordinary shares to long-term shareholders, the Angolan Sovereign Wealth Fund and chairman, Mr Paul Atherley.

On 6 July 2021, 7,108,037 shares related to share awards were issued to executive management.

January
2022

On 6 January 2022, M&G invested £10.0 million in the company by way of a placement of 12,345,680 new ordinary shares.

Post
period-end

Post period-end, the group raised US\$10.0 million via the placing of 12,331,334 shares with Fundo Soberano de Angola, the Angolan Sovereign Wealth Fund.

DIRECTORS' SECTION 172 STATEMENT

The long-term strategy of the company is to establish Saltend as an independent, sustainable supplier of 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, we aim to introduce innovative NdPr solutions to power magnets, wind turbines, hybrid motor vehicles and more all while creating value for our 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 the success of the company will be to the benefit of all of its stakeholders.

During 2021 and 2022, the company's key focus was the finalisation of the FEED studies, value engineering and optimisation in preparation for initiation of early-stage construction at both the Saltend and Longonjo. Increased flexibility was further built into the business plan with the securing of the larger Reedmere site at Saltend catering for future scalability and flexibility on feedstock sourcing, expansion into HREOs, future magnet metal/alloy production and recycling as a natural progression of activities and part of our growing circular economy ambitions.

Alongside these technical and engineering workstreams, key ESG requirements were further inserted into the design process in co-operation with HCVA Africa, Ivy House and Grupo Simples and, in preparation for the main construction programmes in 2023, logistics and procurement optimisation support from Deugro served to defray some of the market uncertainties emerging over the past 12 months alongside the work done by the team in ensuring operational readiness preparation was given proper and timeous attention.

Completion of the 8,000m drilling programme on the Longonjo Project in the prior period, which supported the revised Mineral Resource estimate and highlighted the large resource that could be readily developed, was further enhanced during the year with the issuance of an updated Reserve Statement, evidencing both Proved and Probable Reserves.

On the corporate front, additional equity placings in January 2022 and September 2022, 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 and the subsequent consideration of a final investment decision and associated main financing.

Key collaborations with Polestar and Equinor, the signing of a letter of intent securing private wire connection to Yorkshire Energy Park, green bond accreditation from CICERO, the launching of our blueprint for sustainable rare earths and the signing of an memorandum of understanding with a major non-Chinese industry player to supply rare earth oxides from Saltend further added to our long-term ambitions of creating a truly sustainable independent rare earth processing hub with net zero carbon ambitions.

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. As part of the development of the ESIA on Longonjo any potential impacts on the local communities have been comprehensively assessed and suitable mitigation measures established. This has included the development of a stakeholder engagement plan including national government, provincial government, local authorities, traditional leaders and local communities living in the vicinity to the project. Both Ozango and Pensana have maintained regular dialogue with all stakeholders. As part of the mine and MREDS development, the business is required to undertake a programme of economic displacement. A resettlement action plan has been authored and filed with the Angolan authorities and a livelihoods restoration plan has been developed. Both of these were authored independently by reputable third parties, HCV Africa and Development Workshop, the latter an NGO specialising in land rights based in the Huambo province in Angola, with specialist agricultural support from VUNA AGRI. The business will move into the implementation stage of the programme prior to construction commencing and will ensure all affected are supported in ensuring food security and are offered opportunities for economic development. To deliver the livelihoods restoration plan, the business has appointed VUNA AGRI to provide expert agronomy support.

Engagement with the governments of Angola and the UK is another critical aspect of the company's strategy, and management has devoted considerable time to ensuring both governments have been supportive of the company. Much of this interaction has been through the Ministry of Mineral Resources, Oil and Gas, as well as other key departments, through written communication and meetings in Angola and with local council, and the Automotive Transportation Fund in the UK.

The relationship the company has with its key suppliers is vital, including those providing process engineering, mineral processing services, laboratory and analysis, as well as local suppliers and advisers. 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.

The company's workforce remained relatively small during 2021 and 2022, however, this is growing steadily as the company progresses towards project development roll-out and production and, as the company continues to rely on its staff and workers, increased emphasis is being 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 does 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.

Tim George
Chief executive officer

27 October 2022

Paul Atherley (Pensana chairman) and Hans Pehrson (Polestar Head of R&D and Electric Propulsion Strategy) at the Polestar 0 launch



GEOLOGY AND MINERAL RESOURCE

GEOLOGY

The Longonjo carbonatite is located within the north-east-oriented Lucapa Lineament of central Angola, as shown in Figure 1. Longonjo is a Cretaceous-age, sub-circular carbonatite diatreme, approximately 2.5km in diameter, which is intruded into Neoproterozoic granitic rocks. Rare earth elements (REE) including NdPr (neodymium and praseodymium) mineralisation is widespread across the carbonatite.

A horseshoe-shaped ring of hills surrounds much of the carbonatite and consists of more resistant potassic and sodic altered granitic country rocks (fenite) and carbonatite ring dykes. High-level explosion breccias of mixed carbonatite and fenite clasts form the bulk of the carbonatite body, with sub-vertical ring dykes and carbonate plugs cutting and intruding the northern and southern margins of the carbonatite and surrounding fenite.

A simplified geological interpretation of the carbonatite is shown in Figure 2. The fenite ring surrounding the carbonatite proper as illustrated also contains additional fenite bands and fenite-dominated breccias. The map in Figure 2 also shows the drilling completed to September 2020 on which the Mineral Resource estimate described in this report is based.

Figure 1: Simplified geological map of Angola showing the Lucapa Belt

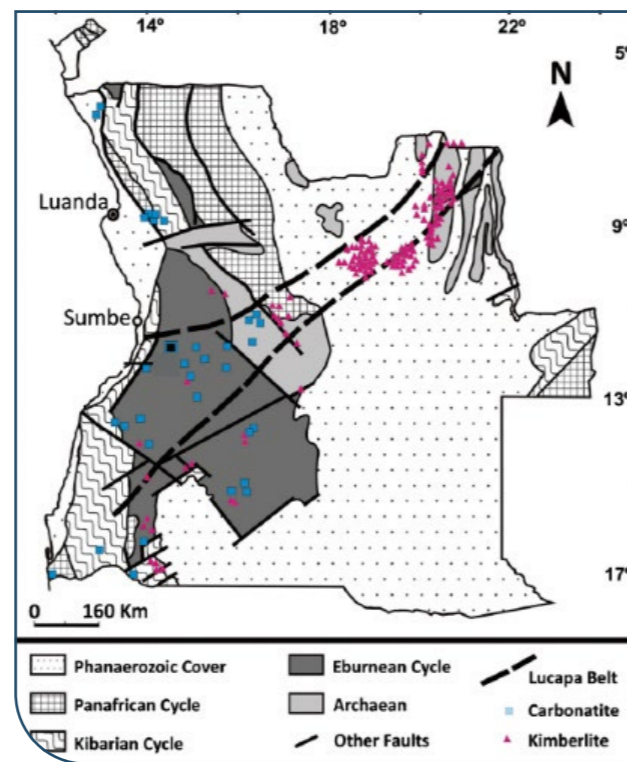


Figure 2: Simplified geological map of Longonjo with all drillhole collars as of September 2020

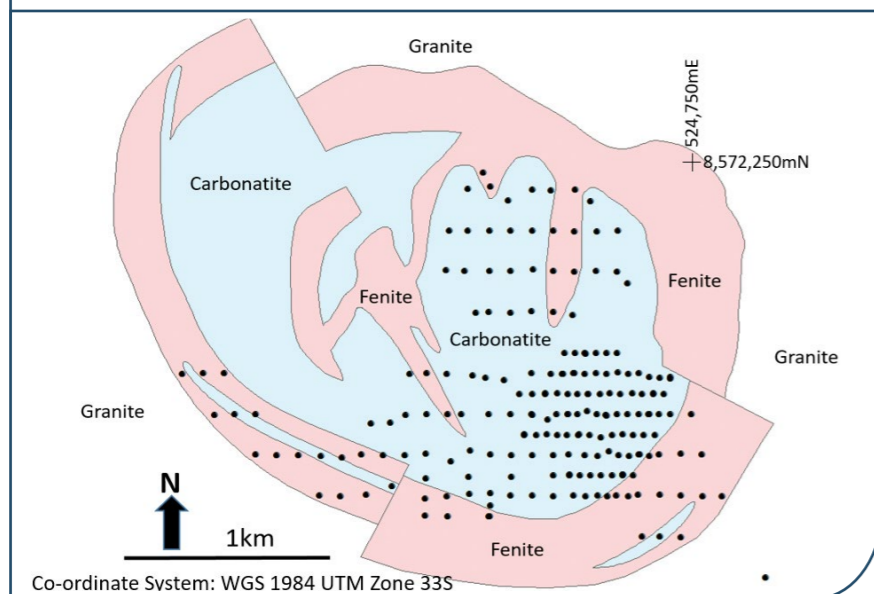


Figure 3: Plan view of the Mineral Resource block model for the weathered zone coloured by average NdPr grade over simplified geology of the Longonjo carbonatite. Resource categories highlighted

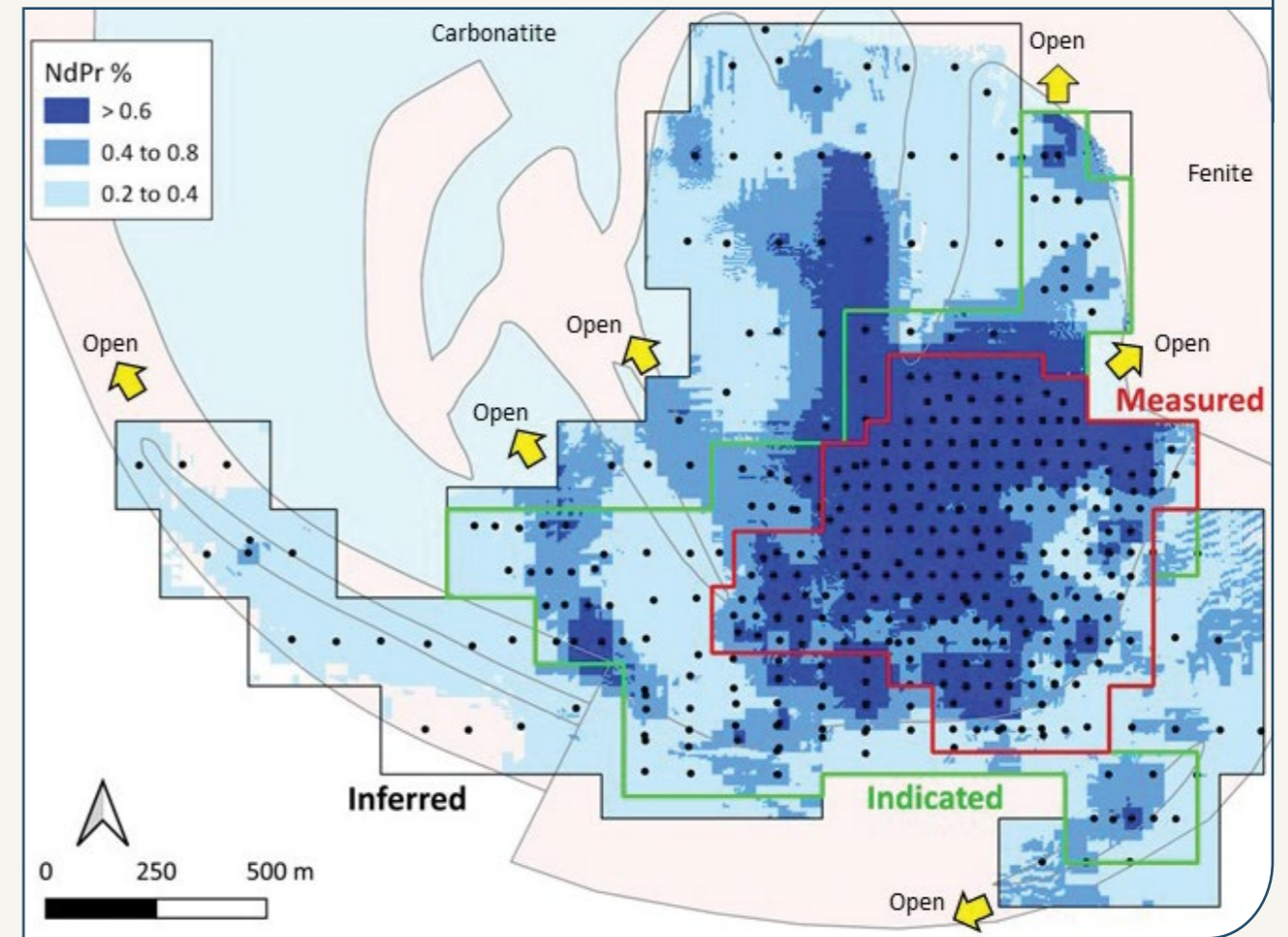
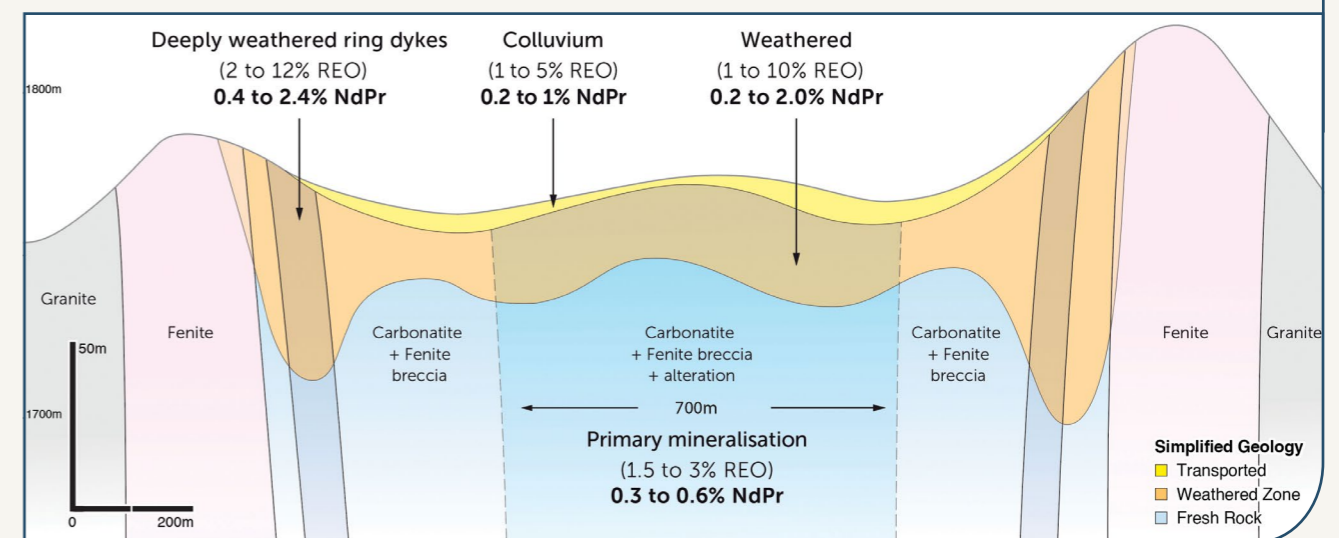


Figure 4: Schematic geological cross-section looking north across the Longonjo carbonatite showing styles and typical grades of NdPr mineralisation. Note vertical exaggeration



MINERAL RESOURCES

A 195 hole, 7,987m reverse circulation infill and extension drilling programme completed during 2020 was done in support of the geological studies. A series of high-grade intersections from this drilling were reported during 2020. COVID-19 restrictions delayed the transport of some samples, and the final batch of assay results was 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.

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 313Mt at 1.43% REO including 0.32% NdPr* for 4,470,000t of REO including 990,000t of NdPrO.

* 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.

Longonjo Mineral Resource estimate, Total, at 0.1% NdPrO cut-off grade

Mineral Resource estimate category	Tonnes (million)	REO grade (%)	NdPr grade (%)	Contained REO (tonnes)	Contained NdPr (tonnes)
Measured	26	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.

MINING ORE RESERVES

Post period-end, during September 2022, the competent person's statement for Longonjo's Ore Reserves was completed by Snowden Optiro and can be found on the Pensana website at: <https://pensana.co.uk/Company-Reports/>.

The Longonjo Ore Reserves are classified using the guidelines of the 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC).

In-pit Measured and Indicated Mineral Resources were used as the basis for deriving the Proved and Probable Ore Reserve estimates and were converted to an Ore Reserve using Whittle software which generated optimised pit shells based on various modifying factors, geotechnical domains and forecast operational costs and sales pricing.

Approximately 13Mt Measured Mineral Resources were converted to a Proved Ore Reserve (about 45% of the total Ore Reserve) and 17Mt of the Indicated Resources were converted to Probable Ore Reserves. This classification assessment of Proved was based on the latest pilot plant and other testwork results, which relate to samples representative of the first seven years of production; completed metallurgical evaluation; and due consideration of the modifying factors taken into account and referred to in the Ore Reserve Statement.

Refer to the 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 is summarised in the table below:

- 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 NdPrO 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).

The Ore Reserve estimate is summarised in the table below.

Longonjo Proved and Probable Ore Reserve September 2022 reported using a 0.3% NdPrO (approximate) cut-off

Classification	NdPrO cut-off (%)	Tonnes (Mt)	NdPrO (%)	TREO (%)	NdPrO (t)	TREO (t)
Proved	0.3 – 0.4	13.3	0.67	3.19	89,300	424,000
Probable	0.3 – 0.4	16.8	0.46	2.05	77,000	323,000
Total	0.3 – 0.4	30.1	0.55	2.55	166,000	767,000

Notes:

- Million tonnes are dry and rounded to one decimal place. Grades are rounded to three significant figures.
- No fixed cut-off is applied to the rare earths NdPrO; the cut-off varies between 0.3% NdPrO and 0.4% NdPrO.
- The variable NdPrO cut-off reflects the block cash flow positive method used to determine the economically viable portion of the resource.
- NdPrO tonnes and grade is inclusive of the TREO and not additional to it.

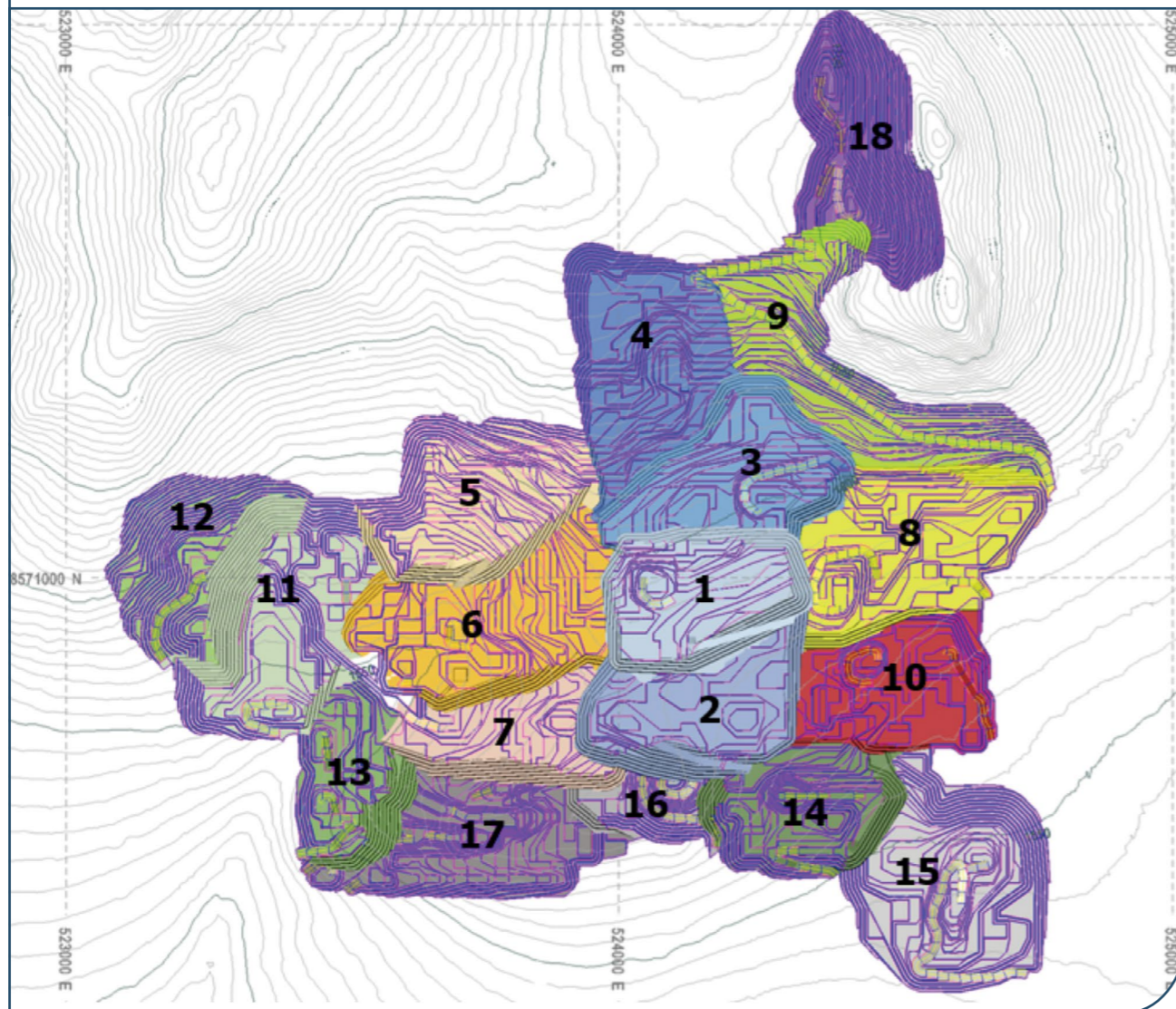
Mr Frank Blanchfield (competent person, Snowden Optiro), Mr Grant Hayward (Pensana head of geology) and other Pensana team members on site at Longonjo



MINING

As part of the work performed relating to the Ore Reserve Statement, an updated pit optimisation was run confirming the 20-year potential life of mine. Figure 5 indicates the mining stages over 18 years, plus two more years of processing material in the concentrator and MREDS plant from stockpiles.

Figure 5: Longonjo mining stage designs



COOLA EXPLORATION PROJECT

The company has made considerable progress on a variety of targets on the 7,500km² Coola Project. On 4 April 2022, the company reported significant high-grade TREO values from reconnaissance sampling at Sulima West and further highly anomalous TREO, scandium and fluorite values from an extensive rock chip and soil sampling programme completed at the Coola carbonatite. Subsequently, additional work has been completed on both the Sulima West and Coola carbonatite and in addition, exploration activities on two further targets have commenced: the Benga Nova magnetic anomaly and the Sulima ring structure/radiometric anomaly.

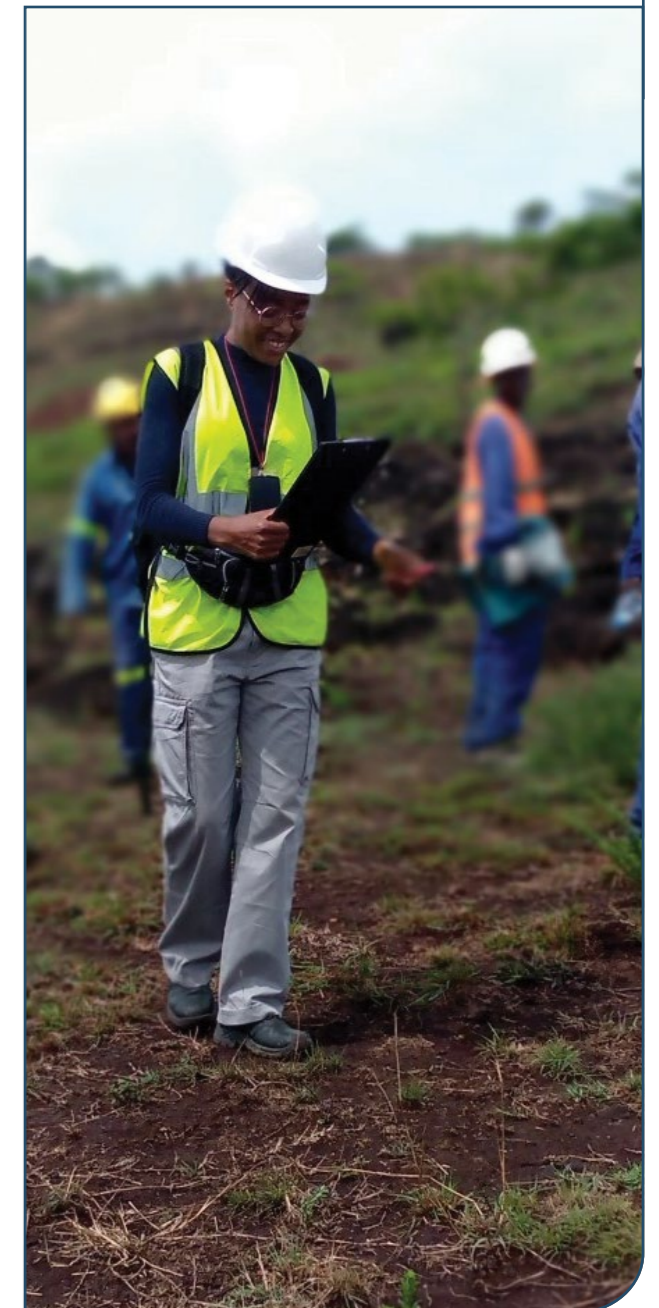
Sulima West is a 4.2km diameter ring structure with a corresponding radiometric anomaly. Inspection of the satellite imagery of this ring structure identified 10 large trenches located in the western segment of the structure. No information on these trenches was available from the Geological Institute of Angola but local anecdotal information reports that the trenches were excavated between 1960 and 1961 by the Companhia Minerais do Lubito. The trenches extend over an area of 40ha, are up to 90m in length and up to 5m deep. Over 15 pits have been located in the area with depths of up to 10m and evidence of at least three historical drill sites. The trenches and pits are excavated in an iron/manganese-rich laterite of

unknown thickness and are roughly 160ha in extent. The precursor lithology of the laterite is unknown but most likely represents a deeply weathered carbonatite, the laterite here being very similar to the laterite developed over the REE-enriched Longonjo carbonatite. The laterite is surrounded by fenite, as is the case at Longonjo. Initial sampling of the laterite within the trenches returned values of up to 10.6% TREO. The REE distribution is light REE-enriched and is suspected to be monazite as the highest TREO values correspond to the most anomalous phosphorous values. Recently, one of the historical trenches crossing the laterite was cleaned and channel sampled over 70m, and a historical pit was also channel sampled to 5m below surface. Soil sampling, rock chip sampling and radiometric surveys have also been completed to ascertain the extent of the laterite and associated REE mineralisation. Results from this sampling are expected in October 2022.

Systematic exploration of the Coola carbonatite target has led to the discovery of highly anomalous rare earth, scandium and fluorite mineralisation. This area has been geologically mapped and extensively sampled (soils, rock chip and auger). Rock chip sampling of the banded carbonatite returned values of up to 4.9% TREO and soil sampling over areas of soil-covered banded carbonatite returned values of up to 13.2% TREO. Preliminary mineralogical investigation indicates that the rare earth mineral is bastnaesite which occurs predominantly in the fresh-banded ferroan carbonatites as coarse aggregates of up to 2mm. The scandium-bearing mineral is yet to be identified; soil samples returned values of 30 to 220ppm scandium. The fluorite mineralisation occurs as late-stage hydrothermal veins in the fenites to the south-west of the ring structure, but soil sampling indicates that it is of limited surface extent. The central soil covered diatreme has not shown encouraging results from the auger drilling and pitting, however, these sampling methods could only attain a maximum depth of 5m and this central soil-covered area will be further investigated by drilling. Recently, samples of the banded carbonatite have been submitted for mineral liberation analysis testwork, and should these results indicate favourable REE liberation characteristics, resource drilling of the Coola carbonatite will commence in 2023.

Benga Nova target is a large and prominent circular magnetic anomaly to the north of Sulima West. Outcrop in the area is scarce except for a prominent massif (Benga Nova). The massif comprises a very coarse-grained syenite with up to 5% disseminated magnetite. The syenite is cut by 0.5 to 2m wide irregular veins of aphanitic mafic rock (phonolite) which show high magnetic response. The entire massif is homogeneous with minor variation in grain size or texture. The high magnetite content of this syenite and the mafic dykes are the causative bodies for the magnetic anomaly. Samples have been extracted for mineralogical studies and analysis.

Ms Geraldine Tchimbali – Site services manager on site at Longonjo



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 supported by the audit and risk committee oversees overall risk management. The executive committee 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	↔	<p>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.</p> <p>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. If appropriate, the group will enter into binding offtake agreements with the goal of preserving future revenue streams. Post year-end, a memorandum of undertaking with a major player outside of China has already been concluded with this in mind.</p>
Demand risk	Medium	Low	NEW	<p>Risk that forecast product demand may be lower than expected.</p> <p>Managing the risk The group actively monitors market demand, customer needs and potential new entrants into the rare earth industry.</p>

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
External risks continued				
Foreign exchange risk	Medium	Medium	NEW	<p>The group operates across multiple jurisdictions and is exposed to several currencies outside of its reporting currency, including the Angolan kwanza, Australian dollar, Euro and British pound.</p> <p>Managing the risk The group to date has raised finance in US dollars and British pound to align to input costs in the various jurisdictions it operates in. On completion of main financing, consideration will be given to foreign currency hedging.</p>
Market/customer concentration	Medium	High	↔	<p>Currently, China produces circa 98% of the world's rare earth magnets. China could manipulate market prices of rare earth oxides to control the number of new entrants into the market.</p> <p>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.</p>
Country and political	Medium	Medium	↔	<p>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.</p> <p>There is a risk that Angolan bank payments to service providers are not being made timeously causing a risk to the project in the form of lack of confidence in doing business in Angola.</p> <p>Managing the risk The group looks to always maintain strong local and national government relations in Angola and vigorous compliance with local regulations. The group will continue to engage with Angolan banks and regulatory bodies on a regular basis. Facilities that allow for payments outside of Angola within current regulatory frameworks have been established.</p>



Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
External risks <small>continued</small>				
COVID-19 and any further pandemics	Low	Low	↓	<p>The COVID-19 pandemic has had an impact on the group's businesses. The government lockdown conditions in Angola delayed early works at the Longonjo and Coola Projects, which have subsequently resumed.</p> <p>There is a risk of the resurgence of COVID-19 or another pandemic, and associated government-regulated restrictions in Angola and the UK, which will delay the group in carrying out its business activities at the Longonjo and Coola Projects and site development at Saltend and will ultimately delay the group's ability to reach production and start to generate cash and could have a material adverse impact on the group's operations and financial results.</p>
	<p>Managing the risk</p> <p>The board proactively monitors global and national trends and reviews management's contingency plans to manage operations under restrictions as a result of COVID-19 and potential restrictions due to future pandemics.</p>			
Operating risks				
Attracting skilled employees	Low	Medium	↔	<p>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.</p> <p>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.</p> <p>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.</p>
	<p>Managing the risk</p> <p>The board seeks to incentivise and retain key employees through an appropriate blend of short- and long-term incentivisation packages and share schemes that are appropriately aligned to the environment and conditions under which key management are operating.</p> <p>A project development team has been established for the construction phase at both Saltend and Longonjo and key operating personnel are currently being recruited to ensure a smooth transition from construction and commissioning to sustainable operations.</p>			

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Operating risks <small>continued</small>				
Development of the Longonjo and Saltend Projects	Low	Medium	↔	<p>The group's operations are at an early stage of construction development and future success will depend on the group's ability to manage the Longonjo and Saltend Projects (the projects) and the production of NdPr-rich MREDS 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 as a result of supply chain or inflationary pressures or may not be completed at all due to a number of factors, including but not limited to:</p> <ul style="list-style-type: none"> 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; and shortages or delays in obtaining critical mining and processing equipment. <p>There can therefore be no assurance that the group will complete the various stages of development necessary to begin generating revenue for the group at 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.</p>
	<p>Managing the risk</p> <p>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. Funding models have incorporated contingencies for project development and logistical delays as well as the current high inflation environment. The group has recruited an owners team to ensure active contract management to enforce any penalty clauses for project delays due to contractor delay.</p>			

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Operating risks <small>continued</small>				
Logistics challenges and delays	Medium	Medium	↔	Global supply chain challenges could result in logistical risks for equipment and material both for the project and operations phase.
	<p>Managing the risk Management have put in place contingency plans in respect of potential logistics risks for equipment and materials. This may include bulk movement of consumables by road. The group further continues to work with Angolan government entities to ensure that key logistics and infrastructural networks are in place for Longonjo. In addition, the group continues to support group projects for renewable energy supply to Saltend as well as exploring independent options for Pensana.</p>			
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 development expenditure and operating costs related to the Longonjo and Saltend Projects and exploration costs at Coola for at least the next 12 months. The group is in pre-production phase and therefore has no revenues from operations currently. The group needs to complete its main financing to ensure adequate funding of main construction at its Longonjo and Saltend Projects. There is a risk that funding may not be available and/or the cost of financing may be higher than expected.
	<p>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 engage 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. The group is currently in the process of raising financing for both operations which may include issuing a green bond which, together with further issues of equity and debt financing is expected to raise sufficient funding for the ongoing development of both the Longonjo and Saltend Projects.</p>			
Licence to operate	Low	Low	↔	To the extent approvals, community consent, 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.
	<p>Managing the risk The group continuously endeavours to foster strong relations with the Angolan and UK governments at a local and national level and ensures ongoing interaction with key stakeholders, including communities local to our sites and compliance with mandated licensing 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.</p>			

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Strategic risks <small>continued</small>				
Dependence on the Longonjo Project for feedstock and revenue generation	Medium	Medium to low	↓	The group's primary source of feedstock into the Saltend refinery is currently focused on the exploration and development of the Longonjo Project. While 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.
	<p>Managing the risk With the group having expanded its scope 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 third-party feedstock thereby reducing the reliance on Longonjo feedstock. The group is currently in discussions with various third-party feedstock providers that can reduce or supplement the Longonjo feedstock.</p>			
Environmental risks				
Climate change – physical (> 10 years) Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns	Medium	High	NEW	The rapid pace of climate change is a risk for all businesses. Pensana has identified its exposure to climate change for a period beyond 10 years as principal risk. This risk is a combined risk of all physical climate risks to the business. Internally reviewed risks which are grouped into the principal risk are: operational and physical asset risk to Pensana operational sites; exposure to the upstream supply chain for raw materials not adequately adapting to changes as a result of climate; and the effects of physical climate change on global availability of raw materials which may cause shortages, short term price volatilities and loss of supply routes.
	<p>Managing the risk The group is developing and will maintain comprehensive supply chain maps and will undertake regular climate assessments of supply routes focused on a risk basis. The group has appointed a climate change consultant to investigate future water availability, including flooding and drought, under climate change scenarios for Longonjo. Saltend physical risks have been assessed in accordance with all relevant English statutes and regulations.</p>			

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Environmental risks <small>continued</small>				
<p>Climate change – physical (> 10 years)</p> <p>Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change</p>	Medium	High	NEW	<p>Pensana could be exposed to transitional climate risks over 10 years into the future. This could include exposure with potential impacts on pricing, tax and public/customer perception.</p> <p>Public climate policy may increase taxation or costs and leave the business unable to compete on price with China and other new plants.</p>
				<p>Managing the risk</p> <p>The group will continue to work with partners (including governments, NGOs and commercial partners) to explore carbon reduction, including sourcing renewable energy and exploring innovative partnerships such as that with Equinor for the future use of hydrogen.</p>

3D rendering of the planned Saltend rare earth processing hub



CORPORATE GOVERNANCE REPORT

Dear shareholder,

I am pleased to introduce Pensana's governance statement under my tenure as chairman. Pensana is committed to upholding the highest standards of corporate governance and ethical business 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 continued to evolve over the past year thus ensuring the most appropriate balance of skills and expertise at board level for the company's current and future stages of development. The following board appointments were made during the reporting period, which have further enhanced the considerably high level and diversity of skills and expertise on the board:

- The CFO, Mr Robert Kaplan, was appointed as finance director on 31 March 2022; and
- Ms Alison Saxby was appointed as an independent non-executive director on 17 August 2022. Ms Saxby is an industry-leading expert with over 35 years of experience in industrial minerals and metals. Her expertise includes pricing, deep market knowledge, research and communications.

BOARD STRATEGY, PROCESS AND PERFORMANCE

The company announced in May 2022 that it had completed a FEED and value engineering study for the rare earth separation hub at Saltend Chemicals Park and the Longonjo operations. The FEED study is an important component of the company strategy of establishing an independent and sustainable rare earth processing hub in the UK. Saltend is targeting production of 12,500t of separated rare earths including 4,500t to 5,000t of NdPr oxides, representing around 5% of the projected world demand in 2025.

The board will continue to ensure that sufficient financial and other resources are in place to ensure the successful implementation of this strategy.

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 UK. This will include a non-negotiable commitment to health and safety and a 'can-do' attitude that has seen the company create the opportunity to build the world's first rare earth processing facility in over a decade and develop the world's first sustainable magnet metal supply chain to meet the burgeoning demand from electric vehicles and 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 for all involved.

GOVERNANCE POLICIES

Publicly disclosed policies as well as the company's code of conduct cover the business' approach to anti-bribery and corruption, whistle-blowing and diversity.

GOVERNANCE UPDATES

The company has fully adopted the provisions as set out in the UK'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

27 October 2022

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.

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 for the period ended 30 June 2022, 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 the:

- code of conduct;
- securities trading policy;
- health, safety and environment policy;
- shareholder communications and continuous disclosure strategy;
- risk management policy;
- board charter;
- diversity policy; and
- whistle-blowing policy and procedures.

QCA CORPORATE GOVERNANCE CODE PRINCIPLES AND RECOMMENDATIONS

The company hereby discloses how the provisions of the QCA Corporate Governance Code has been followed during the financial year.



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 UK 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's website and through the release of regular media and Regulatory News Service announcements, all of which are accessible via the company's website. The following additional information is available to shareholders via the company's website: <ul style="list-style-type: none"> • Information briefings to media and analysts; • Notices of all shareholder meetings and explanatory notes and documentation; and • Annual and interim reports. The company encourages shareholders to attend all general meetings of the company.

Principle 3	Application	Disclosure
The company should take into account wider stakeholder and social responsibilities and their implications for long-term success	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.	The board has identified all material stakeholder groups in the areas in which it operates in both the UK and Angola, and management has created forums and mechanisms to communicate with stakeholders and to obtain feedback from stakeholders. The ESG board sub-committee monitors 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	Application	Disclosure
Embed effective risk management, considering both opportunities and threats, throughout the organisation	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 the 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).	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 CEO 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 register's presentation to the board. The primary objectives of the risk management system at the company are to ensure: all major sources of potential opportunity for and harm to the company (both existing and potential) are identified, analysed and treated appropriately; business decisions throughout the company appropriately balance the risk and reward trade-off; regulatory compliance and integrity in reporting is achieved; and senior management, the board and investors understand the risk profile of the company. In line with these objectives, the risk management system covers: <ul style="list-style-type: none"> • operations risk; • financial reporting; • compliance/regulations; • system/information technology process risk; and • 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	Application	Disclosure
Maintain the board as a well-functioning, balanced team led by the chair	The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements.	The board is chaired by an executive director and comprises 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 meetings and reviewing relevant papers, the meetings themselves and subsequent follow-ups. Refer to page 76 for details of the number of meetings. Executive directors are required to make sufficient time available to discharge their duties in executive office. The board has formed and is supported by the following committees, each of which is chaired by an independent non-executive director: <ul style="list-style-type: none"> • Audit and risk committee; • Remuneration committee; • ESG committee; and • 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 on page 76 .

Principle 6	Application	Disclosure
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	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 the board composition will need to evolve to reflect this change.	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 ESG 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 on pages 8 to 10 .

Principle 7	Application	Disclosure
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	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.	Following additional board appointments during the year, an internal evaluation of the board will be managed by the company secretary at the end of the reconstituted board's first year of its term of office. The board nomination 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	Application	Disclosure
Promote a corporate culture that is based on ethical values and behaviours	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.	The board is committed to creating a corporate culture which is underpinned by the highest 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 broader 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. Post year-end, during September 2022, a formal whistle-blowing policy together with the associated procedures have been implemented. No matters have been reported to date.

Principle 9	Application	Disclosure
<p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity.</p>	<p>The board is 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.</p> <p>The board is committed to ensuring that the governance structures as reported on in the annual report will evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>
Principle 10	Application	Disclosure
<p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>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.</p>	<p>The annual report includes details of the key reportable activities of all board committees during the year.</p> <p>A principle risks and uncertainties report as well as a section 172 statement are included in the company's annual report on pages 24 and 32 respectively.</p> <p>The results of all voting at a shareholders' meeting will be disclosed on the company's website.</p>

Pensana chairman, Mr Paul Atherley at the Saltend processing hub groundbreaking ceremony



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Pensana made continued progress on its ESG performance. During the reporting period, the business was successful in gaining third-party recognition confirming the alignment of its Saltend Project with the CICERO shades of green rating for sustainable finance.

The innovative methodology used by CICERO is aligned to the ICMA's Green Bond Principles and issuance of an opinion provides robust independent verification that Pensana's Saltend Project is aligned to best practice in the climate financing sector.

Pensana takes its responsibility towards addressing ESG very seriously. To support the desire to build the world's first sustainable magnet metal supply chain to meet the burgeoning demand from electric vehicles and offshore wind, a full-time sustainability manager remains in post as a member of the business' executive committee and reports directly to the CEO. The CEO has responsibility for the delivery of ESG at Pensana and the board oversee ESG through a mandated board sub-committee chaired by non-executive director Baroness Lindsay Northover, with the remainder of the membership being non-executive director Mr Steve Sharpe and CEO Mr Tim George. In April 2022, the board attended a training session on ESG delivered by Dr Sarah Gordon from respected ESG consultancy, Sartarla. The session covered all aspects of ESG and both current and emerging trends.

Post period-end, Pensana launched its ambitious blueprint for sustainable rare earths. This ESG strategy document provides a mapped-out plan of how Pensana intends to achieve 11 sustainability ambitions from across the ESG suite over the short, medium and long term. These ambitions include, among others, an aim to be net zero no later than 2040, an aim to produce the lowest-carbon rare earth products and a plan to protect and enhance nature. The strategy also includes a commitment to embed ESG at the core of every decision the business makes. Pensana will demonstrate its commitment to the highest ESG standards and will do so by using external assurance throughout its ESG programmes. This will be used to provide confidence to investors and customers that the business' claims are reliable and meet the most rigorous standards required by stakeholders.

ESG risk 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. The general effectiveness of the approach is reviewed by the ESG committee, including the management of health, safety and environmental risks. Risks specific to climate change beyond a period of 10 years are disclosed in the principal risks and uncertainties section (refer to **page 37**).

The business remains committed to its membership of the United Nations Global Compact, the TCFD and Oh Yes! Net Zero, the latter a partnership between businesses in the Humber region committed to working together to deliver net zero for the region. The business further emphasises its commitment to aligning its work to the Equator Principles and the International Finance Corporation Performance Standards.

Progress continues towards developing a traceable supply chain and, over the reporting period, Pensana has identified its material data points for internal and external reporting. While not all of these are yet applicable, data deemed applicable for external reporting for the FY2022 by the business, based on the current levels of operations, is published on **pages 53** to **55**.

Through the integrated risk assessment processes for climate change, the company has identified long-term climate change as a principal risk to the company. This risk covers climate change more than 10 years into the future. Pensana has already completed modelling of the physical risk to the Saltend site as part of the UK statutory requirements for the planning process and has undertaken a high-level desk-based review of climate risk in Angola. To enable the company to further understand the physical climate risk at the Longonjo Mine site, an expert team from consultancy HCV Africa has commenced a detailed study of physical climate risk for the life of mine, which will model the areas of, among others, drought, flooding, rainfall and heat. The detail of this and the scenarios

and climate change models used can be seen in the TCFD disclosure starting on **page 48**. The company has developed qualitative risk and opportunity assessments from transitional risk using internal expertise. Quantitative financial impact modelling will be developed by the company going forward as part of the company's progressive approach to managing climate change-related risks.



CLIMATE AND CARBON

The extraction and processing of NdPr rare earths 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. 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 its commitment to being climate aware, Pensana has voluntarily become a partner of the TCFD. Therefore, Pensana will report fully against the recommendations of the task force one year ahead of the requirement to do so by the Financial Conduct Authority. The voluntary disclosure starts on **page 48**.

To ensure Pensana supports the demand from customers and investors to develop not only products to support climate change, but products which themselves have a low carbon footprint, the business has instructed Route2, a leading consultancy in developing carbon footprinting, to develop a product life cycle carbon emissions analysis aligned to the GHG Protocol Product Life Cycle and Reporting Standard. This will allow Pensana to demonstrate its full value chain carbon credentials and support the business to explore further targeted carbon-reduction opportunities to facilitate further reductions aligned to a 1.5°C reduction pathway.



ENVIRONMENT AND ECOLOGY

Longonjo

In this period, the business completed the ESIA process. This included completing and making available the bankable version, and the Portuguese language version was submitted to the Angolan Ministry of Culture, Tourism and Environment.

While the project was structured to identify risk areas early in the process, and therefore embedded multiple risk mitigations in the previous reporting period, the business remains committed to embedding the environment within its decision-making and is working towards ISO14001. This includes the

previously highlighted commitment to reduce the area of the mining plan to avoid an area of high-conservation value, home to species of conservation concern including the endemic Angolan Cave Chat (*Xenocopsychus ansorgei*). 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 with environmental legislation and International Finance Corporation Performance Standards. Applying high operating standards has included ensuring the planned construction of the tailings storage facility (TSF) meets the requirements of the Global Industry Standard on Tailings Management and that comprehensive monitoring and reporting plans are designed and integrated early to advise if any risks emerge. A post mining plan has been developed and will be continually evolved throughout the life of the mine. To assist with the delivery of the environmental programme, a job role has been advertised for a specialist health, safety and environment manager to co-ordinate Ozango's environmental and health and safety management systems.

Saltend

The business was successful in achieving planning permission for the Saltend site. This process involved engaging with regulators and statutory consultees including the Environment Agency and Natural England. As part of the process, Pensana has built in engineering amendments to ensure the site is mitigated against fluvial flooding for a 5%, 1% and 1% with climate change and a 0.1% annual exceedance probability design storm events. This evaluation process utilised both public Environment Agency climate models, and also a separately commissioned hydraulic modelling assessment, to provide more granular and up-to-date data to allow the business to plan for flood risk mitigation. While the planning process identified the operational area not affecting or being within any land classifications, Pensana has voluntarily committed to habitat enhancement through the allocation of grasslands and the planting of trees to bolster the surrounding habitat.

Furthermore, as part of the environmental permitting requirements, the business has undertaken a number of risk and environmental assessments. These assessments show that the facility will not adversely impact on local air quality, cause any ground water pollution and will not impact the habitats or residential/industrial/commercial receptors surrounding the site with regard to noise, odour, dust, accidents, fires, surface water discharges or flooding. The facility will be operated utilising the best available techniques for this sector so as to comply with the Environmental Permitting Regulations 2016 and all relevant Environment Agency guidance.



COLLEAGUES AND COMMUNITY

Health and safety

In the reporting period, Pensana has continued its record of not yet having any lost time or recordable health and safety incidents across the group. The business has completed a full review of its health and safety governance and management system at group level and has updated its structure to adapt to the growing business. The review has included reviewing and updating documented processes, performance indicators and reporting procedures to ensure senior management can effectively oversee the health and safety implementation at each of the subsidiaries. Each subsidiary leads and is responsible for its own health and safety performance. The group CEO remains responsible for overseeing health and safety performance across the group with the group's audit and risk committee responsible for board oversight. The business continues to work towards ISO45001 certification for each of its subsidiaries.

While currently all staff are encouraged to engage in health and safety procedures and the business has developed practices for monitoring and mitigating risks where they exist in current operations, as part of the evolution of the management system, project areas are in place to further develop the business' approach to occupational health, hazard and incident reporting, incident investigation, auditing, worker consultation, specialist work areas and training.

Communities

Pensana takes the social implications of its business impacts seriously and is aware of both the potential challenges and the positive impacts we can have on an area.

Longonjo, Angola

As part of the development of the ESIA on Longonjo, any potential impacts on the local communities have been comprehensively assessed and suitable mitigation measures have been established. This has included the development of a stakeholder engagement plan including national government, provincial government, local authorities, traditional leaders and local communities living in the vicinity of the project. Both Ozango and Pensana have maintained regular dialogue with all stakeholders.

As part of the mine, concentrator and MREDS development, the business is required to undertake a programme of economic displacement. A resettlement action plan has been authored and filed with the Angolan authorities and a livelihoods restoration plan has been developed. Both of these were authored independently by reputable third parties HCV Africa and Development Workshop, the latter an NGO specialising in land rights based in Huambo province in Angola, with specialist agricultural support from VUNA AGRI. The business will move into the implementation stage of the programme prior to construction commencing and will ensure all affected are supported in ensuring food security and are offered opportunities

for economic development. To deliver the life likelihood resettlement programme, the business has appointed VUNA AGRI to provide expert agronomy support. VUNA AGRI's track record of delivering successful agricultural programmes across Africa will aid the business in developing a long-term economic benefit for the Longonjo area.

As Ozango grows its employee base in the Longonjo area, the business is aiming to, as far as is safe and feasible, recruit local staff for the operation of our sites to ensure we are providing opportunities for the communities local to our operations.

Saltend, UK

Pensana has developed strong relationships with stakeholders across the spectrum. As part of the successful planning application, the business liaised with local elected officials and with local residents to answer questions and concerns raised as part of the planning. The business is developing strategic partnerships with local educational institutions including the Universities of Leeds and Lincoln to review prospects for research collaboration and development opportunities.

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 AND CORPORATE GOVERNANCE

Pensana aims to uphold the highest standards of ethical business. Publicly disclosed policies cover the business' approach to anti-bribery, corruption and diversity alongside the detail within the company's code of conduct. Furthermore, the business has set up a working group, led by the company secretary team, to review and develop governance structures, policies and procedures. Full details of the implementation of corporate governance policies are contained in the corporate governance report, which forms part of this annual report.

In the reporting period, Pensana published its first modern slavery report aligned to the requirement under section 54 of the Modern Slavery Act 2015. This demonstrated the business' approach to the issue including the organisational structure, risk identification, policies, due diligence and the effectiveness of the approach.

To further demonstrate Pensana's commitment to sustainability, the business remains a signatory to the United Nations Global Compact, is a partner of the TCFD and has joined the newly formed Oh Yes! Net Zero coalition, which is a collaboration of small and large businesses based in the Humber area who, through exploring partnerships, share the goal to help the region decarbonise.

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>

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As part of Pensana's voluntary commitment as a partner of the TCFD, we have voluntarily disclosed against the recommendations publicly. This section is our first TCFD submission and is one year ahead of our statutory requirement to do so. This disclosure covers the reporting period from 1 July 2021 to 30 June 2022.

1a
Describe the board's oversight of climate-related risks and opportunities

Disclosure	<p>The board has responsibility for group risk and opportunity through the audit and risk committee. Climate risks are integrated and therefore reported and managed via the same channels as other risks across the business.</p> <p>The group ESG committee has oversight of the climate and carbon workstream and reviews the effectiveness of the business' approach to all ESG areas, including climate.</p>
Progress during 2021/2022	<p>Terms of reference for the ESG committee have been defined and approved.</p> <p>The ESG committee's role is to oversee the carbon and climate workstream with day-to-day operations integrated within business operations and risks managed via the audit and risk committee.</p>

1b
Describe management's role in assessing and managing climate-related risks and opportunities

Disclosure	<p>Senior management oversee risk across the business in each of their respective areas, including climate risk. As climate risks are integrated, where technical support is required, it is provided by internal expertise and, where relevant, external experts are appointed.</p>
Progress during 2021/2022	<p>The business-wide climate risk and opportunity review has been completed and new risk categories have been added to the group risk register.</p>

2a
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

Disclosure	<p>Pensana has identified its primary strategy as a significant climate-related opportunity.</p> <p>Pensana has identified the potential physical and transitional risk of climate change over a period beyond 10 years (long term) as a principal risk to the business (refer to page 37). One of the challenges in assessing these risks is the lack of reliable data on both rare earth production and on climate change in Angola. While Pensana has endeavoured to use the most current and relevant information available, further information is still needed and Pensana is taking additional steps to instruct expert contractors to model the risks directly associated with the projects. This will allow for more accurate risk assessments once this work is completed.</p> <p>Pensana remains on a journey towards fully embedding climate change within its corporate governance and more details on this can be found in the Pensana blueprint for sustainable rare earths which has been published post year end and can be found on the Pensana website at https://pensana.co.uk/sustainability/</p> <p>The specific risks contributing to the principal risk rating are:</p> <p>Transitional</p> <ul style="list-style-type: none"> Public climate policy increases taxation or costs and leaves the business unable to compete on price with China and other new plants, including carbon leakage; Carbon-intensive value chain activity does not decarbonise and becomes exposed to carbon pricing and taxation regimes thus increasing price (including transportation and supply); and Remaining presence of hard-to-abate CO₂ emissions in operations effecting 'net zero', carbon costs and corporate ambition. <p>Physical</p> <ul style="list-style-type: none"> Upstream supply chain not adapted for climate change, from both physical asset risk and availability of resources causing increased availability shortages, short-term price volatilities and loss of supply routes; Physical climate risk to transportation of material through the value chain either by ship, air, road or rail including both transportation phase and associated loading, unloading and storage logistics; and Physical climate impacts from drought and flooding for operations, power supply and wider community use in Angola. <p>Quantitative financial impact modelling will be developed by the business going forward as part of the company's progressive approach to managing climate change-related risks.</p>
Progress during 2021/2022	<p>During the reporting year, Pensana has commenced mitigation work focused primarily on developing a robust understanding of the scale of the risk to the business. In order to gain a more detailed and bespoke understanding of the climate risks to the business, more than 10 years into the future, Pensana has:</p> <ul style="list-style-type: none"> instructed an independent organisation (Route2) to complete full GHG product analysis (aligned to the GHG Protocol Product Standard) to identify the areas exposed to carbon risk and to identify opportunities to continually reduce the emissions of our product aligned to a 1.5°C pathway; and commissioned an advanced physical climate risk assessment of the Longonjo site and the power supply, which will use data from the University of Cape Town's Climate Systems Analysis Group. This project will use a multi-scenario approach to create a detailed risk factor for Longonjo including the risk from drought and flood. <p>Additionally, design work through the optimisation process has identified further de-risking opportunities including:</p> <ul style="list-style-type: none"> identifying water savings, water recycling opportunities and increased water consumption efficiency to reduce reliance on requirements for water abstraction; and working with supply chain partners to identify their climate risk profile to enable further development of Pensana's understanding of its supply chain risk.



2b

Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

Disclosure	<p>Climate change has had a significant influence on the business as the core strategy and development plan are focused on a market opportunity to sell a product identified as being essential for reaching global net zero.</p> <p>The business has taken a number of decisions to address the risks and opportunities from climate change. This has included studies into constructing and financing a new power line to connect the Longonjo site to the Angolan grid, sourcing renewable power and optimising electrification in the processes across the business.</p>
Progress during 2021/2022	<p>Continued progression to develop a sustainable supply of rare earth materials is essential in addressing the green energy transition.</p>

2c

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Disclosure	<p>Pensana's strategy to develop a sustainable supply of rare earths was tested against two of the International Energy Agency's climate scenarios from their World Energy Model. Using their stated policies scenario and their sustainable development scenario, the models showed a threefold and sevenfold increase in demand for rare earths for clean energy technologies, respectively. The sustainable development scenario represents a well below 2°C scenario and the stated policies scenario a more conservative benchmark considering actions put in place to achieve benchmarks globally. Under both scenarios, Pensana's strategy and business plan demonstrated robust strength in a sector essential to global net zero.</p> <p>As part of the planning application process for the Saltend refinery site, the Hedon SFRA L2 Infoworks ICM model was utilised as a basis for the hydrological modelling exercise to allow the business to plan for flood risk mitigation at the site.</p> <p>As discussed above, quantitative financial impact modelling will be developed by the company going forward.</p>
Progress during 2021/2022	<p>Pensana has stress-tested its core business strategy against climate scenarios developed by the International Energy Agency.</p> <p>Physical resilience of the Saltend site has been assessed against Environment Agency and Pensana-commissioned models and suitable engineering controls have been put in place.</p>

3a

Describe the organisation's processes for identifying and assessing climate risks

Disclosure	<p>Pensana has identified three time horizons over which it identifies climate risk. These are aligned to the business' development stages and are: less than three years (construction and early operations); three to 10 years (optimisation) and greater than 10 years (established operations and, where relevant, post operations). Each climate risk is assessed separately for each of these three time horizons to allow management to understand the risks over the different time horizons and direct mitigations and capital as is suitable.</p> <p>Pensana works on an integration philosophy for climate risk. Colleagues in each business area are empowered to include both physical and transitional climate risks within their own assessments. This is supported by technical expertise from the in-house ESG team and, where relevant, external consultancies.</p>
Progress during 2021/2022	<p>An amendment was made to the group risk process to include an adapted rating system for climate risks. This is aligned to the main system but adjusted to cater for three timescales (<3 years; 3 to 10 years; >10 years).</p> <p>Completion of the maiden transitional risk and opportunity assessment.</p> <p>The physical risk assessment process of the Saltend site has been completed as part of the planning application, with suitable design mitigations put in place.</p>

3b

Describe the organisation's processes for managing climate-related risks

Disclosure	<p>Climate risk management is integrated within business processes. Risks are overseen by the group audit and risk committee which is responsible for the business' appetite for risk and ensuring suitable mitigations are in place. Risks are managed throughout the business hierarchy and climate risks aligned to other areas are escalated through management as required.</p>
Progress during 2021/2022	<p>Management instructed and ensured completion of a group-wide climate risk screening including transitional and physical risk.</p>

3c

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

Disclosure	<p>Pensana's approach to climate risk is wholly integrated with the business' approach to risk with only a slight adjustment to assess risks over three time horizons.</p> <p>Each business area is responsible for their own risk and opportunity assessments. Technical support is provided on climate expertise by in-house experts or through appointment of specialist external consultants.</p>
Progress during 2021/2022	<p>Climate risk has been added as a category to the group risk register template.</p>



4a

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy

Disclosure Pensana will measure, record and publish its carbon emissions aligned to the GHG Protocol on an annual basis from this reporting year; the business will continue to develop and evolve its methodology for calculating these emissions. Risks specific to climate change are disclosed in the principal risks and uncertainties section (refer to **page 37**).

Progress during 2021/2022 Development of an internal basis of reporting to produce uniform data from across the group.

4c

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Disclosure Pensana has committed to developing a sustainable supply chain for rare earths and as such, the business will develop appropriate metrics and targets in due course. These will include a carbon-reduction target aligned to scientific reduction pathways.

Progress during 2021/2022 Internal research projects have been undertaken to review baseline activity and forecast future activity for the business.

4b

Disclose scope 1, scope 2 and, if appropriate, scope 3 GHG emissions, and the related risks

Disclosure Refer to the ESG data tables starting on **page 53**.

Progress during 2021/2022 We have developed and implemented a basis of reporting and methodology for calculation of carbon emissions.
A project has commenced to assess the full value chain carbon emissions assessment for the NdPr product.

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



ESG DATA FOR THE PERIOD ENDED 30 JUNE 2022

CLIMATE AND CARBON

Data point	Angola	UK*	Total	Methodology
Scope 1 GHG emissions	97tCO ₂ e	–	97tCO ₂ e (FY2021: For this period, Pensana consumed less than 40MWh of energy within its direct operations and was therefore exempt on the grounds of low usage)	Calculated using the GHG Protocol and based on a boundary of operational control.
Scope 2 market-based GHG emissions	–	–	–	Calculated using the GHG Protocol and based on a boundary of operational control. The business does not yet import any electricity into its operations.
Scope 3 emissions	n/a	n/a	n/a	The business has not reported scope 3 emissions as it is not yet feasible with the nature of the project to do so.
Emissions intensity	n/a	n/a	n/a	In order to meet the requirements of the Streamlined Energy and Carbon Reporting Regulation, Pensana is required to report an emissions intensity. However, as the business has zero revenue and zero product output a relevant intensity cannot be calculated.

* Pensana currently has no operations under operational control in the UK.

Where no figure is quoted for a prior reporting period, no disclosure was made.

ENVIRONMENT AND ECOLOGY

Data point	Angola	UK*	Total	Methodology
Permit or compliance breaches (environmental)	–	–	–	Upheld breaches of environmental permits or government-induced conditions such as planning consents against the business.
Energy consumption directly from electricity	1,300kWh	–	1,300kWh	Calculated using the GHG Protocol and based on a boundary of operational control; note the business does not yet import any electricity into its operations. Energy consumption from electricity reported for Angola is all self-generated from on-site solar power. Solar power self-generation calculated through pro rata method based on data availability.
Energy consumption not from electricity	388,300kWh	–	388,300kWh	Calculated using the GHG Protocol and based on a boundary of operational control. Consists solely of diesel oil, with energy factor taken from 'Carbon emission factors and calorific values from the UK Greenhouse Gas Inventory (2021)'.
Total energy consumption	389,600kWh	–	389,600kWh	Calculated using the GHG Protocol and based on a boundary of operational control.
Water import – from ground water	1,500m ³	–	1,500m ³	Water which is being held in, and can be recovered from, an underground formation (as defined by CDP ¹).
Water import – from fresh surface water	–	–	–	Water that is naturally occurring water on the earth's surface in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers and streams, and has a low concentration of dissolved solids (less than 10,000mg/l total dissolved solids) (as defined by CDP ¹). No Pensana sites are yet connected to fresh water supplies.
Water import – from third party	–	–	–	This includes water provided by municipal water suppliers, public or private utilities, and waste water from any other organisation (as defined by CDP ¹). No Pensana sites are yet connected to municipal water supplies.

* Pensana currently has no operations under operational control in the UK.
¹ Definitions taken from the CDP Water questionnaire (accessed September 2022): <https://www.cdp.net/en/guidance/guidance-for-companies>.

Where no figure is quoted for a prior reporting period, no disclosure was made.

COLLEAGUES AND COMMUNITY

Data point	Angola	UK*	Total	Methodology
Total recordable case frequency rate	–	–	– (FY2021: –)	Total recordable cases are the sum of all new occupational injuries and disease cases that meet ICMM ¹ recording criteria during the recording period ¹ .
Total recordable injury frequency rate	–	–	–	Total recordable disease cases are the sum of all new occupational disease cases that meet recording criteria during the ICMM ¹ recording period in the categories of occupational respiratory disorders, occupational hearing loss, musculoskeletal disorders, occupational cancers and other occupational medical disorders as described in the definitions for recordable disease cases ¹ .
Total recordable fatalities	–	–	–	A fatality is defined as the death of a worker from an occupational injury or disease. A fatality is recorded when death is a direct result of an occupational injury or disease ¹ .

* Pensana currently has no operations under operational control in the UK.
¹ For the purpose of health and safety reporting, Pensana uses the International Council on Mining and Metal's (ICMM) Health and Safety Performance Indicators Guidance published in 2021. As per the guidance, all frequency rates are calculated per 1,000,000 hours worked. The guidance from the ICMM can be accessed here (accessed September 2022) https://www.icmm.com/website/publications/pdfs/health-and-safety/2021/guidance_health-and-safety-indicators.pdf

Where no figure is quoted for a prior reporting period, no disclosure was made.

ETHICAL BUSINESS AND CORPORATE GOVERNANCE

Data point	Angola	UK*	Total	Methodology
Breaches upheld relating to ethical business	–	–	–	Breaches of ethical conduct upheld by the business after being raised and investigated.
Breaches raised via internal whistle-blowing	–	–	–	Queries raised via internal whistle-blowing upheld as breaches after investigation.
Gender split on board	Male 83%/Female 17%			% members of Pensana Plc board broken down by gender as of 30 June 2022.
Gender split in workforce	Male 85%/Female 15%	Male 64%/Female 36%	Male 80%/Female 20%	% employees within Pensana Plc and all subsidiaries under operational control as of 30 June 2022.

* Pensana currently has no operations under operational control in the UK.

Where no figure is quoted for a prior reporting period, no disclosure was made.

SUSTAINABLE VALUE CHAIN

Lobito Port

The state-of-the-art Lobito Port is connected directly to the Benguela railway line which provides an efficient low-carbon transport mechanism. Once loaded, it travels to the port in Hull where it is unloaded directly to the plant with no need for carbon-intensive road travel.

Longonjo Mine

Longonjo Mine will be constructed aligned to best ESG practice. This has included instructing an independent ESIA during the planning stage, building a power line to enable use of hydropower as part of operations and adjusting the mine area to exclude areas of biodiverse and cultural significance.

Longonjo MREDS plant

The on-site MREDS plant will process ore into a MREDS product. This means more raw material will remain on site and Pensana will be transporting a product of lower weight and volume, reducing shipping requirements and carbon emissions.

Mine TSF

The mine TSF will be constructed in line with the Global Industry Standard on Tailings Management, the leading ESG standard in the sector. This means the TSF will be built, and monitored and aligned to the latest leading safety and social standards.

Yorkshire Energy Park

Pensana has signed a letter of intent securing private wire connection to battery storage operated by Yorkshire Energy Park under which it will have access to 4MW rising to 10MW of low-carbon electricity for 10 years.

Hydrogen2Humber

Pensana has signed a co-operation agreement with Norwegian company Equinor with respect to potential offtake of hydrogen to facilitate recycling of used rare earth magnets.

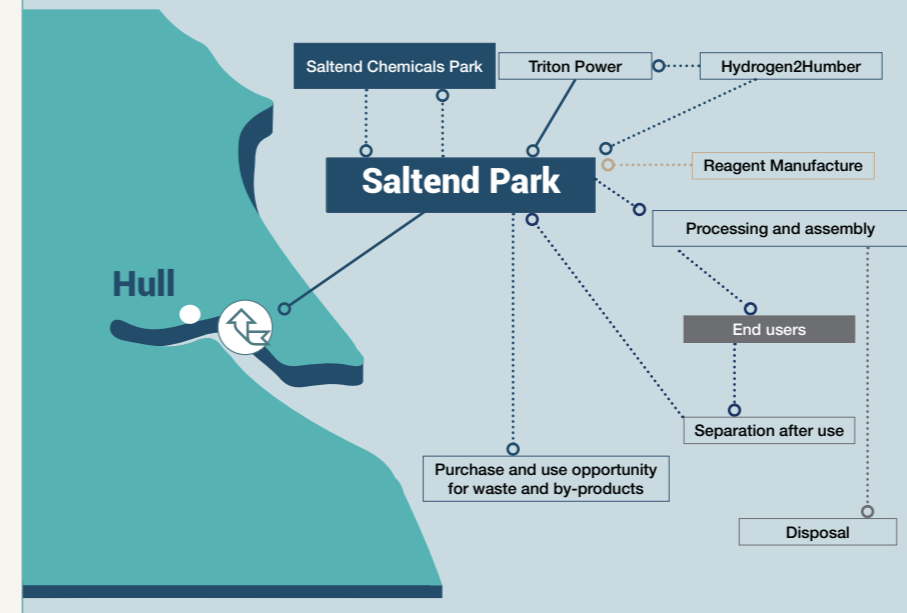
Saltend Chemicals Park

The Saltend processing plant will be built within the existing Saltend Chemicals Park which allows Pensana to plug-and-play into utilities, and existing infrastructure. This means shared expertise and facilities to manage environmental risk.

Reagent manufacture

Carbon emissions from chemical reagent production (scope 3) will be considered in procurement decisions to ensure that the impact on the global climate is minimised.

HUMBER FREEPORT, UK



Saltend Plant

The Saltend plant will operate aligned to robust English law which sets high standards for mitigating health, safety and environmental risks.

The design will include solar panels for self-generation of renewable energy, and the business is also exploring future connections to benefit from the investment in renewable power from North Sea wind.

By-product production

Purchase and use opportunity for waste and by-product

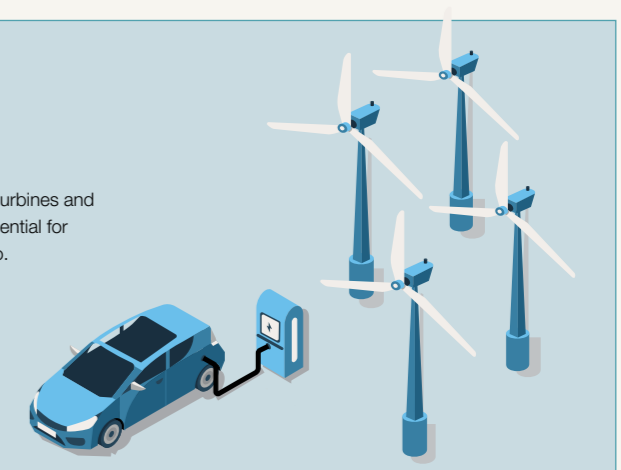
The NdPr separation process will result in other products being created. These products might not necessarily be primary revenue-generators, but to ensure Pensana minimises its waste going to landfill, routes to market for by-products are currently being explored.

Processing and assembly

Pensana will develop digital traceability to ensure products can be traced back to their original place of origin tagged with ESG credentials.

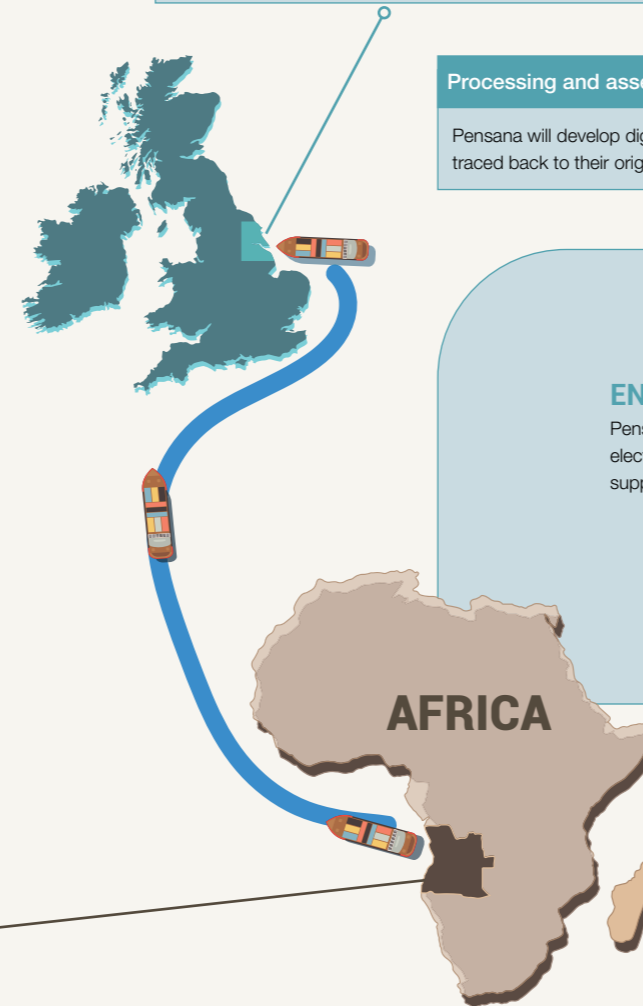
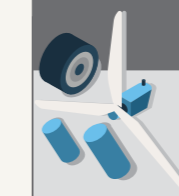
END USERS

Pensana's NdPr will be used in wind turbines and electric vehicles and are therefore essential for supporting the drive to global net zero.



Disposal Separation after use

Pensana is aiming to support the circular economy by investing in research and infrastructure to develop a recycling facility for rare earths. This will reduce the quantity of used magnets going to landfill and reduce the need for virgin feedstock taken through mining.



REMUNERATION REPORT

STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The remuneration report outlines remuneration awarded to directors and non-executive directors during the year.

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

As part of this process, the remuneration committee completed a major review of the remuneration policy in 2021. This review considered the latest governance developments, independent evaluations of market trends, the evolving views of shareholders alongside input from the committee's independent advisers. Consequently, several recommended changes were proposed and submitted at the last annual general meeting (AGM) held on 9 December 2021. A resolution to approve the directors' remuneration report was tabled for consideration by shareholders. A total of 71,909,111 votes were cast with 99.51% of shareholders voting in favour and 0.49% voting against.

Once again, the shareholders will be asked to approve the annual remuneration report as an ordinary resolution at the AGM in December 2022.

With the new remuneration policy in place, the committee considered the overall performance of the group as well as that of each director during the year ended 30 June 2022. Remuneration including short- and long-term incentives was awarded in line with the performance conditions of the remuneration policy with additional conditionality in respect of the short-term incentives (STIs).

For the purposes of this report, key management personnel 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 auditor, BDO LLP, is 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

27 October 2022

OVERVIEW OF THE POLICY AND HOW IT WAS APPLIED FOR FY2022

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 2022. With effect from 1 July 2022, executive director base annual salaries, reflected in British pound to align to their contract terms, were as follows: <ul style="list-style-type: none"> Mr Paul Atherley – £288,750 (2021: £275,000); Mr Tim George – £315,000 (2021: £300,000); and Mr Rob Kaplan – £220,000 (2021: prior to this date, Mr Kaplan acted as key management).
Benefits	
Provision of an appropriate level of benefits for the relevant role and local market.	Executive directors do not currently receive any benefits.

Variable remuneration

Annual bonus

Linked to key financial, operational, HSE, socio-economic development and strategic goals of the company, which reflect critical factors of success.

Maximum opportunity for FY2022 of 150% of salary.

The committee reviewed the annual bonus targets for FY2022 to ensure that they are aligned to our strategic priorities subject to finalisation of the FEED study and completion of main financing. The bonus scorecard for FY2022 was linked to:

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

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

Long-term incentive (LTI) plan

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

Share awards were issued to executives during the year. These awards are subject to six performance conditions: absolute total shareholder return (TSR) (market-based), lost time injury frequency rate (LTIFR), full financing of the Longonjo Project, full financing of the Saltend Project, construction completion of the rare earth separation facility (RESF) and production of the RESF.

LTI awards are subject to a two-year holding period post vesting to further align executive remuneration to shareholder interests. The LTI awards are also 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.

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 focused on simplicity, consisting of fixed remuneration, an annual bonus and a single LTI plan.

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 roll-out, 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 2022.

	Salaries and fees US\$	Total fixed US\$	Bonuses US\$	Benefits US\$	Options and rights US\$	Total variable US\$	Total 2022 US\$
Non-executive directors							
S Sharpe ¹	50,183	50,183	–	–	–	–	50,183
J Beeton	66,232	66,232	–	–	–	–	66,232
S Bates ²	16,558	16,558	–	–	–	–	16,558
L Northover	66,232	66,232	–	–	–	–	66,232
Executive directors							
T George	364,531	364,531	258,303	–	558,634	816,937	1,181,468
P Atherley ³	364,273	364,273	236,778	–	–	236,778	601,051
R Kaplan ⁴	62,920	62,920	40,898	–	111,726	152,624	215,544
Key management							
R Kaplan	188,760	188,760	122,694	–	335,180	457,874	646,634
R Smith	238,640	238,640	163,592	–	–	163,592	402,232

¹ Appointed on 29 September 2021.

² Resigned on 29 September 2021.

³ Served as executive chairman since 1 July 2021.

⁴ Appointed as executive director on 31 March 2022.

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

	Salaries and fees US\$	Total fixed US\$	Bonuses US\$	Other ¹ US\$	Benefits ³ US\$	Options and rights ⁵ US\$	Total variable US\$	Total 2021 US\$
Non-executive directors								
P Atherley ²	56,483	56,483	271,114	251,345	–	6,053,262	6,575,721	6,632,204
M Hohnen ⁶	63,349	63,349	–	–	–	–	–	63,349
N Maclachlan ⁶	62,384	62,384	–	–	–	–	–	62,384
S Bates ⁴	48,983	48,983	–	–	–	–	–	48,983
L Northover ⁴	45,222	45,222	–	–	–	–	–	45,222
J Beeton ⁴	22,410	22,410	–	–	–	–	–	22,410
Executive directors								
T George	232,327	232,327	305,003	–	–	1,961,250	2,266,253	2,498,580
D Hammond ⁴	177,090	177,090	–	–	21,005	1,569,000	1,590,005	1,767,095
Key management								
R Kaplan	200,234	200,234	203,335	–	–	1,569,000	1,772,335	1,972,569
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 US\$156.90 (113.0 pence).

³ D Hammond received superannuation contributions during the period. No other executive received pension benefits during the year.

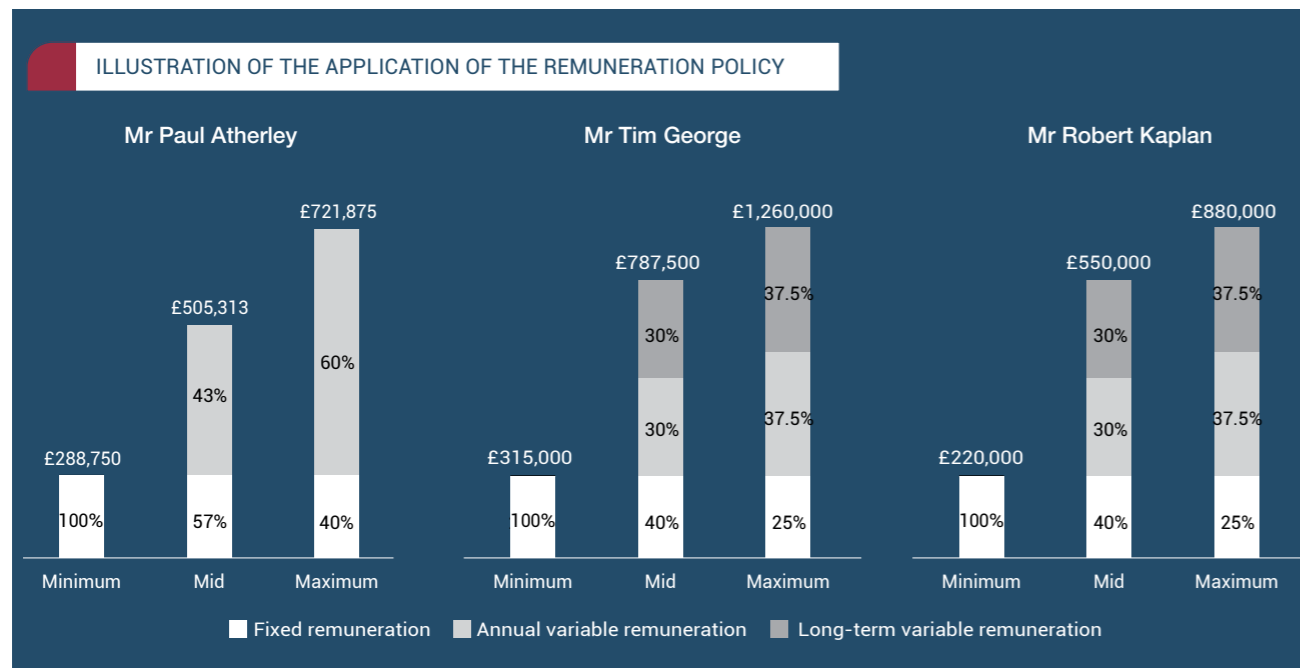
⁴ Appointed during the year. S Bates joined the company on 10 August 2020, L Northover on 2 November 2020 and J Beeton on 2 March 2021. D Hammond resigned on 30 December 2020.

⁵ Restated to more accurately reflect the market value on vesting date. (In the prior period report, the table stated the IFRS 2 charge with the market value at vesting disclosed by way of footnote. The table now reflects the market value at vesting date).

⁶ Resigned 30 June 2021.

Pensana employees at Saltend site visit





The charts above have been compiled using the following assumptions:

Fixed remuneration	Salary as at 1 July 2022
Variable remuneration	<ul style="list-style-type: none"> Annual bonus: maximum award of 150% of base salary; and LTI plan: maximum award of 150% of base salary.

PERFORMANCE SCENARIOS

Minimum	Fixed remuneration only
Medium	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> Annual bonus: assumes a bonus payout of 50% of maximum; and LTI: assumes vesting of 50% of maximum.
Maximum	Fixed remuneration plus variable pay for the purpose of illustration as follows: <ul style="list-style-type: none"> Annual bonus: assumes a bonus payout of 100% of maximum; and LTI: assumes vesting of 100% of maximum.

ADDITIONAL NOTES TO THE TOTAL REMUNERATION TABLE

For FY2023, the committee has determined that the base salaries (per annum) for the executive directors should be as set out below:

	Base salary from 1 July 2021 £	Base salary from 1 July 2022 £
Executive directors		
T George	300,000	315,000
P Atherley ¹	275,000	288,750
R Kaplan ²	190,000	220,000

¹ Served as executive chairman, effective 1 July 2021.

² Appointed as executive director on 31 March 2022.

SHARE-BASED PAYMENTS

Performance rights

2022

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

2021

During the prior 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 Limited.

2021 – amendment to historical performance rights

Director/key management personnel	Number of rights	Fair value ¹ per right	Original vesting conditions	Original grant date	Original expiry date	Vesting status
P Atherley	3,858,037	n/a	Completion of the definitive feasibility study (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 the concentrator by end December 2020	22 April 2019	22 April 2019	Fully vested
T George ¹	1,250,000	US\$0.014 (£0.0108)	Commencement of concentrate sales by end 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 the concentrator by end December 2020	1 January 2020	31 December 2020	Fully vested
R Kaplan ¹	1,000,000	US\$0.15 (£0.11)	Commencement of concentrate sales by end 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 prior year, the amended awards were repriced to reflect the extended vesting conditions. The following inputs were used under the Black-Scholes model:

- Stock pricing US\$0.0956
- Exercise price US\$0.0010
- Time to maturity Four years
- Risk-free interest rate 1.6%
- Annualised volatility 100%

Share-based options

2022

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

2021

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

Share-based options holdings of key management personnel as at 30 June 2022

Name	Balance as at 1 July 2021 Number	Granted Number	Vested in shares Number	Balance as at 30 June 2022 (beneficial interest) Number
T George	1,250,000	–	(416,667)	833,333
R Kaplan	1,000,000	–	(333,333)	666,667

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

Share-based options holdings of key management personnel as at 30 June 2021

Name	Balance as at 1 July 2020 Number	Granted Number	(Vested in shares) Number	Balance as at 30 June 2021 (beneficial interest) Number
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
R Kaplan	2,000,000	–	(1,000,000)	1,000,000

LONG-TERM INCENTIVE PLAN SHARE AWARDS

2022

The company recently established an employee incentive plan and share awards were issued to executive directors and key management personnel during the year.

These awards are subject to six performance conditions, namely:

- financing of the Longonjo Project (12.5% of award);
- financing of the Saltend Project (12.5% of award);
- construction completion of the RESF (12.5% of award);
- first production at the RESF (12.5% of award);
- TSR – annual compound share price growth of 20% plus dividends over a three-year period (35% of award); and
- LTIFR target ratio of zero, subject to industry standard and remuneration committee review.

The vesting period for these shares is three years from 1 July 2021.

Share awards issued to executive directors and key management personnel

Name	Grant date	Quantity of shares awarded	Vesting period
T George	16 May 2022	708,333 ¹	Three years ending 30 June 2024
R Kaplan	16 May 2022	487,500 ¹	Three years ending 30 June 2024
R Smith	16 May 2022	400,000	Three years ending 30 June 2024
		1,595,833	

¹ The FY2021 allocation was added to the FY2022 allocation due to the expanded scope around the FEED study and the associated timing delays. As the KPIs could not be finalised, management agreed to defer the allotment and have it included in the FY2022 share award.

Shareholdings of key management personnel in the company

The interests of key management personnel in the shares of the company, held directly or indirectly, as at 30 June 2022 were as follows:

Name	Balance as at 1 July 2021 Number	Received on vesting of performance rights (issued) Number	Received on vesting (not issued) Number	Purchases during the period Number	Balance as at 30 June 2022 Number
P Atherley	13,427,898	–	–	–	13,427,898
J Beeton	–	–	–	–	–
L Northover	–	–	–	–	–
S Sharpe	–	–	–	–	–
A Saxby	–	–	–	–	–
T George	1,250,000	–	416,667 ¹	–	1,250,000
R Kaplan	1,000,000	–	333,333 ¹	–	1,000,000

¹ Vested as at 31 December 2021 but unissued as at 30 June 2022. Legacy performance rights reclassified during FY 2021. Refer to Share based option holding table on page 64.

Had the shares, which have vested, been issued at 30 June 2022, the balance for T. George and R. Kaplan would have been 1,666,667 and 1,333,333 respectively.

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

Name	Balance as at 1 July 2020 Number	Received on vesting of performance rights Number	Purchases during the period Number	Balance as at 30 June 2021 Number
P Atherley	9,069,861	3,858,037	500,000	13,427,898
J Beeton	–	–	–	–
L Northover	–	–	–	–
S Bates	–	–	–	–
T George	–	1,250,000	–	1,250,000
R Kaplan	–	1,000,000	–	1,000,000

Payments to past directors

No payments were made to past directors in the year ended 30 June 2022 (2021: US\$nil).

Payments for loss of office

No payments for loss of office were made in the year ended 30 June 2022 (2021: US\$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:

	2022 US\$	2021 US\$	Change %
Payments to shareholders	–	–	–
Group employment costs	5,439,626	2,578,814	111

Pay ratios

During FY2022 and FY2021, 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 ratios for this financial year.

Annual percentage change in single-figure remuneration for the year ended 30 June 2022

	Year	Salaries and fees US\$	Bonuses ³ US\$	Other US\$	Benefits US\$	Options and rights US\$	Total US\$	% change year-on-year
Non-executive directors								
S Sharpe	2022	50,183	–	–	–	–	50,183	n/a
	2021	–	–	–	–	–	–	–
M Hohnen ¹	2022	–	–	–	–	–	–	(100)
	2021	62,349	–	–	–	–	62,349	89
N Maclachlan ¹	2022	–	–	–	–	–	–	(100)
	2021	62,384	–	–	–	–	62,384	89
S Bates ²	2022	16,558	–	–	–	–	16,558	(66)
	2021	48,983	–	–	–	–	48,983	–
L Northover	2022	66,232	–	–	–	–	66,232	46
	2021	45,222	–	–	–	–	45,222	n/a
J Beeton	2022	66,232	–	–	–	–	66,232	196
	2021	22,41	–	–	–	–	22,41	n/a
P Atherley ⁴	2022	–	–	–	–	–	–	(100)
	2021	56,483	271,114	251,345	–	6,053,262	6,632,204	812
Executive directors								
P Atherley ⁴	2022	364,273	236,778	–	–	–	601,051	n/a
	2021	–	–	–	–	–	–	–
T George	2022	364,531	258,303	–	–	558,634	1,181,468	(53)
	2021	232,327	305,003	–	–	1,961,250	2,498,580	16
R Kaplan ⁵	2022	62,920	40,898	–	–	111,726	215,544	n/a
	2021	–	–	–	–	–	–	–
D Hammond	2022	–	–	–	–	–	–	(100)
	2021	177,090	–	–	21,005	1,569,000	1,767,095	n/a

¹ M Hohnen and N Maclachlan resigned on 30 June 2021.

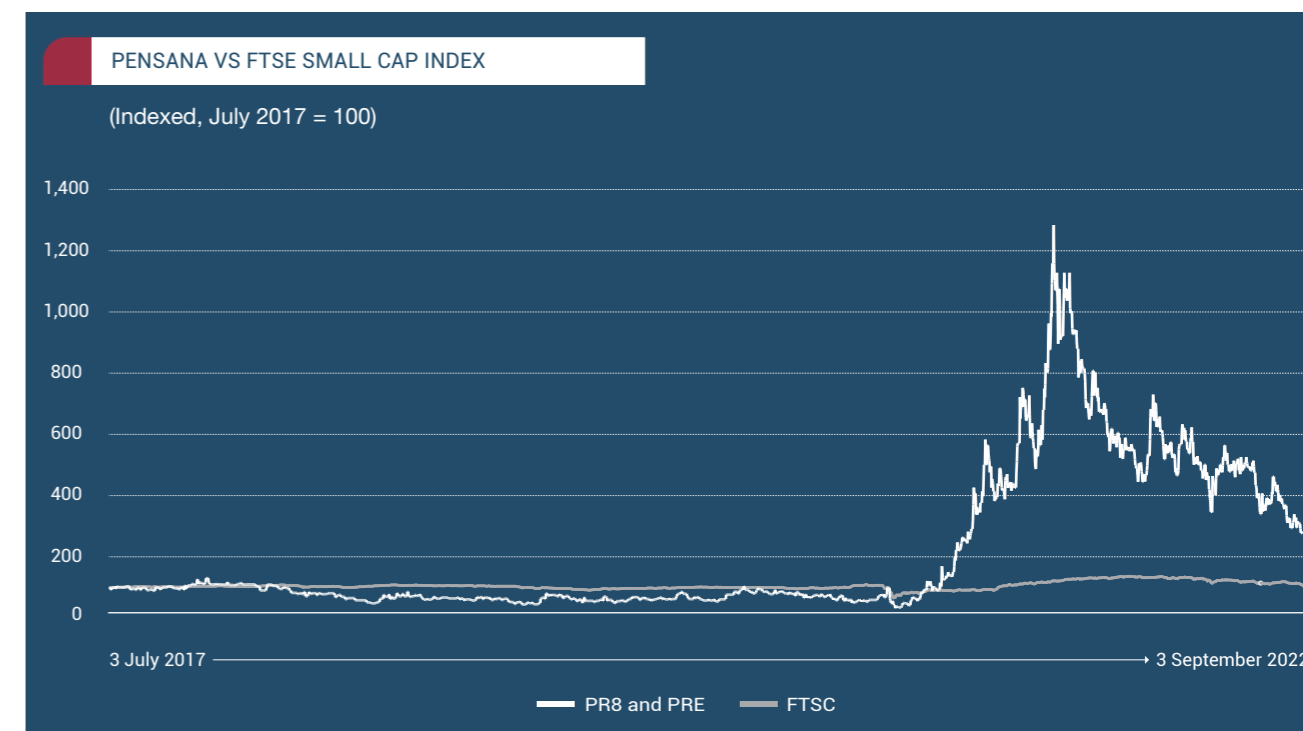
² S Bates resigned on 29 September 2021.

³ Bonus payments are subject to additional conditionality.

⁴ Served as executive chairman since 1 July 2021.

⁵ Earned as executive director.

The following graph illustrates the company's performance over the past five years relative to the FTSE Developed Small Cap Index. For purposes of comparison, the share price has been retranslated into a British pound equivalent at the daily AUD/GBP exchange rate for the period that the company was listed on the ASX prior to its listing on the LSE on 6 July 2020. The directors believe this comparison is appropriate as it compares the company to an index comprising small cap stocks below the US\$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 for the year ended 30 June 2022.

Shareholder voting

At the AGM on 9 December 2021, there was an advisory vote to adopt the remuneration report for the prior period. Of the 71,909,111 proxy votes validly appointed, 71,558,022 (99.51%) voted in favour.

Service contracts

All executive directors and key management personnel 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 leave the company. These 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	Six months	Six months
Termination for serious misconduct	None	None
Employee-initiated termination	Six months	Six 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:

Mr Paul Atherley – Executive chairman

(effective 1 July 2021)

(previously non-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 remuneration which is a monthly salary and will be reviewed annually (£288,750 per annum); and
- An STI of up to 150% of base salary which will be reviewed annually and will be paid on achievement of near-term milestones (KPIs) in accordance with the bonus scorecard for the period in question.

Mr Tim George – Chief executive officer

(appointed 22 April 2019)

Base terms:

- Base remuneration which is a monthly salary and will be

reviewed annually (£315,000 per annum).

Incentive package:

- An STI of up to 150% of base salary which will be reviewed annually and will be paid on achievement of near-term milestones (KPIs) in accordance with the bonus scorecard for the period in question; and
- LTI share awards based on a maximum of 150% of base salary with vesting over a three-year period linked to six performance conditions: absolute TSR (market-based), the LTIFR, full financing of the Longonjo Project, full financing of the Saltend Project, construction completion of the RESF and production of the RESF.

Mr Robert Kaplan – Financial director

(effective 31 March 2022)

(previously CFO, appointed 1 January 2020)

Base terms:

- Base remuneration which is a monthly salary and will be reviewed annually (£220,000 per annum).

Incentive package:

- An STI of up to 150% of base salary which will be reviewed annually and will be paid on achievement of near-term milestones (KPIs) in accordance with the bonus scorecard for the period in question; and
- LTI share awards based on a maximum of 150% of base salary with vesting over a three-year period linked to six performance conditions: absolute TSR (market-based), the LTIFR, full financing of the Longonjo Project, full financing of the Saltend Project, construction completion of the RESF and production of the RESF.

Mr Rocky Smith – Chief operating officer

(appointed 8 March 2021)

Base terms:

- Base remuneration which is a monthly salary and will be reviewed annually (US\$262,500 per annum).

Incentive package:

- An STI of 150% of base salary which will be reviewed annually and will be paid on achievement of near-term milestones (KPIs) in accordance with the bonus scorecard for the period in question; and
- LTI share awards based on a maximum of 150% of base salary with vesting over a three-year period linked to six performance conditions: absolute TSR (market-based), the LTIFR, full financing of the Longonjo Project, full financing of the Saltend Project, construction completion of the RESF and production of the RESF.

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 among 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 reimbursement for 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 2022 (2021: 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 2022 AGM and will thereafter come into immediate effect following the AGM.

Remuneration principles

Pensana's culture is performance-driven within a high-growth environment requiring 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:

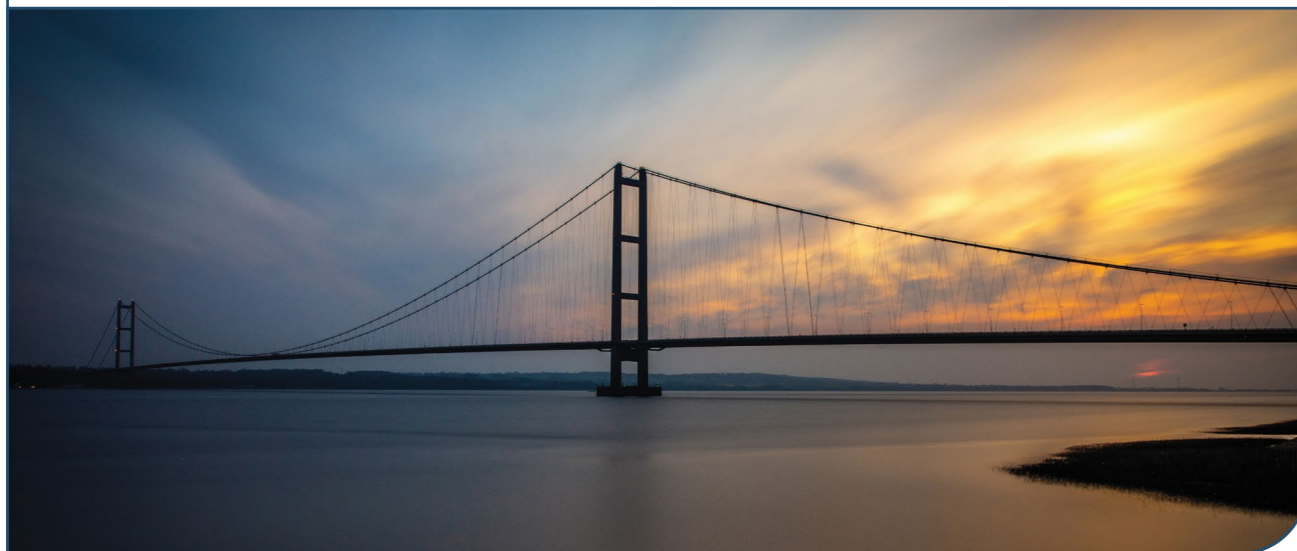
- The employment terms for executive directors and senior management are designed to attract, motivate and retain high-calibre individuals who will drive the performance of the business. The group competes for talent in the niche rare earth sector and we aim for packages to be competitive in this market;
- 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 rewards should be meaningful – the committee believes long-term share awards provide alignment with the long-term interests of shareholders and the company; and
- 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

The committee completed a major review of the remuneration policy in 2021, culminating in its approval at the AGM in December 2021. This review considered the latest governance developments, independent evaluations of market trends and the evolving views of shareholders alongside input from the committee's independent advisers. Input was also received from the company's management, while ensuring that any conflicts of interest were suitably mitigated. Notable new features of the remuneration structure that were introduced were:

- A post-vesting holding period under the LTI plan will now form part of the policy report;
- Post-employment shareholding requirements have been introduced; and
- LTIs will be extended to a standard three-year measurement term and will be subject to malus and clawback.

Humber bridge, Hull, UK



Having established the newly approved remuneration policy at the December 2021 AGM, the committee recognised that this should not be a static process and, as such, during the current period, continued to follow the latest governance developments and market trends, so as to ensure that the remuneration policy remained fully fit for purpose.

Salary Purpose and link to strategy	<ul style="list-style-type: none"> To attract and retain executive directors of the calibre required by the business. This is a core element of the remuneration package.
Operation	<ul style="list-style-type: none"> The base salaries for executive directors are determined by the committee taking into account a range of factors including: <ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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): <ul style="list-style-type: none"> 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 salaries for comparable roles in the market.
Benefits Purpose and link to strategy	To provide market-competitive benefits.
Operation	<ul style="list-style-type: none"> The 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: <ul style="list-style-type: none"> 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 and 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	<ul style="list-style-type: none"> 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.
LTI plan Purpose and link to strategy	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Awards of conditional shares (or equivalent) which would normally vest based on performance over a period of three years. Awards granted from FY2021 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	<ul style="list-style-type: none"> 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 LTI awards is 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: <ul style="list-style-type: none"> 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:

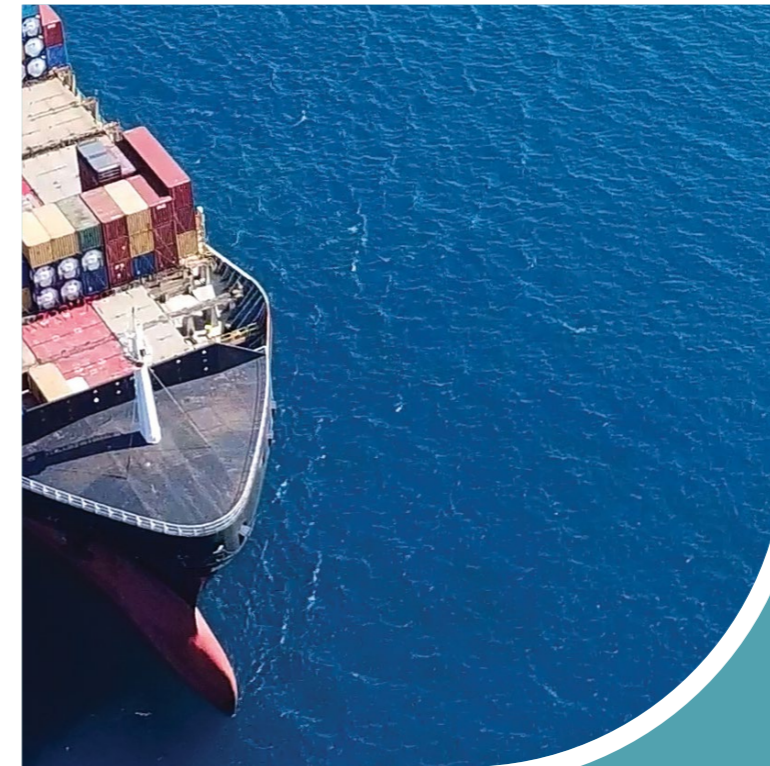
Steven Sharpe
Chairman of the remuneration committee

27 October 2022

ANNUAL FINANCIAL STATEMENTS



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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with United Kingdom (UK) adopted international accounting standards and 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 UK-adopted international accounting standards. 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 group and company and of the profit or loss for the group for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted international accounting standards, 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 group and the company will continue in business; and
- prepare a directors' report, a strategic report and a directors' 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 company and for ensuring that the financial statements comply with the Companies Act 2006.

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 are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's performance, business model and strategy.

WEBSITE PUBLICATION

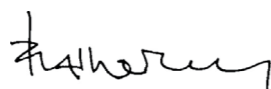
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may 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 DISCLOSURE GUIDANCE AND TRANSPARENCY RULES REQUIREMENTS 4

The directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with the UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or 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 company, together with a description of the principal risks and uncertainties that they face.

This responsibility statement and the directors' report were approved by the board of directors on 27 October 2022 and are signed on its behalf by:



Paul Atherley
Chairman

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 2022.

DIRECTORS AND DIRECTORS' DETAILS

The names and particulars of the directors of the company during or since the end of the financial year are stipulated on **pages 8 to 10**.

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 21 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 finance director. 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 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 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 UK, 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.

BOARD APPOINTMENTS

On 31 March 2022, Mr Robert Kaplan was appointed to the board of the company as executive finance director. Previously, Mr Kaplan held the position of chief financial officer (CFO) at Pensana from 1 January 2020 to 30 March 2022.

Post year-end, Ms Alison Saxby was appointed as an independent non-executive director with effect from 17 August 2022. Ms Saxby is an industry-leading expert with over 35 years of experience in industrial minerals and metals. She was previously managing director at metals consultancy Roskill.

SUBSEQUENT EVENTS

Events after the year-end:

- Received green bond certification from CICERO, the leading independent provider of assessments on green bond frameworks;
- Successful equity placing of US\$10.0 million with Fundo Soberano de Angola, the Angolan Sovereign Wealth Fund, specifically designated towards the Longonjo Project's early works programme which is now underway; and
- Signed a memorandum of understanding with a large non-Chinese magnet manufacturer for an offtake of 25% of Pensana's rare earth oxide production.

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.

ENVIRONMENT POLICY

The company is committed to protecting and ensuring it does no harm to the natural environment around the sites on which it operates. Refer to the environmental, social and governance report on **page 45** for further details on the company's environmental initiatives and reporting.

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, actions are being taken to prevent occurrences of slavery or human trafficking in our business and supply chain for the current financial year and beyond.

ANNUAL GENERAL MEETING

This report and the financial statements will be presented to shareholders for their approval at the next annual general meeting (AGM). The notice of the AGM will be distributed to shareholders during the month of November.

AUDITOR

BDO LLP became the company's auditor with effect from 21 February 2020. A resolution for BDO LLP's reappointment will be proposed at the forthcoming AGM.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

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 auditor is unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of

DIRECTORS' MEETINGS

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

	Board meetings		Audit and risk committee		Remuneration and nomination committees		Environmental, social and governance committee	
	Number eligible to attend	Attended	Number eligible to attend	Attended	Number eligible to attend	Attended	Number eligible to attend	Attended
P Atherley	6	6	3	3	3	3	-	-
T George	6	6	-	-	-	-	4	4
J Beeton	6	6	3	3	3	3	-	-
L Northover	6	6	3	3	3	3	4	4
S Sharpe ¹	4	4	3	3	3	3	4	4
R Kaplan ²	1	1	-	-	-	-	-	-
S Bates ³	2	2	-	-	-	-	-	-

¹ Appointed on 29 September 2021.

² Appointed on 31 March 2022.

³ Resigned on 29 September 2021.

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 ¹	Share option awards
P Atherley	13,427,898	-	-
T George	1,250,000	708,333	1,250,000
J Beeton	-	-	-
L Northover	-	-	-
A Saxby	-	-	-
S Sharpe	-	-	-
R Kaplan	1,000,000	487,500	1,000,000

¹ FY2022 LTI share awards.

Please refer to the share awards issued table and to the shareholdings table on **page 65** for more details.

AUDIT AND RISK COMMITTEE REPORT

Dear shareholder,

As the chairman 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 group's history, with the imminent move towards the main financing and project developments in the UK and Angola, I will ensure that the audit and risk 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 and risk committee assessed the audit findings that were considered most significant to the financial statements including those areas requiring significant judgement and/or estimation. The key areas of consideration during the year were as follows:

GOING CONCERN

In line with the board's strategy to maintain momentum on both the Longonjo and Saltend Projects, regular meetings were held by the committee with management throughout the period so as to assess the technical teams' progress past front-end engineering design into optimisation and the associated need for financing, in preparation of early-stage project development.

The two most recent equity raises in January 2022 and August 2022 ensured ongoing project momentum and the unhindered continuation and completion of key workstreams. While the group has sufficient funding to meet its corporate and general operating costs, the group will require additional funding over the next 12 months to meet its committed and planned development expenditure and operating costs related to the Saltend, Longonjo and Coala Projects. 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.

The committee reviewed the cashflow forecasts prepared by management, including the assumptions made. Having considered the cashflow forecast, risks and sensitivity analysis, the committee was satisfied with management's forecast and judgement that the going concern basis of preparation remained appropriate.

In addition, the committee assessed the disclosures in respect of going concern and concluded that they were appropriate.

CARRYING VALUE OF DEVELOPMENT ASSETS AND THE RISK THAT AN IMPAIRMENT IS REQUIRED

During the prior year, the group transferred its flagship Angolan exploration project, Longonjo, from an exploration and evaluation asset into a development asset. Under International Accounting Standards (IAS) 36, the carrying value of development assets requires assessment for indicators of impairment at each reporting period and, where indicators were identified by management, these are tested for impairment. Based on management's assessment, we are satisfied that no indicators existed. As the committee, we reviewed and evaluated both the internal and external factors, 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 International Financial Reporting Standards (IFRS), were incorporated.

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 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 itself that no indications of impairment were present.

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 and risk committee currently comprises of three directors Mr Steven Sharpe (chairman) (senior independent non-executive director), Baroness Lindsay Northover (senior independent non-executive director) and Mr Paul Atherley (board chairman).

The audit and risk committee's prime tasks are to:

- review the scope of the 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 judgement 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 the external auditor 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 auditor's independence each year which includes:
 - a review of non-audit services provided to the group and related fees;
 - discussion with the auditor 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 auditor's 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 auditor that, in their professional judgement, they are independent.

MEETINGS

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

During the past year, the committee:

- met with the external auditor and discussed their reports to the audit and risk committee;
- approved the publication of the annual and half-year financial results;
- considered the going concern of the group and company and the planned equity placings and financing requirements;
- considered and approved the annual review of internal controls;
- considered control environment improvement recommendations by auditors;
- decided that due to the size and nature of the operation, there was not a current need for an internal audit function; and
- agreed the independence of the auditor and approved their fees for audit-related services.

EXTERNAL AUDITOR

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

Steven Sharpe
Chairman of the audit and risk committee

27 October 2022

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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

We have audited the financial statements of Pensana Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 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 UK adopted international accounting standards 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 and risk committee.

Independence

Following the recommendation of the audit and risk committee, we were appointed by the directors on 21 February 2020 to audit the financial statements for the year ended 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ended 30 June 2020 to 30 June 2022. 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 from date of approval of the financial statements, that the required funding 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 events or 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 matter disclosed above, judgements made by the directors, 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 group and the parent company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining the directors' cash flow forecasts and challenging 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.
- Obtaining and reviewing draft term sheets for potential financing.
- Making inquiries of the directors regarding potential funding options, inspecting correspondence with potential investors and proposals, and obtaining 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.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Pensana Plc

- Discussing any potential risks to going concern with the directors and the audit and risk 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 the mining sector.
 - Reviewing the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate and consistent with the directors' going concern assessment.
- Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	98% (2021: 91%) of group loss before tax 89% (2021: 90%) of group total assets		
Key audit matters		2022	2021
	Carrying value of the Longonjo development asset	Yes	Yes
	Carrying value of the Saltend asset under construction	Yes	No
	Going concern	Yes	Yes
	Carrying value and classification of the Tanzania asset	No	Yes
	The carrying value and classification of the Tanzania asset is no longer considered to be a key audit matter as the asset was fully impaired to nil in the prior year.		
Materiality	Group financial statements as a whole \$430,000 (2021: \$410,000) based on 1% (2021: 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.

Our group audit scope focused on the group's significant components which comprised the Angolan operating subsidiary, the Australian operating subsidiary and the UK parent company. The significant components 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, performed by the group engagement team, with specific procedures performed on any significant balances impacting the group results.

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. In addition to the key audit matter related to going concern set out in the Material uncertainty related to going concern section of our report, the following were considered to be the key audit matters to be communicated in our report. 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.

Key audit matter	How the scope of our audit addressed the key audit matter	
Carrying value of the Longonjo development asset	<p>At 30 June 2022, the group held a development asset on the statement of financial position as detailed in note 11, totalling \$31.2 million relating to the Longonjo Project.</p> <p>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 indicators which would indicate that the carrying value of the asset at 30 June 2022 may not be recoverable. Management are required to include appropriate disclosure in the financial statements, specifically in relation to key estimates and judgements.</p> <p>Given the materiality of the development asset in the context of the group's statement of financial position and the judgements involved by management in making the assessment of whether any indicators of impairment exist we considered this to be a focus area for our audit and a key audit matter.</p>	<p>We evaluated management's impairment indicator assessment against the requirements of IAS 36 <i>Impairment of Assets</i> and performed our own assessment to determine whether there were any indicators of impairment. In doing so, we:</p> <ul style="list-style-type: none"> • 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 Life of Mine plan, including evaluation of key assumptions – being pricing, operating costs and capital expenditure, 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. We evaluated sensitivity analysis for key assumptions, including pricing, operating costs and capital expenditure to identify potential indicators of potential impairment. • Obtained and reviewed the Ore Reserve Estimate prepared by an external Competent Person and confirmed its consistency with the Life of Mine plan in respect of applicable inputs. We held discussions with management's external expert and evaluated the independence and competence of management's external expert. • Considered the market capitalisation of the parent company to confirm it represented a premium to net asset value and evaluated the implied value on the Longonjo Project by recent equity raises. <p>We assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of relevant accounting standards.</p> <p>Key observations</p> <p>We found management's conclusion that there are no impairment indicators at 30 June 2022 relating to the development asset to be acceptable and appropriately disclosed.</p>

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Carrying value of the Saltend asset under construction</p> <p>At 30 June 2022, the group held an asset under construction on the statement of financial position as detailed in note 11, totalling \$6.5 million relating to the Saltend Project.</p> <p>As detailed in note 4, there are judgements and inherent uncertainties around the recoverability of assets under construction. Management and the board are required to assess whether there are any potential impairment indicators which would indicate that the carrying value of the asset at 30 June 2022 may not be recoverable. Management are required to include appropriate disclosure in the financial statements, specifically in relation to key estimates and judgements.</p> <p>Given the materiality of the asset under construction in the context of the group's statement of financial position and the judgements involved by management in making the assessment of whether any indicators of impairment exist we considered this to be a focus area for our audit and a key audit matter.</p>	<p>We evaluated management's impairment indicator assessment against the requirements of IAS 36 <i>Impairment of Assets</i> and performed our own assessment to determine whether there were any indicators of impairment. In doing so, we:</p> <ul style="list-style-type: none"> Reviewed the planning permission to confirm the group held permission to develop the Saltend site. Obtained and reviewed management's strategic financial model, including evaluation of key assumptions – being pricing, operating costs and capital expenditure, and evaluated the headroom indicated by the forecasts. We also evaluated sensitivity analysis for key assumptions, including pricing, operating costs and capital expenditure, to identify potential indicators of potential impairment. Obtained approved budgets and minutes of board meetings to confirm that further expenditure was planned for the Saltend site. Considered the market capitalisation of the parent company to confirm it represented a premium to net asset value and evaluated the implied value on the Saltend Project by recent equity raises. 	<p>We assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of relevant accounting standards.</p> <p>Key observations</p> <p>We found Management's conclusion that there are no impairment indicators at 30 June 2022 relating to the asset under construction to be acceptable and appropriately disclosed.</p>

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	
	2022 US\$	2021 US\$	2022 US\$	2021 US\$
Materiality	US\$430,000	US\$410,000	US\$320,000	US\$230,000
Basis for determining materiality	1% of total assets	1% of total assets	0.5% of total assets	0.4% of total assets
Rationale for the benchmark applied	The group and parent company is in the development phase with a significant asset base such that total assets is considered to be the most important metric to users of the financial statements.			
Performance materiality	US\$280,000	US\$280,000	US\$208,000	US\$160,000
Basis for determining performance materiality	65% of materiality considering factors such as the nature of activities and historic audit adjustments.	70% of materiality considering factors such as the nature of activities and historic audit adjustments.	65% of materiality considering factors such as the nature of activities and historic audit adjustments.	70% of materiality considering factors such as the nature of activities and historic audit adjustments.

Component materiality

We set materiality for each significant component of the group, apart from the parent company whose materiality is set out above, based on a percentage of between 30% and 55% of group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$132,000 to US\$240,000. In the audit of each component, we further applied performance materiality levels of 65% 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 US\$7,200 (2021: US\$8,000). 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	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> 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. <p>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.</p>
Directors' remuneration	<p>In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> 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 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 and risk committee and our knowledge of the industry. We considered the significant laws and regulations of Angola and the UK to be those relating to the mining 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 and considered the significant fraud risk areas to be in relation to management override of controls.

We performed the following procedures:

- We held discussions with Management and the audit and risk committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- We involved our specialist forensics audit support team to support the engagement team in the assessment of potential fraud risks;

- We obtained an understanding of the controls that the group has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud;
- We addressed the risk of management override of controls, including testing a risk-based selection of journals and evaluating whether there was evidence of bias in Management's estimates and judgements that represented a risk of material misstatement due to fraud. Specifically:
 - We tested the appropriateness of journal entries made throughout the year by applying specific criteria to detect possible irregularities and fraud and reviewing the related supporting documentation for the journal;
 - We performed a detailed review of the group's year-end adjusting entries and investigated any that appeared unusual as to nature or amount and agreed 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 fraud or non-compliance with laws and regulations;
- We agreed the financial statement disclosures to underlying supporting documentation, and reviewed correspondence with regulators and legal advisers; 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.

Ryan Ferguson
Senior Statutory Auditor

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom
27 October 2022

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2022

	Note	30 June 2022 US\$	30 June 2021 US\$
Administration expenses	6	(8,787,109)	(5,248,154)
Impairment of non-financial assets	10	–	(2,500,000)
Impairment of financial assets	9	(669,470)	–
Foreign currency exchange loss	6	(2,255,471)	(1,835,705)
Loss from operations		(11,712,050)	(9,583,859)
Finance income		28	342
Finance costs		–	(255)
Loss before income tax		(11,712,022)	(9,583,772)
Income tax credit	7	1,329,553	212,910
Total loss for the year		(10,382,469)	(9,370,862)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation ¹		192,324	2,455,677
Total comprehensive loss for the year		(10,190,145)	(6,915,185)
Net loss for the period is attributable to:			
Owners of Pensana Plc		(10,382,469)	(9,370,862)
Total comprehensive loss is attributable to:			
Owners of Pensana Plc		(10,190,145)	(6,915,185)
Loss per share attributable to owners of Pensana Plc			
Basic (cents per share)	15	(4.53)	(4.70)
Diluted (cents per share)	15	(4.53)	(4.70)

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

Notes to the financial statements are included on pages 91 to 119.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Note	30 June 2022 US\$	30 June 2021 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	11	37,770,292	18,507,768
Exploration and evaluation expenditure	10	181,206	132,040
Total non-current assets		37,951,498	18,639,808
Current assets			
Cash and cash equivalents	8	2,930,162	16,787,591
Trade and other receivables	9	2,400,011	5,370,007
Total current assets		5,330,173	22,157,598
Total assets		43,281,671	40,797,406
LIABILITIES			
Current liabilities			
Trade and other payables	12	3,646,386	4,628,772
Total current liabilities		3,646,386	4,628,772
Total liabilities		3,646,386	4,628,772
Net assets		39,635,285	36,168,634
Equity			
Issued capital	13	295,425	279,398
Share premium	14	47,043,782	34,195,957
Reserves	14	47,608,198	51,534,520
Accumulated losses	14	(55,312,120)	(49,841,241)
Total equity		39,635,285	36,168,634

The notes on pages 91 to 119 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27 October 2022 and are signed on its behalf by:



Steven Sharpe
Chairman of the audit and risk committee

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2022

	Fully paid ordinary shares US\$	Share premium US\$	Shares to be issued reserve US\$	Accumulated losses US\$	Merger reserve US\$	Foreign currency reserve US\$	Share-based payments reserve US\$	Equity reserve US\$	Total US\$
Balance as 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 13)	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 13)	654	62,921	-	-	-	-	(63,575)	-	-
Share-based payments	-	-	-	-	-	-	450,210	-	450,210
Balance as 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
Balance as at 1 July 2021	279,398	34,195,957	-	(49,841,241)	45,748,045	422,678	5,863,797	(500,000)	36,168,634
Loss for the year	-	-	-	(10,382,469)	-	-	-	-	(10,382,469)
Other comprehensive income	-	-	-	-	-	192,324	-	-	192,324
Total comprehensive loss for the year	-	-	-	(10,382,469)	-	192,324	-	-	(10,190,145)
Vesting and lapses of historical performance rights and options	-	-	-	4,911,590	-	-	(4,911,590)	-	-
Issue of shares (note 13)	15,012	13,176,014	-	-	-	-	-	-	13,191,026
Capital raising costs	-	(410,887)	-	-	-	-	-	-	(410,887)
Issue of shares – conversion of performance rights (note 13)	1,015	82,698	-	-	-	-	(83,713)	-	-
Share-based payments	-	-	-	-	-	-	876,657	-	876,657
Balance as at 30 June 2022	295,425	47,043,782	-	(55,312,120)	45,748,045	615,002	1,745,151	(500,000)	(39,635,285)

Notes to the financial statements are included on pages 91 to 119.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2022

	Note	30 June 2022 US\$	30 June 2021 US\$
Cash flows from operating activities			
Operating cash flows	20	(7,948,231)	(6,872,862)
Net cash used in operating activities		(7,948,231)	(6,872,862)
Cash flows from investing activities			
Interest received		28	342
Payments for property, plant and equipment		(20,846,747)	(6,705,801)
Net cash used in investing activities		(20,846,719)	(6,705,459)
Cash flows from financing activities			
Interest paid		–	(255)
Proceeds from issues of equity securities		16,780,204	27,876,399
Share issue costs		(410,887)	(1,686,037)
Net cash provided by financing activities		16,369,317	26,190,107
Net (decrease)/increase in cash and cash equivalents		(12,425,633)	12,611,786
Cash and cash equivalents at the beginning of the year		16,787,591	4,106,321
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,431,796)	69,484
Cash and cash equivalents at the end of the year	8	2,930,162	16,787,591

The proceeds from equity issues do not agree through to the statement of changes in equity due to the timing of cash receipts and outstanding debtors as detailed in note 9.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2022

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 2022 in United States dollars (US\$). Pensana Plc (the company or the parent) is a public company limited by shares listed on the Main Market of the London Stock Exchange (LSE) and incorporated in England and Wales on 13 September 2019. The registered office is located at 107 Cheapside, Second Floor, London, EC2V 6DN, United Kingdom.

The company is focused on the establishment of an integrated rare earth processing facility in the UK with a view to creating the world's first sustainable magnet metal supply chain. Initial feedstock will be shipped as a clean, high-purity mixed rare earth sulphate from the company's Longonjo low-impact mine in Angola.

In early 2020, Pensana Metals Limited redomiciled the group to the UK pursuant to a scheme of arrangement in which Pensana Metals Limited became a wholly owned subsidiary of Pensana. Prior to the transaction, the company was incorporated on 13 September 2019 and was a wholly owned subsidiary of Pensana Metals Limited.

The board of Pensana 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 Rare Earths Plc and it is anticipated that additional dormant entities in Tanzania and Australia will be liquidated in due course.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policies and disclosures

From 1 July 2021, the group has adopted the following standards and interpretations, mandatory for annual periods beginning on 1 July 2021:

Standard	Description	Effective date
Amendments to IFRS 16	Amendments to IFRS 16: COVID-19-related rent concessions	1 April 2021
Amendments to IFRS 4	Amendments to IFRS 4 <i>Insurance Contracts</i> : Deferral of IFRS 9	1 January 2021
Improvements to IFRSs	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021

The application of these standards has not had a material impact on the financial statements.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS continued

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
IFRS 17	IFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to IFRS 17	Amendment to IFRS 17: Initial application	1 January 2023
IAS 37	Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2022
IFRS 3	Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2022
Improvements to IFRSs	Improvements to IFRS 1, 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 Practice Statement 2	Amendments to IAS 1 and IFRS Practice 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
Amendments 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.

The following amendments are relevant to the group's activities. The group has decided not to early adopt these.

Standard	Description	Effective date
IAS 16	Amendments to IAS 16 <i>Property, Plant and Equipment</i>	1 January 2022

The amendments to IAS 16 prohibit a company deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while making that item of property, plant and equipment available for its intended use, for example during a necessary testing or commissioning period. Management is currently assessing the impact of the amendments which may be relevant as the group moves into production.

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

Basis of preparation

The consolidated financial statements of the company are prepared in accordance with UK-adopted international accounting standards. The parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

The company was incorporated on 13 September 2019 as a wholly owned subsidiary of Pensana Metals Limited. The company subsequently acquired 100% of the share capital of Pensana Metals Limited and its subsidiary companies for the effective issuance of 152,973,315 shares to the shareholders of Pensana Metals Limited 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 Limited comprised 50,000,000 shares

with a nominal value of £0.001 per share subscribed for incorporation of the company by Pensana Metals Limited which were transferred to CHESS Depository Nominees Proprietary Limited (a subsidiary of the Australian Securities Exchange (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 CHESS Depository Nominees Proprietary Limited for use in the scheme of arrangement. CHESS Depository Nominees Proprietary Limited subsequently issued CHESS Depository 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 CHESS Depository 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 generally accepted accounting principles (GAAPs). 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.

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.

As at 30 June 2022, the group has a net asset position of US\$39,635,285 (30 June 2021: US\$36,168,634), had incurred a net loss after income tax of US\$10,382,469 (30 June 2021: US\$9,370,862) and experienced cumulative net cash outflows from operating and investing activities of US\$28,794,950 (30 June 2021: US\$13,578,321). Cash and cash equivalents totalled US\$2,930,162 (30 June 2021: US\$16,787,591) at period-end.

The directors have prepared a cash flow forecast for the period ended 31 March 2024. The forecast indicates that while the group has sufficient funding to meet its corporate and general operating costs, the group will require additional funding over the next 12 months to meet its committed and planned development expenditure and operating costs related to the Saltend, Longonjo and Coola Projects. In assessing the going concern basis of preparation, the directors have given consideration to supply chain challenges, inflation, the ongoing impact of COVID-19, (specifically lockdowns in Asia), the availability of funding and its impact on the progression of the Longonjo NdPr Project in Angola and the Saltend Project in the UK. Similarly, the directors have also considered the impact of the Russia-Ukraine war as it relates to costs and the potential volatility in debt and equity markets. Conversely, the demand for clean energy rises at such times, sparking increases in prices of rare earth metals.

The directors have resolved to undertake certain mitigating actions including actively engaging with institutional investors and financing institutions in the UK and Europe to discuss opportunities around potential future financing in anticipation of 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 the forecast expenditure above. The company is well advanced in its main financing workstreams and despite the current turbulence in the world's financial markets, the company is receiving strong interest and is aiming to complete the main financing by the end of Q4 calendar year 2022.

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

continued

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.

Principles of consolidation

The consolidated financial information comprises the financial statements of Pensana Plc and its subsidiaries as at 30 June 2022.

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 in note 19. 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; and
- the group's voting rights and potential voting rights.

The group reassesses 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 consistency with those policies applied by the parent entity. All controlled entities have a June financial year-end.

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 non-controlling interest is applicable and the minorities have a free-carry on the Longonjo Project up until such point as main construction starts which is subject to main financing.

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 Limited. 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 Limited 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 Limited comprised 50,000,000 shares with a nominal value of £0.001 per share subscribed for incorporation of the company by Pensana Metals Limited which were transferred to CHESS Depository Nominees Proprietary Limited (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 CHESS Depository Nominees Proprietary Limited for use in the scheme of arrangement. CHESS Depository Nominees Proprietary Limited subsequently issued CHESS Depository 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 CHESS Depository 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. 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 US\$11,756,018.

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.

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 maker, being the executive management team.

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. The functional currency of its Angolan subsidiaries is United States dollars and the functional currency of the Portuguese entities is Euro.

Transactions and balances

Foreign currency transactions are translated into the 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. The gain or loss arising from translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in equity or profit or loss are also recognised in equity or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

Foreign currency translation continued

Transactions and balances continued

The financial results and position of foreign subsidiaries whose functional currency are different from the group's presentation currency is 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
- All resulting exchange differences shall be recognised in other comprehensive income.

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.

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.

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income 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 other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest 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 into four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- 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 expected credit losses (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

After initial recognition, interest-bearing loans and borrowings 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.

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.

Exploration and evaluation expenditure

Exploration and evaluation assets are initially measured at cost and include the acquisition of sampling and associated activities and an allocation of depreciation and amortisation 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 based on finalisation of a definitive feasibility study or a bankable feasibility study (or equivalent), all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development within property, plant and equipment. 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.

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

Exploration and evaluation expenditure continued
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 an 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 within property, plant and equipment.

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. Costs are capitalised during construction until commercial levels of production are achieved after which the relevant costs are depreciated. 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 within property, plant and equipment 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.

Property, plant and equipment

Plant and equipment are 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.

Development assets and assets under construction are depreciated once commissioning of the assets occurs. Depreciation will be charged over the useful life of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Asset	Depreciation rate
Motor vehicles	25%
Office equipment	33.33%
Computer equipment	33.33%
Plant and machinery	10%
Buildings	2%

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 derecognition 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.

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 sheet 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. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows.

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 over the vesting period of the equity instruments.

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 is recognised, for equity-settled transactions at each reporting date until the vesting date. It 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.

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.

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 assets

Gains from the disposal of assets are 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

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.

Goods and 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.

Loss per share

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.

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 2022, the group has not recognised any provision for restoration and rehabilitation. 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.

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 are 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.

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 have been recognised for all leases except leases of low-value assets, which are considered to be those with a fair value below US\$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 US\$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.

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

A 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 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 remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit or 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 judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the group. All judgements, 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 judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Significant accounting judgements

Impairment indicator assessment of development assets (note 10 and 11), as well as impairment indicator assessment of assets under construction (note 10 and 11).

The ultimate recovery of the value of the group's development assets and assets under construction as at 30 June 2022 is dependent on the successful development and commercial exploitation, or alternatively, the sale of the Longonjo Project, as well as the successful development and commercial exploitation of the Saltend facility.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Significant accounting judgements continued
30 June 2022

Judgement was exercised in assessing the extent to which impairment indicators existed as at 30 June 2022 in respect of the Longonjo and Saltend Projects and associated balances. In forming this assessment, internal and external factors were evaluated, including those that applied last year. 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 and Saltend Projects and the financial life of mine plan, feasibility study equivalent assessments and the associated Ore Reserve Statement and the competent person's report covering the Longonjo and Saltend Projects. The underlying financial life of mine plan involves estimates regarding commodity prices, production and reserves, operating costs and capital development together with discount rates and demonstrates significant headroom.

Impairment of assessment of the company's investment in subsidiaries and loans to subsidiaries

The ultimate recovery of the value of the company's investment in subsidiaries and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, the sale of the Longonjo and/or Saltend Projects, as well as the successful development and commercial exploitation of the Saltend facility.

In assessing the potential impairment of investments and inter-company receivables (applying an ECL approach for the latter), the directors exercised judgement over the reasonableness of projections and considered the status of both the Longonjo and Saltend Projects, together with the implied economic value of the assets, and concluded that no impairment provisions were necessary.

Recoverability of equity receivable (note 9)

Management's judgement is required to determine whether the outstanding equity receivable at period-end is fully recoverable. The recoverability of the equity receivable has been assessed, taking into account the period of time since issue, the security in place over the balance (being the collateralisation over the shares issued), likely share price volatility and the market value of the shares in issue. Based on this, an ECL provision of US\$669,470 has been recognised in the income statement (30 June 2021: Nil).

Refer to note 9 for further details.

Significant accounting estimates and assumptions
Share-based payment transactions (note 23)

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 stochastic model to value awards with market-based conditions and a Black-Scholes valuation model for awards that are not subject to market-based performance conditions. These models require estimates for inputs such as share price volatility and total shareholder return. The share-based payment 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 recognise any impact of the revision to original estimates. Judgement is required as to the likelihood of the vesting conditions being met, such as the progress of financing of various projects, the lost time injury frequency rate, progress of construction of the projects, etc. If fully vested share options are not exercised and expire, then the accumulated expense in respect of these is reclassified to accumulated losses.

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 maker in assessing performance and determining the allocation of resources.

The group has identified that it has two operating segments, related to the activities in Angola and Saltend (UK), on the basis that the assets in Tanzania are fully impaired as at 30 June 2022 and at 30 June 2021. Unallocated relates to operations in Australia and Portugal which consist of corporate and head office-related costs.

	Angola US\$	UK US\$	Unallocated US\$	Total US\$
2022				
Non-current assets – opening balance	18,471,893	162,330	3,585	18,639,808
Non-current assets – additions	13,011,335	6,303,939	(3,585)	19,311,689
Non-current assets – closing balance	31,485,227	6,466,270	–	37,951,498
Current and non-current liabilities	151,250	2,027,511	1,467,626	3,646,386
Operating loss	(2,088,553)	(6,777,309)	(2,846,188)	(11,712,050)
Loss before tax	(2,088,553)	(6,777,309)	(2,846,160)	(11,712,022)
Loss for the year	(2,088,553)	(6,777,309)	(1,516,607)	(10,382,469)
2021				
Non-current assets – opening balance	9,642,118	–	7,002	9,649,120
Non-current assets – additions	8,831,775	162,330	(3,417)	8,990,688
Non-current assets – closing balance	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 consist mainly of development assets and assets under construction. Additions and depreciation of non-current assets are disclosed in note 11.

6. OTHER EXPENSES

	CONSOLIDATED	
	2022 US\$	2021 US\$
Administration expenses		
General administration costs	1,796,217	1,643,907
Audit fees	200,481	136,868
Consultant fees	699,680	466,679
Travel expenses	318,282	9,592
Legal fees	210,670	201,593
Operating lease rental expenses		
Lease payments (short-life leases)	117,307	187,987
Depreciation on non-current assets		
Property, plant and equipment	24,508	22,713
Employee benefits¹		
Performance rights and options granted to directors, officers and employees	876,657	450,210
Directors' fees, superannuation and salaries and wages	4,543,307	2,128,605
Total administration expenses	8,787,109	5,248,154

¹ Key management personnel remuneration, disclosed in note 22, 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

The foreign currency exchange loss of US\$2,255,471 (2021: US\$1,835,705) comprises realised foreign exchange movements on retranslation of monetary balances and unrealised foreign exchange movements on inter-company loans which are considered repayable in the foreseeable future.

7. INCOME TAXES

	CONSOLIDATED	
	2022 US\$	2021 US\$
Current taxation		
Current tax credit	(1,329,553)	(212,910)

No liability to corporation tax arose in the ordinary activities for the year ended 30 June 2022 or 30 June 2021.

The tax assessed for the year utilised the standard rate of tax in the UK of 19% (2021: 19%).

The differences are explained as follows:

	CONSOLIDATED	
	2022 US\$	2021 US\$
Loss from continuing operations before tax	(11,712,022)	(9,583,772)
Loss on continuing activities multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	(2,225,284)	(1,820,917)
Tax effects of:		
Different tax rates in overseas jurisdictions	(260,970)	(215,897)
Permanent differences	285,949	549,449
Deferred tax assets not recognised ¹	2,200,305	1,274,455
Adjustment in respect of research and development tax credits	(1,329,553)	-
Total tax credit	(1,329,553)	(212,910)

¹ Tax loss information is an estimate of available losses.

7. INCOME TAXES continued

The taxation benefits of tax losses and temporary differences not brought to account will only be obtained if:

- assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The company is subject to 19% income tax in the UK. In Australia, Pensana Metals Limited is subject to a corporation tax rate of 26%. In Tanzania, all subsidiaries are subject to 30% corporation tax. In Angola, Ozango Minerais and Coola 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 asset in respect of losses carried forward is US\$14,341,704 (30 June 2021: US\$12,140,296).

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2022 US\$	2021 US\$
Cash at bank and on hand	2,930,162	16,787,591
	2,930,162	16,787,591

9. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2022 US\$	2021 US\$
Trade receivables	43,425	-
Prepayments	1,585,089	481,262
Other receivables	771,497	4,888,745
	2,400,011	5,370,007
Opening balance	5,370,007	183,061
Equity raise June 2021	-	4,888,745
Movement in other debtors	1,288,652	298,201
Funds received	(3,589,178)	-
Provision for impairment	(669,470)	-
Closing balance	2,400,011	5,370,007

Of the other debtors as at 30 June 2022, US\$1,299,567 (gross) (30 June 2021: US\$4,888,745) relates to payment pending as part of the equity raise completed on 25 June 2021. The net amount included in the closing balance at 30 June 2022 was US\$630,097 (30 June 2021: US\$4,888,745).

The recoverability of the equity receivable has been assessed, taking into account the period of time since issue, the security in place over the balance (being the collateralisation over the shares issued), likely share price volatility and the market value of the shares in issue. Based on this, an ECL provision of US\$669,470 has been recognised in the income statement (30 June 2021: Nil).

10. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	2022 US\$	2021 US\$
Carrying value		
Balance at the beginning of the year	132,040	9,600,234
Additions	49,166	8,931,882
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 the end of the year	181,206	132,040

The above amounts represent capitalised costs of exploration incurred at the Coola Project in Angola carried forward as an asset in accordance with the accounting policy set out in note 3. The ultimate recoupment of the exploration and evaluation expenditure in respect of 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.

In the prior year, 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 30 June 2021. No factors indicate reversal in 2022.

11. PROPERTY, PLANT, AND EQUIPMENT

	Buildings	Plant and	Develop-	Assets	Motor	Office	Computer	Total
	US\$	equipment	ment	under				
	US\$	US\$	asset	const-	vehicles	equipment	equipment	US\$
	US\$	US\$	US\$	uction ¹	US\$	US\$	US\$	US\$
2022								
Cost								
Balance as at 1 July 2021	6,199	10,204	18,400,076	65,728	54,507	6,080	30,611	18,573,405
Additions	22,111	7,471	12,825,233	6,388,079	28,877	1,245	14,017	19,287,033
Disposals	–	–	–	–	–	–	(23,347)	(23,347)
Balance as at 30 June 2022	28,310	17,675	31,225,309	6,453,807	83,384	7,325	21,281	37,837,091
Depreciation								
Balance as at 1 July 2021	1,807	1,407	–	–	40,653	1,400	20,370	65,637
Charge for the year	2,021	3,937	–	–	8,270	1,190	9,091	24,509
Disposals	–	–	–	–	–	–	(23,347)	(23,347)
Balance as at 30 June 2022	3,828	5,344	–	–	48,923	2,590	6,114	66,799
Net book value								
As at 30 June 2021	4,392	8,797	18,400,076	65,728	13,854	4,680	10,241	18,507,768
As at 30 June 2022	24,482	12,331	31,225,309	6,453,807	34,461	4,735	15,167	37,770,292

¹ Assets under construction relate to Saltend.

11. PROPERTY, PLANT, AND EQUIPMENT continued

	Buildings	Plant and	Develop-	Assets	Motor	Office	Computer	Total
	US\$	equipment	ment	under				
	US\$	US\$	asset	const-	vehicles	equipment	equipment	US\$
	US\$	US\$	US\$	uction ¹	US\$	US\$	US\$	US\$
2021								
Cost								
Balance as 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 ²	–	–	–	–	18,400,076
Balance as at 30 June 2021	6,199	10,204	18,400,076	65,728	54,507	6,080	30,611	18,573,405
Depreciation								
Balance as 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 as at 30 June 2021	1,807	1,407	–	–	40,653	1,400	20,370	65,637
Net book value								
As at 30 June 2020	4,650	–	–	–	31,286	5,187	7,763	48,886
As at 30 June 2021	4,392	8,797	18,400,076	65,728	13,854	4,680	10,241	18,507,768

¹ Assets under construction relate to Saltend.

² During the year, exploration and evaluation expenditure in relation to the Longonjo Project was transferred to development asset as of 25 June 2021.

12. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2022 US\$	2021 US\$
Trade and other payables ¹	1,526,310	2,988,864
Accrued expenses	2,120,076	1,639,908
	3,646,386	4,628,772

¹ There has been no interest charged on the trade payables.

13. ISSUED CAPITAL

	CONSOLIDATED			
	2022 Number	2022 US\$	2021 Number	2021 US\$
Fully paid ordinary shares				
Balance at the beginning of the period	216,145,822	279,398	171,766,032	221,945
Share placement	–	–	16,508,633	20,342
Shares issued in lieu of fees	–	–	550,000	654
Shares issued conversion of performance rights	7,108,037	1,015	1,321,157	1,728
Share placement	12,345,680	15,012	13,500,000	17,471
Share placement	–	–	12,500,000	17,258
Balance at the end of the financial year	235,599,539	295,425	216,145,822	279,398
COMPANY				
Fully paid ordinary shares				
Balance at the beginning of the period/ incorporation	216,145,822	279,398	171,766,032	221,945
Share placement	–	–	16,508,633	20,342
Shares issued in lieu of fees	–	–	550	654
Shares issued conversion of performance rights	7,108,037	1,015	1,321,157	1,728
Share placement	12,345,680	15,012	13,500,000	17,471
Share placement	–	–	12,500,000	17,258
Balance at the end of the financial year	235,599,539	295,425	215,596,372	279,398

Placements during 2022

On 6 January 2022, the company issued 12,345,680 fully paid ordinary shares to M&G Investment Management at a price of £0.81 per share and raised US\$13.2 million.

On 6 July 2021, 7,108,037 shares related to share awards were issued to executive management.

Placements during 2021

On 1 July 2020, the company issued 16,508,633 fully paid ordinary shares to the Angolan Sovereign Wealth Fund. 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 US\$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 LSE.

On 11 August 2020, the company issued 821,157 fully paid ordinary shares to third-party service providers at a price of AUD0.33 per share, for a total of US\$0.2 million.

On 25 September 2020, the group raised an additional US\$8.6 million (net of share issuance costs) via the placing of 13,500,000 fully paid ordinary shares with the Angolan Sovereign Wealth Fund.

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 US\$0.2 million.

On 25 June 2021, the group raised circa US\$21.1 million (net of share issuance costs) via the placing of 12,500,000 ordinary shares to long-term shareholders, the Angolan Sovereign Wealth Fund and the chairman, Mr Paul Atherley.

Performance rights on issue

There are no performance rights outstanding as at year-end.

14. 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 less share issue costs.
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 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, share awards or performance rights are converted to equity or lapse. Further information about share-based payments can be found in note 23 to the financial statements.
Equity reserve	This relates to the company's purchase of an additional 14% equity in its Angolan subsidiary company, Ozango Minerai SA (Ozango), for US\$500,000 from non-controlling interests in the 2019 financial year. Ozango holds the 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 the 2020 financial year where the shares were only legally issued in the 2021 financial year.

15. LOSS PER SHARE

	2022 cents per share	2021 cents per share
Basic loss per share		
From continuing operations	4.53	4.70
Total basic loss per share	4.53	4.70
Diluted loss per share		
From continuing operations	4.53	4.70
Total diluted loss per share	4.53	4.70

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:

	2022 US\$	2021 US\$
Net loss	(10,382,469)	(9,370,862)
Losses used in the calculation of basic loss per share from continuing operations	(10,382,469)	(9,370,862)
Losses used in the calculation of diluted loss per share attributable to ordinary shareholders	(10,382,469)	(9,370,862)

15. LOSS PER SHARE continued

	2022 Number	2021 Number
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	229,019,699	199,554,645
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	229,019,699	199,554,645

The weighted average is calculated by adjusting the number of shares outstanding at the beginning of the period by the number of shares issued during the period, multiplied by a time-weighting factor to reflect the proportion of the period for which those shares were outstanding.

As at year-end, there are 1,500,000 share options in issue (2021: 2,750,000).

16. DIVIDENDS

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

17. 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. Furthermore, based on continued interaction with local communities and the development of a stakeholder engagement plan, the board considers any such potential claim occurring as less than probable but possible.

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 or are anticipated to be extended beyond a 12-month period at inception.

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

	CONSOLIDATED	
	2022 US\$	2021 US\$
Operating lease expenditure		
Less than one year ¹	87,575	35,923
Longer than one year and not longer than five years	–	–
Longer than five years	–	–
	87,575	35,923

¹ The short-term lease commitments that are less than one year have been reviewed under IFRS 16, and the short-term lease exemption has been applied.

17. COMMITMENTS FOR EXPENDITURE continued

Exploration commitments

Commitments for payments under exploration permits and mineral leases in existence at the reporting date but not yet incurred, are as follows:

	CONSOLIDATED	
	2022 US\$	2021 US\$
Exploration and evaluation expenditure		
No longer than one year	11,915	10,985
Longer than one year and not longer than five years	15,756	26,670
Longer than five years	–	–
	27,671	37,655

Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred, was as follows:

	CONSOLIDATED	
	2022 US\$	2021 US\$
Capital expenditure	3,298,647	4,035,772

The expenditure relates primarily to the Longonjo Project in Angola, as well as the Saltend Project in the UK.

18. 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.

19. INTERESTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	OWNERSHIP INTEREST	
		2022 %	2021 %
Parent entity			
Pensana Plc ²	United Kingdom		
Controlled entities			
Saltend Magnet Metals Limited	United Kingdom	100	–
Pensana Metals Limited	Australia	100	100
Carlton Resources Proprietary Limited	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) Proprietary Limited	Australia	100	100
Rift Valley Resources Tanzania Limited	Tanzania	100	100
Tasman Goldfields Australia Operations Proprietary Limited	Australia	100	100
Sable Minerals Proprietary Limited	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. ¹	Angola	84	84
Coola Mining LDA ¹	Angola	90	90
Mtemi Resources Pte Limited	Singapore	100	100
Mtemi G Pte Limited	Singapore	100	100
Mtemi O Pte Limited	Singapore	100	100
Mtemi U Pte Limited	Singapore	100	100
Mtemi G (Tanzania) Limited	Tanzania	100	100
Mtemi O (Tanzania) Limited	Tanzania	100	100
Mtemi U (Tanzania) Limited	Tanzania	100	100

¹ Pensana Plc is the ultimate holding company as at 30 June 2022. 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 Coala Projects. The parent entity and its controlled entities are not within a tax-consolidated group.

² The registered offices is located at Suite 31, Second Floor, Cheapside, London, United Kingdom, EC2V 6DN.

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include 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 are reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED	
	2022 US\$	2021 US\$
Cash and cash equivalents	2,930,162	16,787,591

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

	CONSOLIDATED	
	2022 US\$	2021 US\$
Net loss	(10,382,469)	(9,370,862)
<i>Add/less non-cash items</i>		
Depreciation	24,508	22,712
Share-based payments	876,657	450,210
Unrealised foreign exchange losses/(gains)	2,255,471	(1,101,568)
Issue of shares in lieu of payment to creditors	–	204,443
Impairment of assets	669,470	2,500,000
Research and development tax rebate	(1,329,553)	212,910
<i>Decrease/(increase) in assets</i>		
Trade and other receivables	40,901	(315,092)
Other current assets	–	16,900
<i>(Decrease)/increase in liabilities</i>		
Trade and other payables	(103,216)	507,485
Net cash used in operating activities	(7,948,231)	(6,872,862)

21. FINANCIAL INSTRUMENTS

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 programme 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.

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.

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 and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 13 and 14, 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- or long-term borrowings.

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 on the commodity price for resources at the time of the transaction. The group actively monitors factors that could impact market prices including market demand, customer needs and potential new entrants into the rare earth industry.

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 US\$29,302 (2021: US\$167,876).

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 sheet 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 cash deposits and 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 was held with 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 are 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 as at 30 June 2022 and 2021 are the carrying amounts as per the statement of financial position.

Trade and other receivables

As at 30 June 2022, the group had trade and other receivables of US\$2,400,011 (2021: US\$5,370,007); refer to note 9. 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 the 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 days, an estimated credit loss allowance has been recognised based on the estimated lifetime credit loss.

21. FINANCIAL INSTRUMENTS continued

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.

As at 30 June 2022, the group had exposure to other foreign currencies; primarily the following exposure to Australian dollar (AUD), British pound (GBP) and the Angolan kwanza that is not designated in cash flow hedges:

	CONSOLIDATED	
	2022 US\$	2021 US\$
Financial assets		
<i>Cash and cash equivalents</i>		
Australian dollar	15,580	71,993
British pound	2,539,160	12,551,701
Angolan kwanza	269,454	91,769
South African rand	–	6,998
Tanzanian shilling	566	–
Euro	64,493	1,559
Net exposure	2,889,254	12,724,020

A 5% change in the Australian dollar/British pound exchange rate will increase or decrease net loss and accumulated losses by US\$144,463 (2021: US\$636,201).

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the group's short-, medium- and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities.

Maturity profile of financial instruments

The following table details the group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the group's exposure to interest rate risk as at 30 June 2022 and 30 June 2021.

	Less than 1 month US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	5+ years US\$	Total
2022						
Financial assets						
Non-interest-bearing	–	–	–	–	–	–
Variable interest rate instrument	5,330,173	–	–	–	–	5,330,173
Fixed interest rate instruments	–	–	–	–	–	–
	5,330,173	–	–	–	–	5,330,173
Financial liabilities						
Non-interest-bearing	3,646,386	–	–	–	–	3,646,386
	1,683,787	–	–	–	–	1,683,787

21. FINANCIAL INSTRUMENTS continued

Liquidity risk continued

Maturity profile of financial instruments continued

	Less than 1 month US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$	5+ years US\$	Total
2021						
Financial assets						
Non-interest-bearing	-	-	-	-	-	-
Variable interest rate instrument	17,268,853	2,777,780	2,110,965	-	-	22,157,598
Fixed interest rate instruments	-	-	-	-	-	-
	17,268,853	2,777,780	2,110,965	-	-	22,157,598
Financial liabilities						
Non-interest-bearing	4,625,862	-	-	-	-	4,625,862
	12,642,991	2,777,780	2,110,965	-	-	17,531,736

22. KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED	
	2022 US\$	2021 US\$
Short-term employee benefits	2,240,592	2,123,730
Post-employment benefits	-	21,005
Share-based payment	605,388	450,210
	2,845,980	2,594,945

This includes compensation for three executives (2021: 1), four non-executive directors (2021: 6) and one executive personnel (2021: 2). Further details of the key management personnel compensation can be found in the remuneration report section of the directors' report.

23. SHARE-BASED PAYMENTS

Performance rights

2022

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

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 Limited.

2021 – amendment to historical performance rights

Director/key management personnel	Number of rights	Fair value ¹ per right	Original vesting conditions	Original grant date	Original expiry date	Vesting status
P Atherley	3,858,037	n/a	Completion of the definitive feasibility study (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 the concentrator by end December 2020	22 April 2019	22 April 2019	Fully vested
T George ¹	1,250,000	US\$0.014 (£0.0108)	Commencement of concentrate sales by end 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 the concentrator by end December 2020	1 January 2020	31 December 2020	Fully vested
R Kaplan ¹	1,000,000	US\$0.15 (£0.11)	Commencement of sales by end 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 prior year, the amended awards were repriced to reflect the extended vesting conditions. The following inputs were used under the Black-Scholes model:

- Stock pricing US\$0.0956
- Exercise price US\$0.0010
- Time to maturity Four years
- Risk-free interest rate 1.6%
- Annualised volatility 100%

Options

2022

During 2022, no share-based options were issued.

2021

During 2021, no share-based options were issued.

23. SHARE-BASED PAYMENTS continued

Reconciliation of options outstanding

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

	Number of options 2022	Weighted average exercise price 2022	Number of options 2021	Weighted average exercise price 2021
Balance at the beginning of the financial year	2,750,000	–	3,000,000 ¹	US\$0.019
Issued or to be issued during the financial year	–	–	–	–
Vested during the financial year	(750,000)	US\$0.103	–	–
Expired during the financial year	(500,000)	US\$0.175	(250,000)	US\$0.226
Balance at the end of the financial year	1,500,000	US\$0.103	2,750,000	–
Exercisable at the end of the financial year	1,500,000	–	2,750,000	–

¹ During the prior year, 2,750,000 legacy performance rights were reclassified as share-based awards with the migration from the ASX to the LSE. During the prior 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 MREDS and solvent extraction 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.

Share awards

2022

During the year, share awards were issued to executive management and to employees.

Share awards issued to executive management

Share awards were issued to executives during the year. These awards are subject to six performance conditions: absolute total shareholder return (market-based), lost time injury frequency rate, full financing of the Longonjo Project, full financing of the Saltend Project, construction completion of the rare earth separation facility (RESF) and production of the RESF. Grant date fair value was calculated using the market-based measure. No dividends are attributable during the vesting period.

Refer to the remuneration committee report on pages 58 of this annual report for more detail.

The fair value of the share awards issued to executives was calculated using both a stochastic simulation model, as well as a Black-Scholes pricing model.

The key assumptions used in the models for shares granted during the year ended 30 June 2022 were as follows:

Share awards	16 May 2022
Quantity of shares issued	1,595,833
Fair value of shares issued	US\$1.57 million (£1.27 million)
Performance period	Three years
Volatility	92.25%
Risk-free interest rate	1.26%
Dividend yield	0%
Weighted average share price on grant and valuation date	US\$0.98 (£0.80)

23. SHARE-BASED PAYMENTS continued

Share awards issued to employees

Share awards were issued to employees during the year. These awards are subject to two performance conditions: construction completion of the RESF and first production of the RESF.

The performance period is three years. There are no market-based vesting conditions on the share awards.

The fair value of the share awards is detailed below, and the share-based payment charge is charged to profit evenly between the grant and vesting dates. No dividends are attributable during the vesting period.

The share awards have an exercise price of nil.

The fair value of the restricted shares issued in 2022 was calculated using the Black-Scholes pricing model. The key assumptions used in the model for shares granted during the year ended 30 June 2022 were as follows:

Share awards	1 July 2021
Quantity of shares issued	583,786
Fair value of shares issued	US\$912,340 (£754,000)
Performance period	Three years
Volatility	92.25%
Dividend yield	0%
Weighted average share price on grant and valuation date	US\$1.3 (£1.08)

24. RELATED PARTY TRANSACTIONS

Parent entity

The parent entity of the group is Pensana Plc which is incorporated in the UK.

Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 19 to the financial statements.

Transactions with key management personnel and related parties

The aggregate compensation made to key management personnel is disclosed in note 22 to the financial statements, and details of the compensation have been provided in the remuneration report which forms part of the directors' report.

25. REMUNERATION OF THE AUDITOR

	CONSOLIDATED	
	2022 US\$	2021 US\$
Fee payable to BDO LLP as the company's external auditor for the audit of the company's annual financial statements	156,574	95,393
Fee payable to BDO LLP as the company's external auditor for non-audit services to the group ¹	43,907	41,475

¹ During the prior period, there were non-audit service fees of US\$43,907 (2021: US\$41,475) incurred by BDO LLP with respect to the half-year interim review.

26. SUBSEQUENT EVENTS

Subsequent to the year end the following events occurred:

- received green bond certification from CICERO, the leading independent provider of assessments on green bond frameworks;
- successful equity placing of US\$10.0 million with Fundo Soberano de Angola, the Angolan Sovereign Wealth Fund, specifically designated towards the Longonjo Project's early works programme which is now underway; and
- Signed a memorandum of understanding with a large non-Chinese magnet manufacturer for an offtake of 25% of Pensana's rare earth oxide production.

COMPANY STATEMENT OF FINANCIAL POSITION

for the financial year ended 30 June 2022

	Note	30 June 2022 US\$	30 June 2021 US\$
ASSETS			
Non-current assets			
Investment in subsidiaries	C3	13,362,139	13,362,139
Trade and other receivables	C2	39,617,189	22,335,068
Property, plant and equipment	C5	6,556,428	162,330
Total non-current assets		59,535,756	35,859,537
Current assets			
Cash and cash equivalents	C1	2,550,436	16,383,163
Trade and other receivables	C2	946,840	4,910,721
Total current assets		3,497,276	21,293,884
Total assets		63,033,032	57,153,421
LIABILITIES			
Current liabilities			
Trade and other payables	C4	16,753,382	16,240,345
Total current liabilities		16,753,382	16,240,345
Total liabilities		16,753,382	16,240,345
Net assets		46,279,650	40,913,076
Equity			
Issued capital	13	295,425	279,398
Share premium	14	47,043,782	34,195,957
Reserves	14	13,551,117	13,528,019
Accumulated losses	14	(14,610,674)	(7,090,298)
Total equity		46,279,650	40,913,076

The notes to the financial statements, included on pages 124 to 126, form an integral part of these financial statements.

The company's loss for the financial year was US\$7.5 million (2021: US\$5.8 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.

The financial statements were approved by the board of directors and authorised for issue on 27 October 2022 and are signed on its behalf by:



Steven Sharpe
Chairman of the audit and risk committee

COMPANY STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2022

	Note	30 June 2022 US\$	30 June 2021 US\$
Cash flows from operating activities			
Operating cash flows	C6	(5,278,812)	(5,744,829)
Net cash used in operating activities		(5,278,812)	(5,744,829)
Cash flows from investing activities			
Funding of group companies		(17,282,121)	(7,238,431)
Payments for property, plant and equipment		(6,168,699)	(72,718)
Net cash used in investing activities		(23,450,820)	(7,311,149)
Cash flows from financing activities			
Interest paid		-	(255)
Proceeds from issues of equity securities		16,780,204	27,876,399
Share issue costs		(410,887)	(1,686,037)
Net cash provided by financing activities		16,369,317	26,190,107
Net (decrease)/increase in cash and cash equivalents		(12,360,315)	13,134,129
Cash and cash equivalents at the beginning of the year		16,383,163	3,249,034
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,472,412)	-
Cash and cash equivalents at the end of the year	C1	2,550,436	16,383,163

The notes to the financial statements, included on pages 124 to 126, form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2022

	Issued share capital US\$	Share premium US\$	Shares to be issued US\$	Accumulated losses US\$	Merger reserve 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 13)	56,799	32,702,223	(3,300,560)	-	-	-	-	27,772,425
Capital raising costs	-	(1,686,037)	-	-	-	-	-	-
Issue of shares – conversion of performance rights	654	62,921	-	-	-	-	(63,575)	-
Share-based payments	-	-	-	-	-	-	450,210	450,210
Balance as at 30 June 2021	279,398	34,195,957	-	(7,090,298)	11,557,230	1,203,611	767,178	40,913,076
Opening balance as at 1 July 2021	279,398	34,195,957	-	(7,090,298)	11,557,230	1,203,611	767,178	40,913,076
Loss for the year	-	-	-	(7,520,376)	-	-	-	(7,520,376)
Other comprehensive income	-	-	-	-	-	(816,868)	-	(816,868)
Total comprehensive income for the year	-	-	-	(7,520,376)	-	(816,868)	-	(8,337,244)
Issue of shares (note 13)	15,012	13,176,014	-	-	-	-	-	13,191,026
Capital raising costs	-	(410,887)	-	-	-	-	-	(410,887)
Issue of shares – conversion of performance rights	1,015	82,698	-	-	-	-	(83,713)	-
Share-based payments	-	-	-	-	-	-	923,679	923,679
Balance as at 30 June 2022	295,425	47,043,782	-	(14,610,674)	11,557,230	386,743	1,607,144	46,279,650

The notes to the financial statements, included on pages 124 to 126, form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the financial year ended 30 June 2022

C1. CASH AND CASH EQUIVALENTS

	30 June 2022 US\$	30 June 2021 US\$
Cash at bank and on hand	2,550,436	16,383,163
	2,550,436	16,383,163

C2. TRADE AND OTHER RECEIVABLES

	Prepayments US\$	Other debtors US\$	Amounts owed by group undertakings US\$	Total US\$
Current				
As at 30 June 2020	42,792	–	–	42,792
Movement in the period	(20,816)	4,888,745	–	4,867,929
As at 30 June 2021	21,976	4,888,745 ¹	–	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
As at 30 June 2021	–	–	22,335,068	22,335,068

	Prepayments US\$	Other debtors US\$	Amounts owed by group undertakings US\$	Total US\$
Current				
As at 30 June 2021	21,976	4,888,745	–	4,910,921
Movement in the period	282,662	(4,258,648)	–	–
As at 30 June 2022	304,638	630,097 ¹	–	946,840
Non-current				
As at 30 June 2021	–	–	22,335,068	22,335,068
Movement in the period	–	–	17,282,121	17,282,121
As at 30 June 2022	–	–	39,617,189	39,617,189

¹ Please refer to note 9 for details of the equity receivable

Balances with subsidiaries at the period-end were:

	30 June 2022 US\$	30 June 2021 US\$
Pensana Metals Limited	15,546,231	3,954,708
Ozango Minerais SA	8,912,615	3,091,151
Coola Mining Lda	45,018	–
Sable Rare Earths GmbH	2,505,168	2,488,407
Sable Minerals GmbH	12,608,157	12,800,802
Total	39,617,189	22,335,068

Amounts owed by group undertakings are unrestricted and payable on demand, but the directors do not anticipate that they will be paid within 12 months and therefore have classified them as non-current. The directors have assessed the ECLs, 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 2022. Refer to note 19 to the financial statements.

C3. INVESTMENT IN SUBSIDIARIES

	30 June 2022 US\$	30 June 2021 US\$
Pensana Metals Limited	11,756,018	11,756,018
Sable Minerals GmbH	1,606,121	1,606,121
Total	13,362,139	13,362,139

Please refer to note 19 for details of interests held in subsidiaries.

C4. TRADE AND OTHER PAYABLES

	30 June 2022 US\$	30 June 2021 US\$
Inter-company loan payable to Pensana Metals	14,725,658	14,725,658
Trade payables	530,330	307,619
Accrued expense	1,497,394	1,207,068
Total	16,753,382	16,240,345

C5. PROPERTY, PLANT AND EQUIPMENT

	Development asset US\$	Assets under construction ¹ US\$	Computer equipment US\$	Total US\$
2022				
Cost				
Balance as at 1 July 2021	89,945	65,728	6,990	162,663
Additions	–	6,388,079	9,716	6,398,009
Balance as at 30 June 2022	89,945	6,453,808	16,706	6,560,672
Depreciation				
Balance as at 1 July 2021	–	–	333	333
Charge for the year	–	–	3,911	3,911
Balance as at 30 June 2022	–	–	4,244	4,244
Net book value				
At 30 June 2021	89,945	65,728	6,657	162,330
At 30 June 2022	89,945	6,453,808	12,462	6,556,428
2021				
Cost				
Balance as at 1 July 2020	–	–	–	–
Additions	89,945	65,728	6,990	162,663
Balance as at 30 June 2021	89,945	65,728	6,990	162,663
Depreciation				
Balance as at 1 July 2020	–	–	–	–
Charge for the year	–	–	333	333
Balance as at 30 June 2021	–	–	333	333
Net book value				
At 30 June 2020	–	–	–	–
At 30 June 2021	89,945	65,728	6,657	162,330

¹ Assets under construction relate to Saltend.

C6. NOTES TO THE STATEMENT OF CASH FLOWS

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

	30 June 2022 US\$	30 June 2021 US\$
Net loss before tax	(7,520,376)	(5,780,311)
<i>Add/less non-cash items</i>		
Restructuring of inter-company loans	–	(1,606,121)
Depreciation	3,911	334
Share-based payments	923,679	450,210
Impairment of assets	669,470	–
Unrealised foreign exchange losses	743,067	288,348
Issue of shares in lieu of payment to creditors	–	204,443
<i>(Increase)/decrease in assets</i>		
Trade and other receivables	(294,767)	20,816
Inter-company receivables	–	(15,436,455)
<i>Increase in liabilities</i>		
Trade and other payables	196,204	16,113,907
Net cash used in operating activities	(5,278,812)	(5,744,829)

ABBREVIATIONS

AGM	Annual general meeting
AIM	Alternative Investment Market of the London Stock Exchange
ASX	Australian Securities Exchange
AUD	Australian dollar
°C	Degrees Centigrade
CDC	Commonwealth development corporation
CEO	Chief executive officer
CFO	Chief financial officer
CICERO	Center for International Climate Research
CO ₂	Carbon dioxide
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
DFS	Definitive feasibility study
ECL	Expected credit loss/es
EIR	Effective interest rate
ESG	Environmental, social and governance
ESIA	Environment and social impact assessment
FEED	Front-end engineering design
FRC	Financial Reporting Council
ft	Foot
FTSC	FSTE Small cap
FTSE	Financial Times Stock Exchange
GAAPs	Generally accepted accounting principles
GBP	British pound
GHG	Greenhouse gas
GST	Goods and services tax
GW	Gigawatt
ha	Hectare
HREOs	Heavy rare earth oxides
HSE	Health, safety and the environment
IAS	International Accounting Standards
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standards
in	Inch
ISAs (UK)	International Standards on Auditing (UK)
ISO	International Organisation for Standardisation
JORC	2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves
km	Kilometre
km ²	Square kilometre
KPI	Key performance indicator
kWh	Kilowatt hour
LSE	London Stock Exchange
LTIFR	Lost time injury frequency rate

m	Metre
m ²	Square metre
mg/l	Milligrams per litre
mm	Millimetre
MREDS	Mixed rare earth double sulphate
Mt	Million tonnes
mtpa	Million tonnes per annum
MW	Megawatt
MWh	Megawatt hour
NdPr	Neodymium and Praseodymium
NdPrO	Neodymium Praseodymium oxide
NGO	Non-governmental organisation
OEM	Original equipment manufacturer
ppm	Parts per million
QCA	Quoted Companies Alliance
REE	Rare earth element
REO	Rare earth oxide
RESF	Rare earth separation facility
STEM	Science, technology, engineering and mathematics
STI	Short-term incentive
SX	Solvent extraction
TCFD	Task Force on Climate-related Disclosures
tCO ₂ e	Tonnes (t) of carbon dioxide (CO ₂) equivalent
tpa	Tonnes per annum
TREO	Total rare earth oxide
TSF	Tailings storage facility
TSR	Total shareholder return
UK	United Kingdom
US	United States
US\$	United States dollar
VAT	Value added tax

CORPORATE DIRECTORY

Directors	Mr Paul Atherley – Chairman Mr Tim George – Executive director/chief executive officer Mr Robert Kaplan – Finance director 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
Company secretary	St James's Corporate Services Limited Mr George Zacharias
Registered office	107 Cheapside Second Floor London EC2V 6DN, United Kingdom
Share registry UK	Computershare The Pavilions, Bridgwater Road Bristol BS13 8AE, United Kingdom
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Lawyers UK	Bryan Cave Leighton Paisner LLP Governor's House 5 Laurence Pountney Hill London EC4R 0BR, United Kingdom
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