PENSANA
RARE
EARTHS

Annual Report
for the financial year ended 30 June 2020

Pensana Rare Earths Plc
and Controlled Entities

Company Number 12206525

Highlights:

- Implementation of Scheme of Arrangement and listing on London Stock Exchange
- Receipt of Presidential approved mining title on Longonjo Project
- Award of 7,456km^2 Coola exploration licence adjacent to Longonjo
- Two fundraisings with Angolan Sovereign Wealth Fund of c.a $6.5million with further investment of $8.6m post period end
- Significant increase in Mineral Resource estimate post period end
- Heads of Agreement signed with China Great Wall Industry Corporation
- Disposal of Miyabi Tanzanian assets post period end

Corporate directory

Directors	Paul Atherley – Chairman Tim George – Executive Director / Chief Executive Officer David Hammond - Executive Director / Chief Operating Officer Neil Maclachlan - Non-Executive Director Mark Hohnen - Non-Executive Director Sandra Bates - Non-Executive Director
Chief Executive Officer	Mr Tim George
Chief Financial Officer	Mr Robert Kaplan
Company Secretary	St James Corporate Services Limited
Registered Office	UK office: 100 Pall Mall, St James, London, SW1Y 5NQ, United Kingdom Australian office: 202/37 Barrack Street Perth , WA 6000 www.pensana.co.uk
Share Registry UK **Share Registry Australia**	Computershare The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000

Auditors	BDO LLP 55 Baker Street London W1U 7EU UNITED KINGDOM
Lawyers UK **Lawyers Australia**	Bryan Cave Leighton Paisner LLP Governor's House 5 Laurence Pountney Hill London, EC4R 0BR UK Thomson Geer Level 27, Exchange Tower, 2 The Esplanade Perth WA 6000 Australia
LSE Code **ASX Code**	PRE PM8

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CHAIRMAN'S LETTER

It is with great pleasure that I can report on a year of considerable progress in our efforts to establish the Company as the London Stock Exchange's rare earth miner of choice and the Longonjo Neodymium and Praseodymium ("NdPr") Project in Angola as the next major mine in the permanent magnet supply chain.

COVID -19

In a year of unprecedented challenges for all I would firstly like to express my sincere gratitude to my team at Pensana, the Angolan Sovereign Wealth Fund and the Angolan Government for navigating their way through this period together and ensuring the ongoing momentum of our flagship project in Angola whilst maintaining the safety and well-being of our employees. Although we had to temporarily suspend work on-site during lockdown in Angola the team was able to complete two placings for circa $6.4 million which allowed for us to continue with the key metallurgical testing work stream in Australia, complete the listing on the London Stock Exchange and mitigate any further time lost as we work towards our Bankable Feasibility Study at Longonjo.

We are on the verge of a significant energy transformation

The US$16 trillion post COVID global government stimulus programmes are transforming the renewable energy sector, creating unprecedented demand for critical rare earth magnet metals. Electrification of motive power is seeing the replacement of fossil fuels in a wide range of major industries from air, sea and land transportation; to clean power generation. As the world emerges from lockdown evidence of this step change is becoming more prevalent daily. Germany recently announced the biggest ever financial support for the German auto industry with €130 billion allocated to 70,000 charging stations and the doubling of the vehicle subsidy to €6,000 for buyers of full-electric vehicles. In addition Germany has set an annual production target of 10 million vehicles by 2030. The UK, France and other EU countries have been quick to follow suit.

Industry specialist Adamas Intelligence has highlighted that Electric Vehicles ("EV's") will drive a 350% increase in magnet metal demand over the next five years leading to shortages in NdPr oxide supply. However even more influential is that the demand from offshore wind over the next 20 years is forecast to grow at 1,500%, overwhelming the demand from EVs.

Offshore wind is set to be the major beneficiary of the European Green Deal with €25 billion set to be invested over the next two years. Evidence of this is the North Sea Wind Power Hub located 140 km off the North Yorkshire coast where the 1,000 km^2 array of 260-metre-high turbines will harness the North Sea's gale force winds and generating sustainable low-cost electricity for Germany, Holland and the UK and be six times more powerful that China's Three Gorges dam.

Key to all these major project developments are the motors and generators that are increasingly being made from high strength, long life and heat resistant NdPr permanent magnets.

The importance of rare earths continue to take centre stage

Chinese dominance of the sector in which it supplies over 87% of the world's permanent magnets continues despite several countries having made significant moves to try and infiltrate the rare earth market.

Lynas is currently the only major mine in the permanent magnet supply chain located outside China.

The next major rare earth mine

Having received Angolan Presidential approval for the exploitation of the Longonjo project in April of this year coupled with the financial support of the Angola Sovereign Wealth Fund alongside our post period end listing on the Main Board of the London Stock Exchange, we have strategically positioned the Company to be in a position to bring online the first major rare-earth mine in over a decade and take advantage of producing and meeting the growing demand for the metals critical to the green energy revolution.

During the course of the year the team completed the 8,000 metre drilling programme on the Longonjo project in support of the recently announced revised Mineral Resource estimate which highlighted the large resource of 313 million tonnes at 1.43% REO including 0.32% NdPr for 4,470,000 tonnes of REO including

990,000 tonnes of NdPr that can be readily developed by producing a NdPr rich carbonate for export via the adjacent US$1.8 billion Benguela rail line which links to the recently upgraded US$2 billion Atlantic port of Lobito.

At the time of writing, our team, working alongside our tailored specialist rare earth process engineering team, being the Wood group, Paradigm, Aurelia, Nagrom and ALS Metallurgy in Perth, Australia, is well advanced in its execution of a bankable feasibility study due later this year. The study is expected to highlight the commercial viability of the Longonjo Project underpinned by a world class resource and is the final step in the lead up to the investment decision. In preparation for this move to mine development, the Company announced in mid-July that it had entered into a Heads of Agreement with China Great Wall Industry Corporation ("CGWIC"). The Heads of Agreement establishes the framework for the Company and CGWIC to work together to negotiate and engage in discussions regarding the mine development and creates the platform for CGWIC to be engaged as the contractor for the purposes of the engineering, procurement and construction works for the Longonjo Project and for the Company to procure financing for these project works.

The bankable feasibility study is expected to highlight that the proposed mine design supports production of rare earths in a sustainable manner with power generation via access to the national hydro-electric grid which will provide clean low-cost electricity. Strong community engagement and the technical and professional development of the local workforce has been designed in to all the work programmes from the onset of the project review. The team have ensured that the design phase has placed the environmental provenance front and centre alongside sustainability as we look to meet the high standards that are going to be expected of us by our communities, investors, customers and our key partner in-country, the Angolan Sovereign Wealth Fund.

Whilst finalisation of the bankable feasibility study is awaited, we are anticipating that the capital and operating costs will position Longonjo as one of the world's largest and lowest cost potential rare earth mines.

Award of Coola exploration licence

The award of the 7,456 km^2 Coola exploration licence, prospective for NdPr and other mineralisation was a positive endorsement of our efforts in Angola to date. The licence is adjacent to the Longonjo Project and there are two known carbonatites on the concession identified as being rich in NdPr mineralisation. We are looking forward to expediting the exploration and groundwork studies whilst leveraging of the synergies of the Longonjo project.

Strong interest in financing

With Presidential approved permitting, the support of the Country's Sovereign Wealth fund, alongside existing, accessible and operational capital infrastructure and a world-class resource, the fundamentals at the Longonjo Project are compelling and in our view will make the project both attractive to investors and readily financeable.

Based on previous experience of the team and several discussions with financiers we believe that this approach will be well received.

London Main Board listing

The move to the Main Board on the London Stock Exchange post year end, alongside our existing listing on the ASX as part of the Company's strategy of refocussing on the UK and European markets has been well received by our shareholders and significant interest has been generated. Our belief is that the sophisticated institutional investor base in the UK and European markets will align to the both the ESG fundamentals of our Company (refer to www.pensana.co.uk) and the relevance of its positioning in the burgeoning Green Energy revolution has been evidenced by the ongoing interest in the Company and the strong performance in our share price.

Angola is the UK's number one investment destination in Africa

The transformation of Angola under President João Lourenço's government is being recognized by a wide range of bilateral agencies.

Angola is now a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and has also announced its intention to join the Commonwealth.

Angola is also now the top African foreign investment destination for the UK with investments backed by UK export finance initiatives and my thanks go out to Baroness Northover of the UK Department of Trade and Industry whose visit to Angola earlier this year, wherein she highlighted the relevance of the Longonjo Project, served as confirmation of the UK government's ongoing trade initiatives which continue to enhance the relationship between both countries.

Our investment comes at a time when the Government is focusing on mining as one of the three main areas of diversification of the economy away from its reliance on oil and gas and diamonds.

We are in particular very grateful for the support and encouragement given by His Excellency Diamantino Azevedo, Minister of Mineral Resources and Petroleum and by the Governor of Huambo province, Dr Joana Lina, who has taken a keen interest in the project and visited the site personally and Mr Carlos Lopes and his team at the Angolan Sovereign Wealth Fund.

I would also like to take this opportunity to thank our partner Ferrangol under the direction of João Diniz dos Santos and Dr Andrea Buta Neto at the Ministry of Mines for their considerable support and encouragement.

Longonjo stands to be the first major mine developed in Angola under the revised mining law and has attracted wide publicity in the national media due to its potential to provide investment and jobs in an economically disadvantaged region.

Angolan Minister of Mines, Petroleum and Gas, His Excellency Diamantino Azevedo with Pensana Chairman Paul Atherley

Highest standards of sustainability and community engagement

It is our intention to finance and develop the mine such that it meets the very highest standards of sustainability and community engagement and becomes an investment everyone in Angola can be proud of.

As we progress to finalisation of our bankable feasibility study on Longonjo and ramp up exploration on Coola the upcoming period is sure to be another transformational period for the Group. There will be inevitable challenges on the financing, geological and engineering front as we look to progress to mine development but with your continued support we believe that the Company is well positioned to rapidly progress the development of the Longonjo project so as to be the next major mine in the permanent magnet supply chain at a time when the demand for permanent magnets is set to take off.

Paul Atherley
Chairman

CEO LETTER

On review of the past 12 months I can positively reflect on the significant progress that has been made towards transitioning the Group from its exploration phase to mine development at the Longonjo Project whilst significantly enhancing the platform from which the Group operates.

Firstly, testament to the Angolan Government's policy of driving diversification in the economy away from the petroleum sector, was the significant support we received throughout the year from both the Ministerial Departments in Angola and the Angolan Sovereign Wealth fund ("FSDEA"). I would like to take this opportunity to personally thank them for their support in key workstreams that culminated in the receipt of our mining licence at our flagship Longonjo Project and the ongoing Environmental and Social Impact Assessment ("ESIA") approval, the granting of the highly prospective Coola concession licence in close proximity to our Longonjo Project and the partnering by the FSDEA in two successful fund raisings during the year, in addition to the recent fundraising of US$8.6 million post year end, which provided the financial flexibility for the Group to continue with key workstreams.

Geology and metallurgy

On the geological front the team at Longonjo managed to drive the 8,000 metre drilling programme and subsequent analysis thereof to completion despite the significant challenges posed during the COVID-19 lockdown. This key work stream served to confirm the continuity and grades of the Longonjo mineralisation and culminated in our announcing a greatly expanded Mineral Resource estimate on 14 September 2020 of 313 million tonnes at 1.43% REO including 0.32% NdPr for 4,470,000 tonnes of REO including 990,000 tonnes of NdPr which was completed by industry experts SRK.

Having planned the shipment of 60 tonnes of mineralisation via the Port of Lobito to Perth in November last year, pilot plant test work in Perth was further able to proceed with ALS laboratories in Perth in Q3 2020.

Engineering

Alongside the geological team the engineering team was significantly enhanced with the addition of the Africa specialist project management consulting firm, Paradigm Project Management, who are working alongside the Wood Group in finalising the mine development parameters and plant design engineering for the Longonjo Project which will be key in the conclusion of the bankable feasibility study due later this year.

Infrastructure

Technical discussions with port, rail and power authorities in Angola have progressed positively throughout the course of the year with all having confirmed ample infrastructure capacity for the eventual mine and product export along with their support for the project. Roll-out of the power linkage programme to the project is expected to be implemented in Q1 2021 and detailed design plans are being finalised with regards to the additional bulk infrastructure, services and Longonjo site development.

Environmental and ESG

On the environmental front the Project Longonjo ESIA is under review by the Ministry of Environment, Culture and Tourism following its endorsement by the Ministry of Mines, Petroleum and Gas in April 2020. This is a significant step in the lead up to receiving construction approval for the project and my thanks go to South African based HCV, supported by Angolan based Grupo Simples. The studies they conducted have been specifically geared to satisfy both local and international standards, were conducted concurrently with the technical feasibility studies and will prove invaluable as we look to develop the mine from the ground up with ESG standards front and centre to our goals as a Company.

Staff development was pleasing with the ongoing recruitment and training of Angolan geologists, field assistants and camp workforce to support the exploration campaign, resulting in over 80% of the company employees being Angolan nationals. No lost time incidents occurred during the year. Both the Longonjo and Coola projects are well positioned to pull resources from the national workforce and as we emerge from the lockdown conditions the process of interviewing and identifying further trainee candidates is set to begin in earnest.

Overall, the work achieved during the year has been commendable and with the next key milestone being the finalisation of a bankable feasibility study for Longonjo, alongside a final investment decision the roll out of the mine development plan and main financing of the Project is well on track for the development of the first major rare earth mine in over a decade.

Tim George
CEO

Directors' Report

The Directors of Pensana Rare Earths Plc ("the Company") submit herewith the annual financial report of Pensana Rare Earths Plc and its controlled entities ("Consolidated Entity") for the year ended 30 June 2020.

Directors and Directors' Details

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

Paul Atherley **Non-Executive Chairman** **Appointed 13 May 2018**	Mr Atherley is a highly experienced senior resources executive with wide ranging international and capital markets experience. He graduated as mining engineer from Imperial College London and held a number of mine management, senior executive and board positions during his career. He served as Executive Director of the investment banking arm of HSBC Australia where he undertook a range of advisory roles in the resources sector. He has completed a number of acquisitions and financings of resource projects in Europe, China, Australia and Asia. Mr Atherley was based in Beijing from 2005 to 2015 and developed strong connections within Chinese business, industry bodies and senior government officials, including the most senior levels of the state owned energy companies. He was the Chairman of the British Chamber of Commerce in China, Vice Chairman of the China Britain Business Council in London and served on the European Union Energy Working Group in Beijing. He has been a regular business commentator on China and the resources sector, hosting events in Beijing and appearing on CCTV News and China Radio International as well as BBC, CNBC and other major news channels. Mr Atherley is a strong supporter of Women in STEM and has established a scholarship which provides funding for young women to further their education in science and engineering. *Other Current Directorships of Listed Companies* Leyshon Energy Limited (January 2014 – present). *Former Directorships of Listed Companies in last three years* Berkeley Energia Limited (ASX/AIM) Leyshon Resources Limited (May 2004 – May 2019)
David Hammond **Executive Director /** **Chief Operation Officer** **Appointed 14 November 2017**	Mr Hammond has over 30 years' technical, resource definition and project development experience in Africa, Australia and South America. He was most recently the Technical Director with Peak Resources Ltd for seven years where he led all exploration, resource definition and technical study teams, from the second drill hole of the deposit through resource, reserve, scoping study and prefeasibility. David holds a Master of Science (M.Sc.) and a Diploma of Imperial College (DIC) from the Royal School of Mines Imperial College London. He is a member of AUSIMM and a competent person for JORC reporting. *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* Peak Resources Limited

Mark Hohnen **Non-Executive Director** **Appointed: 25 August 2017**	Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as being on the board of oil and coal company Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). He was also, until recently, chairman of ASX listed, Boss Resources Limited and a director of Salt Lake Potash Limited. *Other Current Directorships of Listed Companies* Boss Resources Limited (ASX) (26 April 2016 Bacanora Minerals Limited (AIM / TSX listed) (27 April 2016 – Present) *Former Directorships of Listed Companies in last three years* Boss Resources Limited (ASX) (26 April 2016- 21 January 2020) Salt Lake Potash Limited (ASX) (February 2010 – December 2017)
Neil Maclachlan **Non-Executive Director** **Appointed: 17 January 2018**	Mr. Maclachlan, has over 35 years' investment banking experience in Europe, South East Asia and Australia and has extensive experience in public company directorships. He currently serves as chairman and a major shareholder in Markham Associates, a private UK partnership, which undertakes financial consultancy and direct investment activities in the junior mining sector in Europe, Australia and South East Asia. Mr. Maclachlan was a director of Extract Resources Ltd and Kalahari Minerals Plc. Both Extract Resources and Kalahari Minerals were the subject of successful takeovers for $2.1billion and £651million respectively. Mr Maclachlan has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and TSX. *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None
Tim George – **Executive Director /** **Chief Executive Officer –** **Appointed 22 April 2019**	Mr George is a Minerals Engineer with over 30 years of experience in the mining and engineering sectors, with a broad experience in mining project development throughout Sub-Saharan Africa. He holds an honours degree in Minerals Engineering from Leeds University and spent over a decade in production management at several Anglo American operations in Africa along with plant design and feasibility studies in various base and precious metal projects. His history in Angola started in 1998 in the construction & engineering sector, migrating to Chairman and CEO of Xceldiam an Angola focussed AIM listed diamond exploration company and subsequent NED of a Scandinavian dual listed resources entity with assets in sub-Saharan Africa including Angola. *Other Current Directorships of Listed Companies* None *Former Directorships of Listed Companies in last three years* None

Sandra Bates **Non – Executive Director** **Appointed 10 August 2020**	Ms Bates is an international lawyer with over 20 years' experience advising listed and private companies in the natural resources sector on complex commercial negotiations and Environmental, Social and Governance (ESG) engagement. Ms Bates is a Partner at Keystone Law, the London based law firm and a member of Women in Mining UK. *Other Current Directorships of Listed Companies* Adriatic Metals Plc *Former Directorships of Listed Companies in last three years* None

Chief Financial Officer– Mr. Robert Kaplan

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

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

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 Chief Financial Officer. Treasury operations are reported at each Board meeting and are subject to weekly internal reporting.

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

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

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

Future Developments
In addition to the mine development at its flagship Longonjo Project the Directors intend to continue to explore and develop the Company's existing projects with key focus on the exploration project at Coola.

Subsequent Events

London Stock Exchange Listing
Shortly after year end, on 6 July 2020, the Company completed its listing on the main board (Standard segment) of the London Stock Exchange under ticker code "PRE". The Company further appointed SI Capital and Mirabaud as brokers to the Company shortly after listing.

Group Restructuring
Pursuant to the scheme of arrangement which saw the re-domiciliation of the Group to the UK the shares in the wholly owned subsidiaries, Sable Minerals GmbH and Sable Rare Earths GmbH were acquired directly by Pensana Rare Earths Plc post period end. This was part of an ongoing internal group restructure that will see the removal of redundant holding companies and streamlining of the Group structure.

Appointment of Ms. Sandra Bates to the Board

On 10 August 2020, Ms Sandra Bates was appointed as a Non-Executive Director to the Board of the Company.

Additional events subsequent to the year end:

- On 1 July 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$ 5million.
- On 11 August 2020, the Company announced the conversion of 500,000 performance rights into fully paid ordinary shares on Listing on the London Stock Exchange;
- On 11 August 2020, the Company issued 821,157 fully paid ordinary shares to third party service providers.
- On 12 August 2020 St James Corporate Services Limited were appointed as the Company's Company Secretaries.
- On 25 September 2020 the Group raised an additional US$8.6million via the placing of 13,500,000 fully paid ordinary shares with the FSDEA. Funds are due to be receipted shortly.

Sale of Miyabi Gold Project

On 21 September 2020 the Company announced that it had entered into an agreement with Drillcraft Limited as regards the sale of the Miyabi Project which was held as available for sale as at the year end. The key terms of the agreement will see Drillcraft assume full responsibilities at Miyabi in exchange for the Company receiving gross cash proceeds of US$0.5m and the ongoing economic participation in the Miyabi Project via a 5 year, 2% royalty participation agreement.

Health and Safety Policy

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

Anti-Slavery and Human Trafficking

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

AGM

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

Shareholder General Meeting

On 15 May 2020, the Company held a General Meeting for shareholders. At that meeting shareholders approved the following resolutions:

- Ratification of the prior issue of 7,648,679 new Chess Depositary Interest's[1] ("CDI's") at an issue price of A$0.27 per new CDI in accordance with Listing Rule 7.4;
- That the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to allot shares in the Company or grant rights to subscribe for or convert any securities into shares in the Company up to a maximum aggregate nominal amount of £40,155.50, provide that this authority shall expire at the conclusion of the next annual general meeting of the Company that the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to allot shares in the capital of the Company up to an aggregate nominal amount of £16,062 and in accordance with Listing Rule 7.1 and for all other purposes to issue up to 16,621,984 Shares (or CDI's) at no less than A$0.20 per Share (or CDI), and that such authority shall expire within 3 months of the date of the such resolution.

[1] – *Chess Depositary interests are instruments traded on the Australian Stock Exchange ("ASX") that allows non- Australian companies to list their shares on the ASX and use the exchange's settlement systems.*

Auditors

Following the completion of the scheme of arrangement, which resulted in the acquisition of Pensana Metals Ltd by Pensana Rare Earths Plc, resulting in the re-domicile of the Pensana Group in the United Kingdom and the ultimate holding Company, Pensana Rare Earths Plc incorporated in England and Wales, the directors proposed that BDO LLP be appointed as the Company's auditors. BDO LLP became the Company's auditors with effect from 25 February 2020. A resolution for BDO's re-appointment will be proposed at the forthcoming AGM.

Statement of disclosure of information to auditors

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

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

Shares under option or issued on exercise of options

At the date of this report there are 250,000 unissued shares or interests under option.

Indemnification of Directors and Officers

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

Directors' Meetings

On 22 January 2020 the Supreme Court of Australia made orders approving the scheme of arrangement by which Pensana Rare Earths Plc acquired all of the ordinary shares in Pensana Metals Ltd. As a result thereof, each Pensana Metals shareholder holding shares on 28 January 2020, received one UK CDI in Pensana Rare Earths Plc alongside Pensana Metals Ltd becoming a wholly owned subsidiary of the Company. As a result thereof the Board of the then group parent entity, Pensana Metals, was reconstituted under the new parent entity, Pensana Rare earths Plc.

The following table sets out the number of Directors' meetings and committee meetings held during the financial year and the number of meetings attended by each Director while they were Directors for both Pensana Metals and Pensana Rare Earths:

Pensana Rare Earths Plc

	Board meetings		**Remuneration and Nomination Committee**	
Directors	Number eligible to attend	**Attended**	Number eligible to attend	**Attended**
P Atherley	1	1	1	1
D Hammond	1	1		
M Hohnen	1	1	1	1
N Maclachlan	1	1	1	1
T George	1	1		

Pensana Metals Limited

	Board meetings		**Remuneration and Nomination Committee**	
Directors	Number eligible to attend	**Attended**	Number eligible to attend	**Attended**
P Atherley	3	3	1	1
D Hammond	3	3	-	-
M Hohnen	3	3	1	1
N Maclachlan	3	3	1	1
T George	-	-	-	-

During the year, there were also 2 circular resolutions approved by directors.

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**	**Performance Rights**	**Options**
P Atherley	9,069,861	3,858,037	-
D Hammond	2,046,000	1,000,000	-
M Hohnen	4,318,691	-	-
N Maclachlan	2,417,384	-	-
T George	-	2,500,000	-

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU") and have also chosen to prepare the parent company financial statements under IFRS as adopted by the EU, and applicable UK Company law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business;
- prepare a director's report, a strategic report and a director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group: and
- .the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

This responsibility statement and the Directors' Report was approved by the Board of Directors on 30 September 2020 and is signed on its behalf by:

On behalf of the Board,

Mr. Paul Atherley
Chairman
30 September 2020

Review of Operations and Strategic Report

The Board is pleased to present its review of Pensana Rare Earths Plc, the rare earth exploration and development Group, whose flagship asset is the Longonjo Neodymium and Praseodymium (NdPr") Project in Angola.

The Company is focussed on the strategy to develop its 84% owned Longonjo NdPr Project in Angola to be a major and crucial supplier of raw materials for the move towards the electrification of society.

The year saw significant progress with a series of technical programmes successfully completed, the issuance of an updated Mineral Resource estimate post Period end and an updated Feasibility Study on the project now nearing completion.

Technical programmes included completion of the major drilling campaigns that lead to a significant expansion of the Longonjo Mineral Resource estimate, metallurgical flow sheet optimisation and, with the appointment of Paradigm Performance Partners as owner representatives to work alongside the Wood Group as lead engineers, the optimisation of a range of engineering studies that will culminate in a Bankable Feasibility Study shortly. Environmental and social baseline studies were furthermore completed during the year on the Longonjo Project and environmental permitting is under review by the Ministry of Environment, Culture and Tourism following its endorsement by the Ministry of Mines, Petroleum and Gas in April.

Operating and Financial Review

Further to the implementation of the Scheme of Arrangement earlier in the year, and the insertion of the Company as the UK domiciled parent of the Group, the presentation of the Groups prior year results have been retranslated from the previously reported Pensana Metals Limited Australian Dollar currency to the new presentational currency of US Dollars for the first time. Prior periods have been retranslated for comparative purposes to align to the current period. In addition, as a result of the Scheme of Arrangement in which the Company was initially incorporated as a wholly owned subsidiary of Pensana Metals and then acquired 100% of that company's shares and the merger accounting principles have been applied in preparing these financial statements as detailed in note 3 to the financial statements. Under the accounting policy, the Group is presented as if it had always been in existence in its current form with comparatives provided. The assets are liabilities of the former group are recorded at their book values and share capital reflected at the nominal value of the shares issued as part of the Scheme of Arrangement with the difference between the two recorded as a merger reserve.

During the year ended 30 June 2020 the consolidated entity incurred a comprehensive loss for the period of $4,280,471 (30 June 2019: $4,231,334).

Administration expenses increased to $2,511,666 (2019: ($985,975) with general administration costs for the period of $1,049,069, up 21% year on year due to the increased employee costs associated with the Group increased operational activity and the re-domicile to the UK.

Corporate advisory and consulting fees represented the major workstreams associated with the one off implementation of the Scheme of Arrangement and the subsequent listing of the Company to the main board of the London Stock Exchange and accounted for the majority of the remaining increase in administration costs.

Corporate expenses of $1,723,500 decreased from $2,060,541 in the prior period due primarily to reduced share based award charges associated with performance rights.

In 2019, the loss for the year included $1,154,163 of impairment charges on the Tanzanian assets, $335,277 of credit loss impairments on receivables and $249,786 of gains on disposal. In the current year, a partial reversal of the expected credit loss provision of $107,448 arose following receipt of amounts previously provided against.

Group net assets increased in the year to $14,861,184 from $11,871,698. This was primarily driven by the capitalisation to the Longonjo Project of exploration and evaluation expenditure for the year of $2,989,486. The Group's movement in share capital for the year comprised the share capital issued by the Company on incorporation and Scheme of Arrangement, together with equity placings detailed below. A portion of the final equity placing of the year was received by 30 June 2020 but the shares were not issued until shortly after year end, creating a shares to be issued reserve.

The Group experienced net cash outflows from operating and investing activities of $5,230,610 (30 June 2019: $3,443,482). Net cash outflows from operating activities of $2,441,398 increased from $1,312,044 due to operating losses partially offset by an increase in trade and other payables. Investing cash flows of $2,789,212 (2019: $2,131,438) primarily related to exploration expenditure partially offset by receipts associated to disposed assets. Proceeds from the issuance of equity before share issue costs in the amount of $6,354,258 (30 June 2019: $7,507,592) was the source of financing to facilitate the exploration spend over the Period. Cash and cash equivalents totalled $4,106,321 (30 June 2019: $3,312,442) at period end.

Further to the recent fundraising of $8.6m with the Angolan Sovereign Wealth fund, announced on 25 September, the Directors have prepared a cash flow forecast for the period ended 30 September 2021. The forecast indicates that whilst the Group has sufficient funding to meet its corporate and general operating costs, the Group will require additional funding over the next twelve months to meet its committed and planned exploration and development expenditure and operating costs related to the Longonjo Project. Please refer note 3 to the financial statements for more detail on the going concern statement.

Accordingly the Directors have resolved to undertake certain mitigating actions including actively engaging with institutional investors and financing institutions in the United Kingdom and Europe to discuss opportunities around potential future financing in anticipation of key project investment milestones as part of the bankable feasibility study being reached and the associated funding requirements attached thereto. Such additional funding will be required to meet the Group's committed and planned development expenditure across the forthcoming year.

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

Key performance indicators

Given the Group is in early stage mine development and mineral exploration and has no turnover, the Board consider usual financial key performance indicators (KPI's) to be neither applicable nor appropriate to the measurement of value creation of the Group. The Board consider the carrying value of the exploration asset and the cash balance to be the most applicable KPI's at this stage of the Group's development, further details of which have been given above. In addition, to this the Directors consider that the detailed information in the Operational review is the best guide to the Group's progress and performance during the year.

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

UK energy use and carbon emissions

The Group has limited activities in the UK, as a result the Group has no material emissions made and energy consumed within the UK. Therefore the thresholds as stated in the Streamlined Energy and Carbon Reporting requirements are not met.

Brexit

The Board regularly considers the potential impact of the United Kingdom leaving the European Union and its potential impact on the Company and the industry. At this point the Board is comfortable that its positioning and the product it is looking to bring to market will not be negatively impacted by Brexit.

Pensana's NdPr strategy for Longonjo

The Company has a clear and focussed strategy to develop its 84% owned Longonjo NdPr Project in Angola to be a major and crucial supplier of rare earth raw materials for the move towards the electrification of society.

The Company believes a valuable asset can be realised through a rapid and low cost development pathway that comprises a shallow open pit mine and onsite processing plant to produce a high grade NdPr rich rare earth carbonate product for export, leveraging off the established modern infrastructure already in place on the project's doorstep.

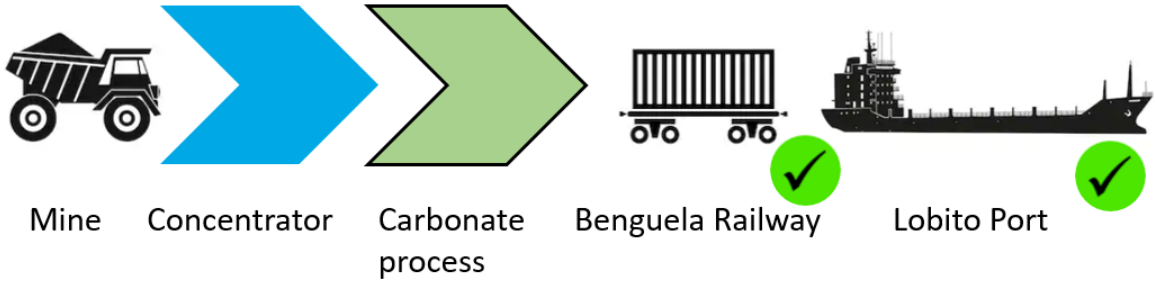
Principal Activities

The year saw significant progress with a series of technical programmes successfully completed including a major drilling campaign that lead to a significant upgrade of the Longonjo Mineral Resource estimate post Period. The Bankable Feasibility Study (BFS) engineering work streams have been advanced and are now nearing completion. Metallurgical optimisation including a flotation pilot plant and the development of a flow sheet to produce an NdPr rich rare earth carbonate are in progress and nearing successful completion.

The appointment of Paradigm Performance Partners as owner representatives to work alongside the Wood Group as lead engineers has allowed us to rapidly advance a range of engineering studies that will culminate in the Bankable Feasibility Study shortly and enable us to move directly into Front End Engineering Design. Environmental and social baseline studies were completed during the year for the Longonjo Project and environmental permitting received.

The Company expects that the successful delineation of a large and high confidence Mineral Resource estimate post Period end will lead to a significant expansion of the 9 year mine life of the Preliminary Feasibility Study released on 15 November 2019.

Longonjo is differentiated from other rare earth developments by the combination of high grade mineralisation at surface in the 'free dig' weathered zone, the favourable location of the Project adjacent to modern infrastructure and the Company's strategy to process on site and ship a high grade carbonate, avoiding the need for the excessive capital cost of further downstream processing.



Pensana is investigating the feasibility of the further downstream processing of Longonjo's high grade concentrate to produce an NdPr –rich rare earth carbonate, which will be incorporated into the BFS Study. This practical path to early development aims to position Longonjo as an important supplier of NdPr raw materials in time to meet looming demand from the electrification of vehicles and modern society generally

Facilitating a green energy revolution

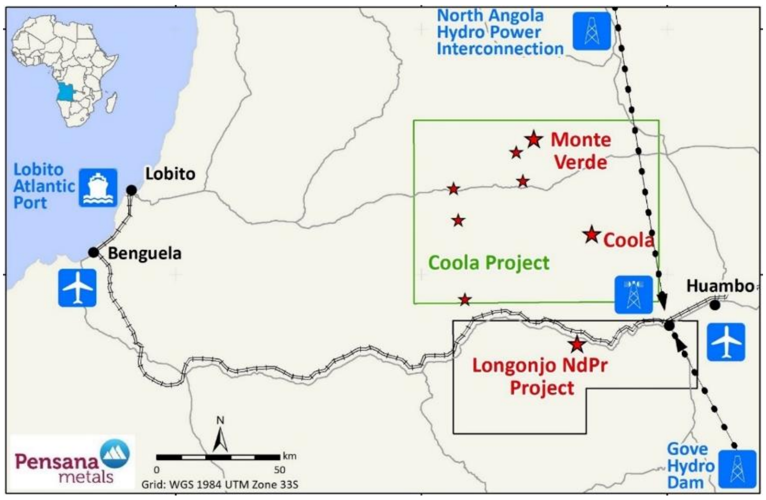
From wind turbines through electric vehicles, bikes and trains to trucks, drones, industrial tools, automation, robotics and air conditioners, the electric motor is the driving force behind a cleaner energy future. As most industries prepare to make the shift to zero-emission solutions, demand for super-strong permanent magnets essential in these motors and generators is increasing.

Electric motors and wind turbines will be at the core of our clean energy future. Neodymium and Praseodymium are the irreplaceable raw materials used to manufacture the permanent magnet components of these technologies.

Experts predict a supply shortfall will hit the market as early as 2021. Part of the issue lies in the monopoly over NdPr, with over 87% of the world's production of NdPr being currently controlled by China.

Infrastructure advantages

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



Longonjo is located adjacent to the Chinese-built US $1.8 billion Benguela rail line. This links the project with the Atlantic port of Lobito and on to customers in China. The new hydro power scheme transmission line is only 40 kilometres from the project. The large new Coola Project was granted during the year.

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

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

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

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

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

Lobito Port infrastructure directly connects to the Benguela rail line

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

Construction works on the massive new Laúca hydro power plant are now complete. Low cost hydro power now extends to within 40 kilometres of the Longonjo Project and there is an excess of low cost power in the region.

Technical Development programmes

The 2019 – 2020 reporting year was an active one for the Company as it achieved rapid and successful progress on the technical development programmes for Longonjo.

A Preliminary Feasibility Study was completed in November based on an open pit and on site concentrator plant scenario, and indicated strong economic potential for the project. The Company subsequently developed the strategy to add a refinery in order to produce a high grade NdPr – rich rare earth carbonate, adding further value in country and allowing access to wider markets for this higher purity product.

Work programmes were commenced, and are now well advanced, on a Bankable Feasibility Study, which is based on open pit mining of the near surface weathered zone mineralisation and the production of an NdPr rich rare earth carbonate on site at Longonjo.

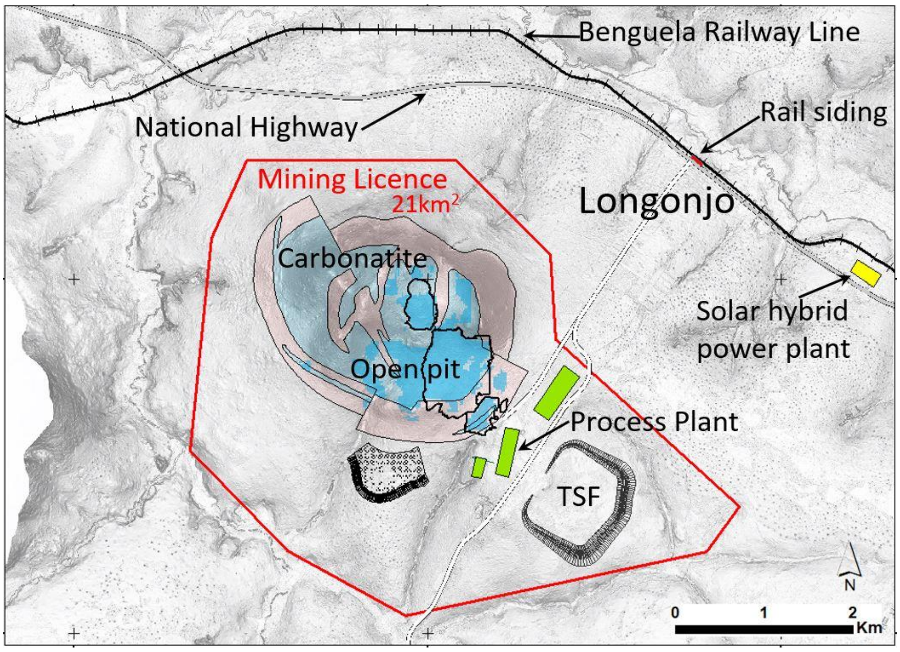
Metallurgical test work programmes proceeded to further optimise the selected floatation process. To support this work a bulk sample of Longonjo's mineralisation was collected and transported from site to a test facility in Perth, Western Australia. Four sea containers carrying over 60 tonnes of near surface weathered mineralisation were loaded at the Longonjo rail siding for despatch via the Benguela rail line and the Port of Lobito, successfully and practically demonstrating the efficiency of the modern transport infrastructure on Longonjo's doorstep.

Loading samples into container for transportation to Port Lobito

Flotation pilot plant operations commenced post Period using this bulk sample feed to provide engineering data for the BFS and quantities of high grade concentrate for use in the optimisation of the next stage NdPr-rich rare earth carbonate process. The carbonate test work is advancing positively and results will also feed into the BFS.

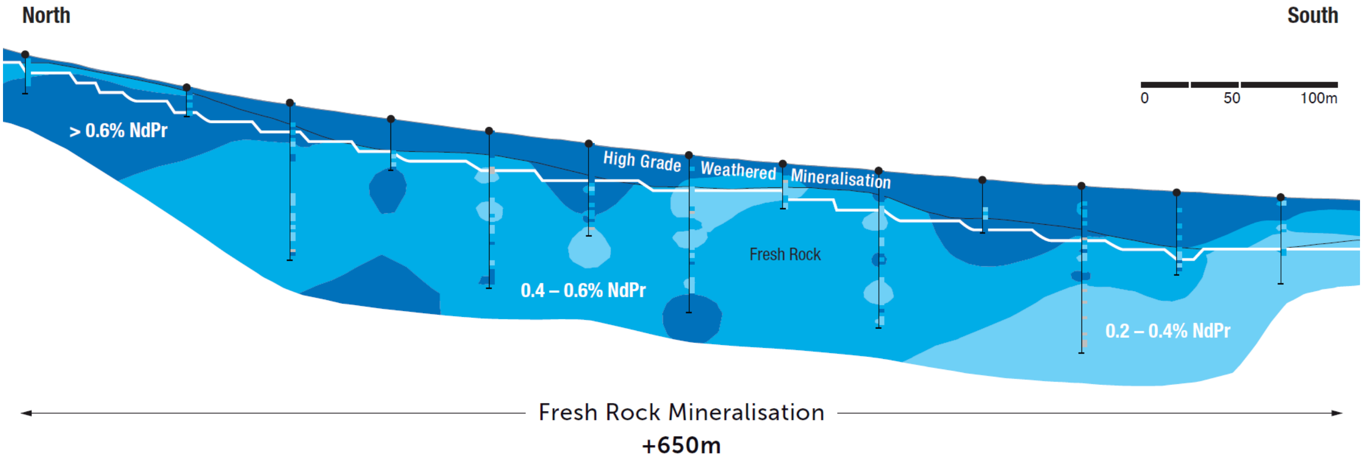
In April 2020 the Company announced another important milestone for Longonjo - the approval for the exploitation of the Longonjo Rare Earth Project. The mining title is renewable for up to 35 years with the key fiscal terms included in the Mining Investment Contract as follows:

- 2% royalty on revenue
- 20% national tax and 5% municipal tax on revenue following an initial two year tax holiday
- Custom duties exemption on imported equipment
- Full 5 year capital repayment allowance and
- Dividend tax exemption for 3 years.



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

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



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

The Company appointed international mining industry consultants SRK Consulting to complete a revised Mineral Resource estimate for Longonjo to incorporate the new drilling. Post Period end on 14 September 2020 the Company announced an upgraded Measured, Indicated and Inferred Mineral Resource estimate of:

313 million tonnes at 1.43% REO including 0.32% NdPr for 4,470,000 tonnes of REO including 990,000 tonnes of NdPr

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

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

The upgraded estimate:

- contains more than 2.3 times the previous estimate of the Measured and Indicated resources used in the Preliminary Feasibility Study[1] (announced ASX: 15 November 2019).
- has increased the proportion of the resources reported in the Measured and Indicated categories from 31% to 68%[2];
- and has increased the overall contained NdPr by 35%[2];

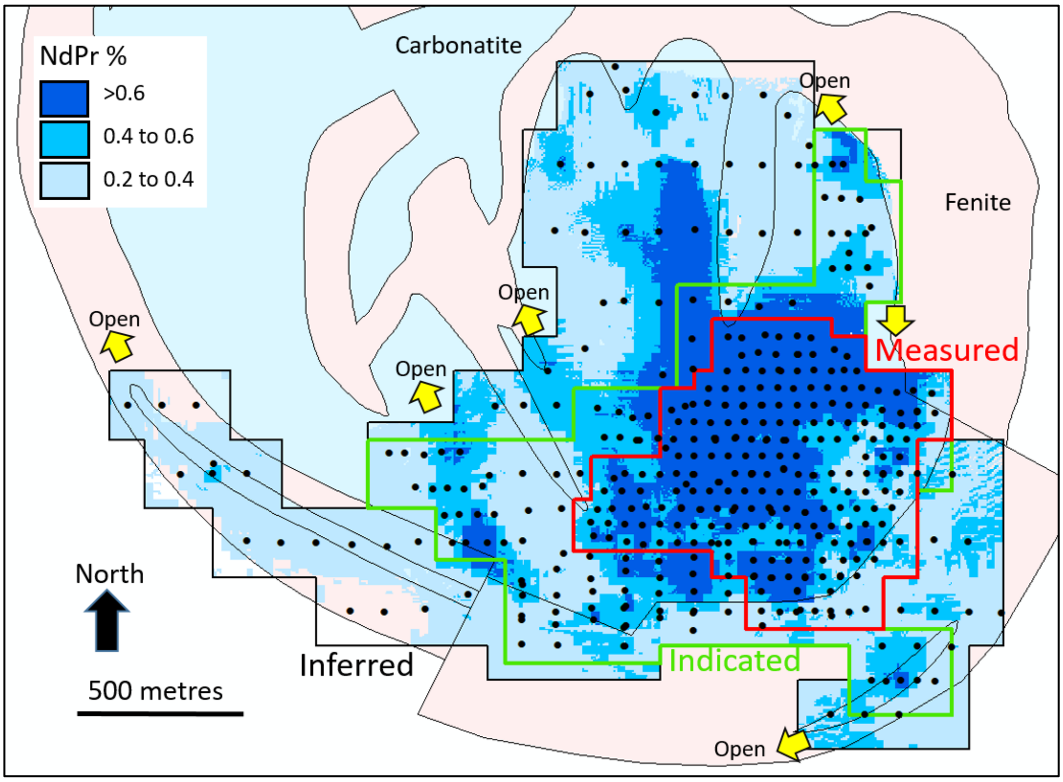
[1] Comparison of contained NdPr within the Weathered Zone Measured and Indicated categories at a 0.2% NdPr cut off, November 2019 and new Mineral Resource estimates.

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

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

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

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



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

At a 0.2% NdPr lower grade cut, the Measured and Indicated Mineral Resource estimate for the Weathered Zone is:

39.9 million tonnes at 2.38% REO including 0.52% NdPr for 948,000 tonnes of REO including 208,000 tonnes of NdPr

A 0.2% NdPr cut is applied. Weathered Zone Measured and Indicated categories only, and is contained within and is a subset of the Total Mineral Resource estimate. Table 2 provides a summary of resource categories for the Weathered Zone Mineral Resource estimate.

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

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

REO includes NdPr. Figures may not sum due to rounding. The Weathered Zone Mineral Resource estimate is contained within and is a sub-set of the total Mineral Resource for Longonjo shown in Table 1.

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

In May 2020 the Company announced that its application for a new exploration title adjacent to its Longonjo Project in Angola was granted. The licence requires a minimum spend of $5 million during the initial prospecting phase of five years.

The Coola Project is prospective for rare earth mineralisation and contains two known carbonatites with reported NdPr rare earth mineralisation. In addition, the project hosts five additional alkaline intrusive complexes and five strong geophysical anomalies which collectively represent an immediate and wide range of very well defined 'walk – up' exploration targets prospective for NdPr, other rare earths and niobium. Covering an area of 7,456 square kilometres, the project is well located just 16 kilometres from the Longonjo Project and close to established road and rail infrastructure that leads to the Atlantic port of Lobito.

Competent Persons Statement

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

The information in this report that relates to Geology and Exploration results is based on information compiled and/or reviewed by David Hammond, who is a Member of The Australasian Institute of Mining and Metallurgy. David Hammond is the Chief Operating Officer and a Director of the Company. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and the activity which he is undertaking to qualify as a Competent Person in terms of the 2012 Edition of the Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves. David Hammond consents to the inclusion in the report of the matters based on his information in the form and contest in which it appears.

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

Corporate activities

Implementation of Scheme of Arrangement
On 22 January 2020 the Supreme Court of Australia made orders approving the scheme of arrangement by which Pensana Rare Earths Plc acquired all of the ordinary shares in Pensana Metals Ltd. As a result thereof, each Pensana Metals shareholder holding shares on 28 January 2020, received one UK CDI in Pensana Rare Earths Plc alongside Pensana Metals Ltd becoming a wholly owned subsidiary of the Company.

Placements

During the 2020 financial year the Company raised approximately $6,4million through the issue of 2 placements on the Company's UK share register to the Angolan Sovereign Wealth Fund ("FSDEA").

The March 2020 placing was for 7,648,670 fully paid ordinary shares at £0.14 (A$0.27) to raise a US Dollar equivalent of US$1,365,884

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

- Tranche 1: 9,300,000 fully paid ordinary shares at A$0.273
- Tranche 2: 3,978,388 fully paid ordinary shares at A$0.273 and 12,530,245 fully paid ordinary shares at A$0.2893 for which the funds were received prior to period end with the shares only being issued post year end.

The funds are being applied to the execution of a Bankable Feasibility Study by Paradigm and the Wood Group into the development of the Longonjo NdPr Project in Angola.

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 regulatory environments of all of the countries in which Pensana operates or has a corporate presence. The Board oversees overall risk management. The Executive Committee ("Exco") is responsible for risk management processes and systems and drives a culture of individual employee accountability in implementing these.

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

Risk	**Risk appetite**	**Risk rating**	**Nature of risk and management of risk**
External risks			
Commodity price	**Medium**	**Medium**	If the Group is able to develop the Longonjo Project and/or the Coola Project for production and the market price of rare earth carbonate decreases significantly for an extended period of time, the ability for the Group to attract finance and ultimately generate profits could be adversely affected. **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 forward sales contracts with the goal of preserving future revenue streams. The Group has to date not entered into any such contracts.
Country and political	**Medium**	Medium	There are substantial risks associated with investments in emerging markets such as Angola where civil unrest, nationalist movements, political violence and economic crises are possible. Any changes in the political, fiscal and legal systems or conditions, or civil unrest in these countries, may affect the ownership or operation of the Group's interests, in particular the Longonjo Project which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. **Managing the risk**: The Group looks to maintain strong local and national government relations in Angola and vigorous compliance with local regulations at all times.
COVID-19	**Low**	**High**	The outbreak of the COVID-19 pandemic has had an impact on the Group's businesses. The current government lockdown in Angola led to a temporary suspension of work at the Longonjo Project albeit that work has now resumed. Further escalation of the COVID-19 pandemic, and the implementation of any additional government-regulated restrictions which delays the Group in carrying out its business activities at the Longonjo Project (such as preparatory works) will ultimately delay the Group's ability to reach production and start to generate cash and so could have a material adverse impact on the Group's operations and financial results. Additionally, COVID-19 has created increased uncertainty and volatility in debt and equity markets which may make

			the requisite funding for the Longonjo Project more difficult to secure or affect the terms available. **Managing the risk:** The Board continuously discusses key workstreams and the ability to manage operations under lockdown conditions. The Group furthermore secured additional funding form the FSDEA post year end to ensure near term workstreams would not be impacted by funding constraints in this uncertain environment. Operating under COVID-19 conditions remains uncertain however and the Board will look to adapt accordingly as more information becomes available or government advice changes.
Operating risks			
Attracting skilled employees	**Low**	**Medium**	The Group's ability to compete in the competitive natural resources sector depends upon its ability to retain and attract highly qualified management, geological and technical personnel. The loss of key management and/or technical personnel could delay the development of the Longonjo Project, exploration at the Longonjo Project and the Coola Project and negatively impact the ability of the Group to compete in the resources sector. In addition, the Group will need to recruit key personnel to develop its business as and when it moves to construction and ultimately operation of a mine each of which requires additional skills. **Managing the risk:** The Board seeks to incentivise and retain key employees through an appropriate blend of short term and long term incentivisation packages and share schemes that are appropriately aligned to the environment and conditions under which key management are operating.
Development of Longonjo Project	**Low**	**Medium**	The Group's operations are at an early stage of development and future success will depend on the Group's ability to manage the Longonjo Project and the production of an NdPr rich, mixed rare earth carbonate. In particular, the Group's success is dependent upon the Directors' ability to develop the Longonjo Project by commencing and maintaining production at the site and there is no certainty that funding will be available. Development of the Longonjo Project could be delayed or could experience interruptions or increased costs or may not be completed at all due to a number of factors, including but not limited to: • the Group's ability to raise finance for the development of the Longonjo Project; • changes in the regulatory environment; • non-performance by third party contractors; • inability to attract, train (as required) and retain a sufficient number of workers; • changes in environmental compliance requirements; • unfavourable weather conditions or catastrophic events • unforeseen escalation in anticipated costs of development, or delays in construction, or adverse currency movements resulting in insufficient funds being available to complete planned development; • increases in extraction costs including energy, material and labour costs; • lack of availability of mining equipment and other exploration services; • shortages or delays in obtaining critical mining and processing equipment; There can therefore be no assurance that that the Group will complete the various stages of development necessary to begin generating revenue for the Group at the Longonjo Project and any of these factors may have a material adverse effect on the Group's business, results of operations and activities, financial condition and prospects. **Managing the risk:** Through the engagement of independent industry experts in the geological, metallurgical , engineering, financial and environmental fields as appropriate ,alongside the in-house skill set which has significant mine development experience, the Board seeks to mitigate the project development risk upfront through systematically addressing perceived risks.

Strategic risks			
Financing	**Low**	**High**	The Company is of the opinion that the Group does not have sufficient funding to meet expected liabilities and commitments as they fall due based on its committed and planned exploration and development expenditures and operating costs related to the Longonjo Project for at least the next 12 months. The Group has no history of mineral production at the Longonjo Project and accordingly has no revenues from operations and negative cash flows and will require additional future capital in the short term to continue its exploration activities and if it decides to commence development of the Longonjo Project. **Managing the risk:** The Board continuously monitors the liquidity position of the Group and benchmarks key targeted milestones against funding requirements to ensure adequate resources will be available. Furthermore Management and the Board engages continuously with potential financiers, investors, Sovereign Wealth funds and lenders across the UK, Europe and Africa thereby keeping them abreast of project developments and the timing of potential fund raising.
Licence to operate	**Low**	**Low**	To the extent approvals, licences and permits are not obtained, the Group may be curtailed or prohibited from proceeding with planned exploitation, development and operations of the Longonjo Project and the exploration and potential exploitation of the Coola Project. **Managing the risk:** The Groups continuously endeavours to foster strong relations with the Angolan Government at a local and national level and ensures ongoing interaction with key stakeholders and compliance with mandated licencing terms and requirements. The Group has furthermore built in a holistic approach to its mine development plans at Longonjo in order for it to address the key areas of safety, social, environmental and local community obligations and thereby ensure opportunity for true long term sustainability.
Dependence on the Longonjo Project	**Medium**	**Medium**	The Group is primarily focused on the exploration and development of the Longonjo Project and accordingly is largely dependent upon the Longonjo Project, which is expected to be the Group's primary source of future revenue. Whilst the Group does have an additional interest in the Coola Project, this is in very early stages of exploration and the viability of the licence area for commercial production is currently unknown. Therefore, any material adverse development affecting the progress of the Longonjo Project would have a material adverse effect on the Group's business, financial performance, results of operations and prospects. **Managing the risk:** The Group is aware of its dependence on a single project currently and is actively ramping up exploration on its Coola project as well as keeping abreast of potential opportunities that may align to its strategic growth objectives.
Reliance on the Chinese Economy	**Medium**	**Medium**	If the Group is able to develop the Longonjo Project for production, it is expected that a large proportion of the Group's potential customer base will be in China. Once in development, the Group could therefore become reliant on the Chinese economy being relatively stable in order to be able to ensure it has a market to sell a proportion of its products. Natural disasters, epidemics, pandemics, acts of war or terrorism or other factors beyond the Group's control may adversely affect the economy, infrastructure and livelihood of the people in China. **Managing the risk:** The Group continuously monitors changes and technical developments in the rare earth space and keeps abreast of the changing needs of potential customers across Europe, Japan and South Korea with a view to potential diversification.

Tanzanian Assets

Miyabi Gold Project

The Company recently received a proposal to for the acquisition of the company's 100% interests in the Miyabi Gold Project and post period end disposed of the asset for a consideration of $500, 000 payable over a period of 5 months alongside the rights to participate in the future revenue generation of the project via a 5 year. 2% royalty participation agreement.

Significant Changes in the State of Affairs

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

Future Developments

The Directors intend to continue to explore and develop the Company's key existing projects with key focus on the exploration project at Coola.

Environmental Regulations

Angola

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

Directors' Section 172 Statement

The long-term strategy of the Company is to become one of the world's largest and higher grade rare earth projects. Leveraging years of industry experience, coupled with our targeting a guarantee for reliability and sustainability of supply, to introduce an innovative NdPr solution to power magnets, wind turbines, hybrid motor vehicles and more all while creating value for its shareholders. The Company has a number of stakeholders and partners, and the Board recognises that managing these relationships is critical to the success of the Company, and that, in turn, the success of the Company will be to the benefit of all of its stakeholders.

During 2019/2020, the Company's focus was on putting in place the foundations for delivering the longer-term strategic objectives and during the course of the year the team completed the 8,000 metre drilling programme on the Longonjo project in support of the recently announced revised Mineral Resource estimate which highlighted the large resource that can be readily developed by producing a NdPr rich carbonate for export via the adjacent US$1.8 billion Benguela rail line including the granting of permits at Coola, as well as the raising of financing via the Angolan Sovereign Wealth Fund to allow the development of these assets to be commenced. The Board considered the raising of funds to advance its development programme to be a critical step towards delivering value to all of its shareholders and a significant endorsement from the Angolan Government. In addition the Scheme of Arrangement and subsequent listing on the London Stock Exchange and the migration to the UK was a key development on the corporate front with the objective of targeting the ESG funds and UK and European investor base.

The Company views its relationship with local communities as vital to its social licence to operate. There are two sides to this aspect: firstly, the Company needs to consider, and therefore minimise, the potential negative or disruptive impacts of exploration and mining operations locally; and secondly, the Company needs to communicate the benefits of such operations to the local economy. The value of this approach was underlined by having received Angolan Presidential approval for the exploitation of the Longonjo project in April of this year coupled with approval of the ESIA and the financial support of the Angola Sovereign Wealth Fund.

Engagement with the government of Angola is another critical aspect of the Company's strategy, and management have devoted considerable time to ensuring the government has been supportive of the Company through its local subsidiaries. Much of this interaction has been through the MIMPERT, as well as other key departments, through written communications and meetings.

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

While the Company had a relatively small workforce during 2019/2020, this may be expected to grow as the Company progresses towards production during 2020/2021 and beyond. The Company will continue to rely on its staff and workers, and emphasis is placed on the health, safety and well-being of the workforce, as well as ensuring employment terms are competitive and attractive.

The Company is aware of the challenges that extractive industries face with regard to maintaining ethical standards at all levels, particularly in developing countries. A number of national and international initiatives and regulations exist in this regard, but the Board do not view this area as a matter of compliance, but rather one of competitive advantage. The Company intends to bring its assets into profitable operation while acting at all times 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.

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 2020:

Description	30 June 2020 US$	30 June 2019 US$	30 June 2018 US$	30 June 2017 US$	30 June 2016 US$
Consolidated income Statement items					
Income	$3,268	$327,705	$1,773	$2,349	$2,640
Net loss before tax	$4,076,220	$4,172,383	$1,414,399	$6,928,372	$981,881
Net loss after tax	$4,076,220	$4,172,383	$1,414,399	$6,928,372	$981,881
Share price at start of year	1.62 cents	1.27 cents	2.12 cents	2.06 cents	1.93 cents
Share price at end of year	1.86 cents	1.62 cents	1.27 cents	2.12 cents	2.06 cents
Market capitalisation	$31.9m	$23.5m	$10.1m	$15.6m	$12.3m
Weighted average number of ordinary shares*	155,723,451	152,573,315	152,573,315	152,573,315	152,573,315
Basic (loss) per share (post 10:1 consolidation)	(2.62) cents per share	(2.73) cents per share	(0.93) cents per share	(4.53) cents per share	(0.64) cents per share
Diluted (loss) per share (post 10:1 consolidation)	(2.62) cents per share	(2.73) cents per share	(0.93) cents per share	(4.53) cents per share	(0.64) cents per share
Consolidated Balance sheet items					
Exploration & Evaluation expenditure	$9,642,118	$6,445,573	$4,194,912	$6,648,150	$11,237,795
Other assets less liabilities	$5,219,069	$5,426,125	$3,809,052	$1,256,069	$916,116
Total equity attributable to equity shareholders	$14,861,184	$11,871,698	$8,003,964	$7,904,219	$12,153,911

*The comparatives reflect the share capital of Pensana Rare Earths immediately following the Scheme of Arrangement and do not reflect the actual shares in issue by Pensana Metals Ltd in the prior periods.

Remuneration Report

Statement of the Chairman of the Remuneration Committee

Pensana Rare Earths Plc was listed on the London Stock Exchange after the year end on 6 July 2020 and therefore the Company will only need to produce a remuneration report in accordance with Schedule 8 to the Accounting Regulations from that date. However, the Company takes its reporting responsibilities seriously and has therefore voluntarily prepared a report on directors' remuneration with many, but not all, of the disclosures that will be compulsory in future.

During FY2020, whilst the Group transitioned from being an ASX junior exploration company to that of a dual listed junior mining company shortly after year end the Remuneration Committee operated as a sub-set of the Board and was represented by the non-executive directors. This was deemed appropriate due to the size and availability of resources of the Group.

The remuneration report outlines remuneration awarded to directors and non-executive directors during the year. Where awards were granted during the year these were initially granted in the name of Pensana Metals Ltd prior to the Scheme of Arrangement but will vest in Pensana Rare Earths following approval of the Scheme in the first quarter of this year. The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution at the AGM in November 2020.

The current remuneration policy can be found on the Company website at www.pensana.co.uk. Following the recent listing post period end to the main board of the LSE the Remuneration Committee is currently re-visiting the remuneration framework to ensure it appropriately aligns to the UK environment and the changing nature of the Group so as to ensure key management retention and the ability to attract the appropriate skill set. This will be presented for approval at the AGM and subject to shareholder approval will apply for a period of three years effective from the conclusion of the AGM on 27 November 2020.

The remuneration committee considered the overall performance of the group as well as of each director in the year ended 30 June 2020. Remuneration including short and long term incentives were awarded in line with the performance conditions of the remuneration policy.

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

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

Annual remuneration report

The following information has been audited

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

	Salaries & fees $	Bonuses $	Other [1] $	Benefits $	**Total before Options & rights $**	Options & rights $	**Total 2020 $**
Non-Executive Directors							
P Atherley[2]	50,250	-	236,858	-	**287,108**	440,303	**727,411**
M Hohnen	33,500	-	-	-	**33,500**	-	**33,500**
N Maclachlan	33,500	-	-	-	**33,500**	-	**33,500**
Executive Directors							
D Hammond[3]	180,411	100,500	-	26,687	**307,598**	114,126	**421,724**
T George [4]	200,863	88,467	-	-	**289,330**	-	**289,330**
Executives							
R Kaplan[5]	78,490	67,000	-	-	**145,490**	-	**145,490**

1- Other relates to fees for consulting services provided that are out of the scope of non-executive directors.
2- On 25 November 2019, 3,858,038 performance rights vested at a market price of $0.12 (A$0.17) cents. During the period IFRS2 share based costs of $222,541 were amortised for P Atherley
3- On 25 November 2019, 1,000,000 performance rights vested at a market price of $0.12 (A$0.17) cents. During the period IFRS2 share based costs of $71,602 were amortised for D Hammond
4- During the period IFRS2 share based costs of $161,340 were amortised for T George
5- During the period FRS2 share based costs of $87,938 were amortised for R Kaplan

Single total figure of remuneration for the year ended 30 June 2019

	Salaries & fees $	Bonuses $	Other [1] $	Benefits $	**Total before Options & rights $**	Options & rights $	**Total 2019 $**
Non-Executive Directors							
P Atherley[4]	45,134	-	94,275	-	**139,409**	**405,094**	**544,503**
M Hohnen [2]	30,089	-	-	-	**30,089**	**-**	**30,089**
N Maclachlan	30,089	-	-	-	**30,089**	**-**	**30,089**
Executive Directors							
D Hammond[5]	150,445	-	-	14,292	**164,737**	**126,000**	**455,474**
Executives							
T George[3,6]	35,335	23,704	-	-	**59,039**	**-**	**59,039**
S Mison[7]	108,320	-	-	10,290	**118,160**	**-**	**118,160**

1. *Other relates to fees for consulting services provided that are out of the scope of non-executive directors.*
2. *Mr Hohnen is owed $30,089 (A$50,000) of director fees for the current year and $25,074 (A$41,667) for the prior year.*
3. *The bonus amount for Mr George represents the service period expense for bonuses that are payable to Mr George in subsequent periods should all key performance indicators in Mr George's remuneration package are met. No bonus amounts were paid in the current year. The maximum amount payable in subsequent periods is $90,267 (A$150,000) if all KPI are satisfied.*
4. *On 6 November 2018, 3,858,038 performance rights vested at a market price of $0.11 (A$0.15) cents. During the period IFRS2 share based costs of $813,800 were amortised for P Atherley.*
5. *On 6 November 2018, 1,000,000 performance rights vested at a market price of $0.11 (A$0.15) cents. During the period IFRS2 share based costs of $220,519 were amortised for D Hammond.*
6. *During the period IFRS2 share based costs of $27,320 were amortised for T George.*
7. *During the period IFRS2 share based costs of $55,689 were amortised for S Mison.*

Share-based Payments

Performance Rights

2020

During the year the following performance rights were issued to directors and key management personnel:

Director / KMP	Number of Rights	Fair value[1] per Right	Vesting Conditions[2]	Grant date	Expiry date	Vesting date
R Kaplan	1,000,000	$0.015 (A$0.23	Commencement of Construction by end of December 2020	1 January 2020	31 December 2020	Upon vesting conditions being met
R Kaplan	1,000,000	$0.015(A$0.23)	Commencement of concentrate sales by end of December 2021	1 January 2020	31 December 2021	Upon vesting conditions being met

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

2019

During the prior year the following performance rights were issued to director and key management personnel. Whilst the performance rights were issued in Pensana Metals Ltd, following the Scheme of Arrangement, they were amended by the 10:1 share consolidation of Pensana Metals Ltd, and the performance rights will now vest as Pensana Rare Earths Plc shares:

Director / KMP	Number of Rights	Fair value per Right	Vesting Conditions[1]	Grant date	Expiry date	Vesting date
D Hammond	1,000,000[2]	$0.012 (A$0.018)	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	17 September 2018	17 September 2023	25 November 2019
D Hammond	1,000,000[3]	$0.012 (A$0.018)	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	17 September 2018	17 September 2023	Upon vesting conditions being met
P Atherley	3,858,037	$0.012 (A$0.018)	Completion of a capital raising of at least an aggregate amount of A$5.5m via the issue of new shares by no later than 13 November 2018.	13 May 2018	13 November 2018	6 November 2018
P Atherley	3,858,037	$0.012 (A$0.018)	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	13 May 2018	13 May 2023	25 November 2019
P Atherley	3,858,037	$0.012 (A$0.018)	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	13 May 2018	13 May 2023	Upon vesting conditions being met
T George	1,250,000	$0.013 (A$0.02)	Commencement of concentrate sales by end of December 2021	22 April 2019	31 December 2021	Upon vesting conditions being met
T George	1,250,000	$0.013 (A$0.02)	Commencement of Construction by end of December 2020	22 April 2019	31 December 2021	Upon vesting conditions being met
S Mison	500,000	$0.012 (A$0.02)	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	17 September 2020	28 February 2019
S Mison	500,000	$0.015 (A$0.23)	Listing on London Stock exchange	28 June 2019	31 December 2019	Upon vesting conditions being met
S Mison	500,000	$0.015 (A$0.23)	Completion of sale of Tanzanian assets and closing subsidiaries	28 June 2019	31 December 2019	Upon vesting conditions being met

[1] The Director/KMP must still be employed with Pensana at vesting date to be entitled to the awards. Should the Director/KMP no longer be employed by Pensana the awards will be forfeited.

[2] These performance rights replaced David Hammond's 2,500,000 performance rights granted on 14 November 2017 that vested upon delivery of a Pre-Feasibility Study and expiring on 14 November 2019.

[3] These performance rights issue replaced David Hammond's 2,500,000 performance rights granted on 14 November 2017 that vested upon the delivery of a Bankable Feasibility Study and expiring on 14 November 2017.

During the 2018/2019 year, there were 20,000,000 performance rights issued (subsequently subject to a 10:1 share consolidation) which replaced 5,000,000 performance rights issued in the prior 2017/2018 year (as detailed above).

Options

2020

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

2019

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

Option holdings of KMP as at 30 June 2020

Name	Balance at 1 July No.	Lapsed No.	Bal at 30 June (beneficial interest) No.	Bal vested at 30 June No.	Vested but not exercis-esable No.
2020					
P Atherley	-	-	-	-	-
D Hammond	5,000,000	(5,000,000)	-	-	-
M Hohnen	-	-	-	-	-
N Maclachlan	1,827,700	(1,827,700)	-	-	-
T George	-	-	-	-	-
R Kaplan	-	-	-	-	-
2019					
P Atherley	-	-	-	-	-
D Hammond	5,000,000	-	5,000,000	5,000,000	5,000,000
M Hohnen	14,778,619	(14,778,619)	-	-	-
N Maclachlan	1,827,700	-	1,827,700	1,827,700	1,827,700
T George	-	-	-	-	-
S Mison	-	-	-	-	-

Performance Rights holdings of KMP as at 30 June 2020

Name	Balance at 1 July No.	10:1 Consolidation No.	(Vested in shares) / granted No.	Bal at 30 June (beneficial interest) No.
2020				
P Atherley (a)	77,160,742	(69,444,667)	(3,858,037)	3,858,037
D Hammond	20,000,000	(18,000,000)	(1,000,000)	1,000,000
M Hohnen	-	-	-	-
N Maclachlan	-	-	-	-
T George	25,000,000	(22,500,000)	-	2,500,000
R Kaplan	-	-	2,000,000	2,000,000
2019				
P Atherley (a)	-	115,741,113	(38,580,371)	77,160,742
D Hammond	5,000,000	30,000,000	(15,000,000)	20,000,000
M Hohnen	-	-	-	-
N Maclachlan	-	-	-	-
T George	-	25,000,000	-	25,000,000
S Mison	-	15,000,000	(5,000,000)	10,000,000

Shareholdings of Key Management Personnel in the company

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

Name	Balance at 1 July No.	10: 1 Share Consolidation No.	Received on vesting of performance rights No.	Purchases during the period No.	Balance at 30 June No.
2020					
P Atherley	48,580,371	(43,722,334)	3,858,037	353,787	9,069,861
D Hammond	10,460,000	(9,414,000)	1,000,000	-	2,046,000
M Hohnen	43,186,913	(38,868,222)	-	-	4,318,691
N Maclachlan	24,173,842	(21,756,458)	-	-	2,417,384
T George	-	-	-	-	-
R Kaplan	-	-	-	-	-
2019					
P Atherley	-	-	38,580,371	10,000,000	48,580,371
D Hammond	460,000	-	10,000,000	-	10,460,000
M Hohnen	43,186,913	-	-	-	43,186,913
N Maclachlan	12,173,842	-	-	12,000,000	24,173,842
T George	-	-	-	-	-
S Mison	5,066,090	-	5,000,000	-	10,066,090*

***** Shareholding at time of resignation.

Payments to past directors
No payments were made to past directors in the year ended 30 June 2020 (2019: $nil)

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

The following section is unaudited.

The following graph illustrates the company's performance relative to the FTSE Developed Small Cap Index from date of listing on the London Stock Exchange post period end. *The Directors believe this comparison is appropriate as it compares the Company to an index comprising small cap stocks below $150 million free float adjusted market cap.*

The following graph illustrates the company's price performance from date of listing on the LSE to 21 September 2020 during which time the share price ranged between 20 pence and 68 pence

Consideration by the directors of matters relating to directors' remuneration

The remuneration committee considered executive directors remuneration and the board considered the non-executive directors remuneration in the year ended 30 June 2020.

Shareholder voting

At the Annual General Meeting on 29 November 2019 there was an advisory note to adopt the remuneration report for the prior period. Of the 39,335,426 proxy votes validly appointed, 31,910,536 (81%) voted in favour.

Service Contracts

All executive directors 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 three months. Directors notice periods were considered sufficient during the period to ensure an effective handover of duties should a director have left the Company but will be considered for review as to their appropriateness during the current financial year.

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Employer - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Employee – initiated termination	3 months	3 months

Remuneration policy table

Element	Purpose	Policy	Operation	Opportunity and performance conditions
Executive Directors				
Base salary	To recognise: Skills Responsibility Accountability Experience Value	Considered by remuneration committee on appointment. Set at a level considered appropriate to attract ,retain motivate and reward the right individuals.	Reviewed annually Paid monthly in cash. No guaranteed pay increases and no entitlement to any retirement benefits other than those provided under superannuation guarantee legislation	No specific performance conditions are attached to base salaries
Annual Bonus	To reward and incentivise	In assessing the performance of the executive team, and in particular to determine whether bonuses are merited the remuneration committee takes into account the overall performance of the business. Bonuses are generally offered in cash.	The remuneration committee determines the level of bonus on an annual basis applying such performance conditions and performance measures as it considers appropriate	The current maximum bonus opportunity will not exceed 150% of base salary in any one year. Performance conditions will be assessed on an annual basis. The performance measures applied may be financial, non-financial, corporate, or individual and in such proportion as the remuneration committee considers appropriate
Long term incentives ("LTI's")	To provide executive directors and KMP with a long-term interest in the company	Granting of share options or performance rights under existing Schemes Offered at appropriate times by the remuneration committee	The remuneration committee determines the level and performance criteria and key deliverable milestones as it considers appropriate	Entitlement to LTI's not subject to specific employment conditions and will be offered by the committee as appropriate. Aggregate number of shares over which LTI's may be granted under all of the company's schemes (including any options and performance rights granted) in any period of ten years, will not exceed, at the time of grant, 10% of the ordinary share capital of the company.
Non-executive directors	To recognise: Skills Experience Value	Considered by board on appointment. Set at a level considered appropriate to attract, retain and motivate the individual. Experience and time required for the role considered on appointment.	Reviewed annually against industry benchmarks. No retirement benefits	The approved aggregate limit of fees that may be paid to Non- Executive Directors is $268 000 per annum. No specific performance conditions are attached to base salaries.

Key Terms of Employment Contracts

Contracts for services of key management personnel and relevant executives

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

Paul Atherley, 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 Non-Executive Director/ Chairman.

Base Terms
- This agreement was effective from 13 May 2018 and has no set term.
- Base Salary of $50,250

The Company has also entered into an agreement with Selection Capital Ltd (of which Mr Atherley is a Director and controlling shareholder) for the provision of consultancy services at a rate of $1,005 per day.

Incentive package:

Tranche	Number	Performance Criteria	Performance Period
3	3,858,037	Delivery of a positive Definitive Feasibility Study and the Company making a decision to proceed with financing and development of the Project.	5 years from the date of grant

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Contractor – initiated termination	3 months	3 months

David Hammond – Executive Director / Chief Operations Officer (Effective 1 July 2019)

Base Terms:
- Base Salary of $184,254 per annum, plus superannuation.

Incentive package:

- A Short Term Incentive of 50% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's will be as follows from now until the end of June 2020:
  1. Delivery of PFS by end September 2019;
  2. Delivery of ETFS, Mining Licence and EIAS by end March 2020; and
  3. Delivery of EPCM contract by end June 2020;

Long Term Incentives:

Tranche	Number	Performance Criteria	Performance Period
3	1,000,000	Delivery of a positive Definitive Feasibility Study and the Company making a decision to proceed with financing and development of the Project.	5 years from the date of grant

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Contractor – initiated termination	3 months	3 months

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

Base Terms:

- A Base Remuneration which is a monthly salary and will be reviewed annually of $201,005 per annum;

Incentive package:

- A Short Term Incentive of 50% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's will be as follows from now until the end of June 2020:

  1. Delivery of PFS by end September 2019;
  2. Delivery of ETFS, Mining Permits and ESIA by end March 2020; and
  3. Delivery of EPCM contract by end June 2020;

- Long Term Incentive Performance Rights of two tranches of 1.25 million (total 2.5 million) which convert to ordinary shares in the Company. The Performance hurdles are as follows:

  1. Commencement of Construction by end December 2020; and
  2. Commencement of concentrate sales by end of 2021

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months

Termination for serious misconduct	None	None
Contractor – initiated termination	None	None

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

Base Terms:

- A Base Remuneration which is a monthly salary and will be reviewed annually of $160,804 per annum;

Incentive package:

- A Short Term Incentive of 30% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's will be as follows from now until the end of June 2020:

    1. Delivery of ETFS, Mining Licence and ESIA by end March 2020;
    2. Delivery of FID / EPCM contract by end June 2020; and

- Long Term Incentive Performance Rights of two tranches of 1 million (total 2 million) which convert to ordinary shares in the Company. The Performance hurdles are as follows:

    1. Commencement of Construction by end December 2020; and
    2. Commencement of concentrate sales by end of 2021.

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Company - initiated termination without reason	3 months	3 months
Termination for serious misconduct	None	None
Contractor – initiated termination	None	None

Non-Executive Directors

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

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

Payments to past Directors
No payments were made to past directors in the year ended 30 June 2020 (2019: nil)

For and on behalf of the Board

Paul Atherley
Chairman

End of remuneration report

Corporate Governance Report

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

The Company is committed to implementing the best standards of corporate governance appropriate for the Company's size and scale. In determining what those standards should involve, the Company has turned to the ASX Corporate Governance Council's Principles and Recommendations for the period to 30 June 2020. The ASX Corporate Governance Council ("the Council") issued the third edition of the Corporate Governance Principles and Recommendations in March 2014.

Given re-domicile to the UK and the listing on the LSE post year end, the Board has undertaken an assessment of its prospective corporate governance framework. The Board has considered the provisions set out in the UK's QCA Corporate Governance Code and the principles of good governance set out therein and considers them to be appropriate as a framework given the size and stage of development of the Company. Following this review, the Board expects to adopt the UK's QCA Corporate Governance Code going forward.

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

This statement outlines the main corporate governance practices in place throughout the period ended 30 June 2020, which comply with the corporate governance recommendations as issued by the ASX Corporate Governance Council, unless otherwise stated.

Introduction

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

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

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

ASX Corporate Governance Council Principles and Recommendations

In accordance with ASX Listing Rules, the Company hereby discloses the extent to which each of the ASX Corporate Council Governance Recommendations have been followed during the financial year. Where a departure from the recommendation has been identified, an explanation for this departure has been provided.

Principle 1: Lay solid foundations for management and oversight	**Recommendation 1.1** A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Company complies with this recommendation. The board has set out the responsibilities of the Board in the Board Charter which can be accessed on the company website. Any functions not reserved for the Board and not expressly reserved by the Resources Act and ASX Listing Rules are reserved for senior executives.
	Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company complies with this recommendation.
	Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company complies with this recommendation.
	Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company complies with this recommendation. The company secretary is accountable directly to the board.

	Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company complies with this recommendation. A diversity policy was adopted on 14 August 2012 and a copy of the Company's Diversity policy is available on the Company's website. The policy does not contain measurable objectives for achieving gender diversity as the Company is not of a sufficient size or scale to justify application of such objectives. The Company currently employs three women and there are is one woman on the board of Directors.
	Recommendation 1.6: A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company complies with this recommendation. The Chairman will undertake a periodic review in relation to the performance of each Director of the Company. The Board will also meet to discuss its performance as a whole. No review was undertaken during the year ended 30 June 2020.
	Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company complies with this recommendation. Arrangements put in place by the Board to monitor the performance of the Group's executives include: • a review by the Board of the achievement of performance targets set based on the organisation's objectives in accordance with its strategy; • comparison of executive remuneration levels to industry benchmarks; and • annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company. A review was undertaken during the year ended 30 June 2020.
Principle 2: Structure the board to add value	**Recommendation 2.1** The board of a listed entity should: (a) have a nomination committee which: 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company complies with this recommendation. The board established a separate remuneration and nomination committee during 2020 which operated as a sub-set of the Board due to size and capacity of the Group.
	Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The company complies with this recommendation
	Recommendation 2.3 A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	The company complies with this recommendation.
	Recommendation 2.4 A majority of the board of a listed entity should be independent directors.	The company complies with this recommendation. 4 out of 6 directors are considered independent.

	Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Company complies with this recommendation.
	Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Company complies with this recommendation.
Principle 3: Act ethically and responsibly	**Recommendation 3.1** A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company complies with this recommendation. The Company has a Code of Conduct which can be accessed on the company website.
Principle 4: Safeguard integrity in corporate reporting	**Recommendation 4.1** The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company complies with part b) of this recommendation. Given the composition of the Board and the size of the Company, it was felt that an audit committee was not yet warranted with the role undertaken by the Board, however, post period end as the Company's operations have expanded the Board has moved to formalise an audit committee and an audit committee charter will be formally adopted in October at the next board meeting In the period under review, in respect of part b) of the recommendation the independent non-executive directors reviewed the Group's corporate reporting, the appropriateness of accounting policies and key areas of judgment and estimation in such reporting. The independent non executive directors received reports and presentations from the external auditor on the 30 June 2020 audit, considered and approved their appointment and evaluated their independence and objectivity. Ethical standards applicable to the external auditor requires the auditor to rotate the engagement partner every five years. The Company has recently appointed BDO LLP as external auditors.
	Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Company complies with this recommendation. The Board receives assurance from the CEO and the chief financial officer in the form of a declaration, prior to approving the financial statements.
	Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company complies with this recommendation. The Company's external auditors attend the AGM each year.
Principle 5: Make timely and balanced disclosure	**Recommendation 5.1** A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company complies with this recommendation. The Company has adopted a Continuous Disclosure Policy which is available on its website.
Principle 6: Respect the rights of security holders	**Recommendation 6.1** A listed entity should provide information about itself and its governance to investors via its website.	The Company complies with this recommendation. Information regarding the Company, its activities and its corporate governance is available on its website.
	Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company complies with this recommendation. The Company has adopted a Shareholder Communication Policy which is available on its website.
	Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company complies with this recommendation. The Company has adopted a Shareholder Communication Policy which is available on its website.
	Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company complies with this recommendation. Shareholders are able to receive communications from, and send communications to, the entity and its security registry electronically via email or by submitting queries via the Company's website.

Principle 7: Recognise and manage risk	**Recommendation 7.1** The board of a listed entity should: (a) have a committee or committees to oversee risk each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Company complies with part b) of this recommendation. The Company has a Risk Management Policy outlining the processes it employs for overseeing the entity's risk management framework and is available on the website.
	Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	The Company complies with this recommendation. A review was completed in 2020.
	Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company complies with part b) of this recommendation. The Company does not have an internal audit function. Due to the size and scale of the Company, it was agreed that effectiveness of its risk management and internal control processes should be considered by the full Board.
	Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company complies with this recommendation. Refer to the Principal risks and uncertainties (page 23)
Principle 8: Remunerate fairly and responsibly	**Recommendation 8.1** The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company complies with this Recommendation. The board has established a separate remuneration and nomination committee. . A remuneration review for executive directors and senior executives was not conducted during 2020.
	Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	The Company complies with this recommendation. The board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that may consist of; (i) fixed components that reflect the person's responsibilities, duties and personal performance; and (ii) share based payments in the form of performance rights and/or options as an incentive for performance that achieves medium term or longer term goals. The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry. The aggregate amount payable to the Company's Non-Executive Directors in respect of non-executive director fees must not exceed the maximum annual amount approved by the Company's shareholders, which is currently set at $400,000 per annum.
	Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company complies with this Recommendation. The Company has established an Employee Incentive Plan, which is available on the Company's website.

Independent auditor’s report to the members of Pensana Rare Earths Plc

Opinion

We have audited the financial statements of Pensana Rare Earths Plc (the ‘Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 30 June 2020 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity, company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

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

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

Our audit procedures in response to this key audit matter included:

- We discussed the potential impact of Covid-19 with Management, including their assessment of potential risks and uncertainties including areas such as the impact on the timings of the Bankable Feasibility Study and development, commodity prices and the availability of financing that are relevant to the Group’s business model and strategy. We formed our own assessment of risks and uncertainties based on our understanding of the business and mining sector.

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

- We made inquiries of Management regarding discussions held with prospective investors and obtained written representation regarding those discussions and the Board’s conclusion that funds can be accessed to meet the Group’s liquidity requirements under the forecasts and reasonable sensitivity scenarios.

- We reviewed the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of exploration and evaluation (“E&E”) assets

At 30 June 2020, the Group held E&E assets on its balance sheet as detailed in in Note 11, totalling $9.6m relating to the Longonjo Project.

As detailed in Note 4, there are judgements and inherent uncertainties around the recoverability of exploration and evaluation assets. Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of an asset at 30 June 2020 may not be recoverable.

Given the materiality of the E&E assets in the context of the Group’s statement of financial position and the significant judgements involved in making the assessment of whether any indicators of impairment exist we consider this to be a focus area for our audit.</td><td>We challenged Management’s impairment indicator assessment and performed our own assessment to determine whether there were any indicators of impairment. In doing so, we:

• Reviewed the license to confirm the Group held legal title to the Longonjo Project.

• Reviewed reports in respect of exploration activity in the year to assess whether there was any evidence from exploration results to date which would indicate a potential impairment.

• Obtained approved budgets and minutes of Board meetings to confirm that further exploration expenditure was planned for the E&E assets.

• We reviewed the Preliminary Feasibility Study and Competent Person’s Report for any indicators that the carrying value of the Longonjo Project is unlikely to be recovered.

We assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of relevant accounting standards.</td></tr>
<tr><td colspan="2">Key Observations
We found Management’s conclusion that there are no impairment indicators at 30 June 2020 relating to the (“E&E”) assets to be acceptable and appropriately disclosed.</td></tr>
<tr><td>Miyabi asset held for sale

Management classified the Miyabi asset as a non-current asset held for sale in the prior period and which is held at fair value less costs to sell of $2.3m as detailed in Note 10. Management’s calculation of the asset’s fair value less cost to sell was based on an offer for the asset which was subsequently completed as a sale in September 2020.

The determination that the Miyabi disposal group continued to meet the criteria for classification as held for sale at 30 June 2020 and the assessment of fair value less costs to sell represented a significant focus area for our audit.</td><td>We considered Management’s assessment that it was appropriate for the Miyabi asset to continue to be classified as an asset held for sale against the requirements of the relevant accounting standards. In doing so, we considered the status of offers to acquire the asset at 30 June 2020, reviewed minutes of Directors’ meetings and made enquiries of Management and Directors as to the status of the sale process.

We obtained Management’s calculation of the asset’s fair value less cost to sell and performed the following procedures thereon:

• We agreed the cash consideration receivable to the sale and purchase agreement.
• We obtained Management’s assessment of the fair value of the royalty receivable and agreed the inputs to the calculation. We compared the gold price to market consensus data, recalculated the discount rate and agreed the production inputs to the underlying feasibility study and considered the risks associated with the forecast production start date. We performed sensitivity analysis on the key inputs and challenged the estimates with the Board.

We assessed the appropriateness of the disclosures included in the financial statements with regards to the accounting policy and requirements of relevant accounting standards.</td></tr>
<tr><td colspan="2">Key Observations
We found Management’s conclusion that the held for sale criteria were met to be appropriate and the estimates and judgements regarding the asset’s carrying value to be within an acceptable range and appropriately disclosed.</td></tr>
</table>

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. 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.

Group materiality was determined to be $150,000. The basis for determining materiality was 1% of total assets. We considered total assets to be the financial metric of the most interest to shareholders and other users of the financial statements given the Group's exploration activities and therefore considered this to be an appropriate basis for materiality. Parent Company materiality was set at $56,000, being 0.36% of total assets. This was our first year as auditor to the Company and Group.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at $90,000 for the Group and $33,000 for the Parent Company. The basis for performance materiality was 60% of the above materiality levels. We selected the level of performance materiality based on the Group being a new audit client, an assessment of the history of errors and the number of significant components.

Each significant component of the group was audited to a lower level of materiality ranging from $56,000 to $100,000.

We agreed with the Audit Committee that we would report to them all individual audit differences identified during the course of our audit in excess of $7,500. We also agreed to report differences below this threshold that, in our view warranted reporting on qualitative grounds.

An overview of the scope of our audit

Whilst Pensana Rare Earths Plc is a Company registered in the UK and listed on the Standard Segment of the London Stock Exchange in the UK and the Australian Stock Exchange, the Group's principal operation is located in Angola. In approaching the audit we considered how the Group is organised and managed. We assessed the business as being principally a single project comprising of the Angolan subsidiaries that hold the Longonjo exploration project, and a corporate head office function.

Our Group audit scope focused on the Group's significant components which comprised the Angolan operating subsidiary and the parent company. Whilst materiality for the financial statements as a whole was $150,000, each component of the Group was audited or subject to review procedures to a lower level of materiality. The significant components accounted for 99% of total assets and were subject to audits conducted by BDO LLP using a team with experience of auditing in the mining industry, in Africa and with publicly listed entities. The remaining non-significant components were principally subject to analytical review procedures with specific procedures for any significant balances impacting the Group results including those related to the Miyabi asset held for sale described above.

We set out above the risks that had the greatest impact on our audit strategy and scope.

Capability of the audit to detect irregularities, including fraud
We considered the laws and regulations of the UK, Australia, Angola and Tanzania to be of significance in the context of the Group audit. As part of our Group audit strategy an assessment was performed on the extent of the components' compliance with the relevant local and regulatory framework. In doing so, we reviewed the requirements of key licences and permits and reviewed Board minutes and held meetings with relevant internal Management to make inquiries regarding any instances of non-compliance. Additionally, we performed specific procedures in respect of journal activity to search for transactions that could be indicative of inappropriate payments to government authorities. Furthermore, our tests included, but were not limited to agreement of the Financial Statement disclosures to underlying supporting documentation, performing substantive testing on accounts balances which were considered to be at a greater risk of susceptibility to fraud and reviewed correspondence with regulators in so far as the correspondence related to the Financial Statements. There are inherent limitations in the audit procedures described above 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 would become aware of it.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 15, 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.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 21 February 2020 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year covering the year ending 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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.

BDO LLP

Ryan Ferguson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
30 September 2020

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

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Consolidated Statement of Comprehensive Income for the year ended 30 June 2020

	Note	30 June 2020 US$	30 June 2019 (restated) US$
Other income	6	3,268	327,705
Administration expenses	6	(2,511,666)	(985,975)
Corporate expenses	6	(1,723,500)	(2,060,541)
Impairment of assets	10,11	-	(1,154,163)
Reversals / (Provisions for estimated credit losses on financial assets)	9	107,448	(341,892)
Foreign currency exchange gain		48,230	61,865
Loss from operations		**(4,076,220)**	**(4,172,383)**
Finance costs		-	-
Loss before income tax		**(4,076,220)**	**(4,172,383)**
Income tax benefit/(expense)	7	-	-
Total loss for the period		**(4,076,220)**	**(4,172,383)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(204,251)	(58,951)
Total comprehensive loss for the period		**(4,280,471)**	**(4,231,334)**
Net (loss) for the period is attributable to:			
Owners of Pensana Rare Earths Plc		**(4,076,220)**	**(4,172,383)**
Total comprehensive loss is attributable to:			
Owners of Pensana Rare Earths Plc		**(4,280,471)**	**(4,231,334)**
Loss per share attributable to owners of Pensana Rare Earths Plc:			
Basic (cents per share)	15	(2.62)	(2.73)
Diluted (cents per share)	15	(2.62)	(2.73)

Notes to the financial statements are included on pages 50 to 75. Refer to note 3 for details of the change in presentational currency and associated restatement of comparatives.

Consolidated Statement of Financial Position as at 30 June 2020

	Note	30 June 2020	30 June 2019 (restated)	30 June 2018 (restated)
		US$	US$	US$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	4,106,321	3,312,441	181,954
Trade and other receivables	9	140,162	32,018	31,147
Prepayments		42,792	22,438	55,949
Other financial assets		107	110	117
TOTAL CURRENT ASSETS		**4,289,382**	**3,367,007**	**269,167**
Non-current assets classified as held for sale	**10**	2,500,000	2,500,000	4,114,748
NON-CURRENT ASSETS				
Property, plant and equipment		7,002	5,760	4,438
Exploration and evaluation expenditure	11	9,642,118	6,445,573	4,194,912
TOTAL NON-CURRENT ASSETS		**9,649,120**	**6,451,333**	**4,199,350**
TOTAL ASSETS		**16,438,502**	**12,318,340**	**8,583,265**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	12	1,365,474	403,861	579,301
TOTAL CURRENT LIABILITIES		**1,365,474**	**403,861**	**579,301**
Liabilities directly associated with non-current assets classified as held for sale	**10**	211,844	42,781	**-**
TOTAL LIABILITIES		**1,577,318**	**446,642**	**579,301**
NET ASSETS		**14,861,184**	**11,871,698**	**8,003,964**
EQUITY				
Issued capital	13	221,945	198,788	198,788
Share premium	13	3,116,850	-	-
Reserves	14	51,992,768	48,067,069	40,026,952
Accumulated losses	14	(40,470,379)	(36,394,159)	(32,221,776)
TOTAL EQUITY		**14,861,184**	**11,871,698**	**8,003,964**

Approved by the directors on 30 September 2020

Refer to note 3 for details of the change in presentational currency and associated restatement of comparatives. Refer to note 3 for details of the merger accounting principles applied as a result of the Scheme of Arrangement. Notes to the financial statements are included on pages 50 to 75.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2020

	Fully paid ordinary shares (restated)	**Share premium** (restated)	**Accumulated Losses** (restated)	**Merger reserve** (restated)	**Foreign Currency Reserve** (restated)	**Share Based Payments Reserve** (restated)	**Equity Reserve** (restated)	**Total** (restated)
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Balance at 1 July 2018 including merger accounting adjustments at Scheme of Arrangement	198,788	-	(32,221,776)	38,686,038	(1,769,797)	3,110,711	-	**8,003,964**
Loss for the year	-		(4,172,383)	-	-	-	-	**(4,172,383)**
Other comprehensive expense	-	-	-	-	(58,951)	-	-	**(58,951)**
Total comprehensive loss for the year	-	-	(4,172,383)	-	(58,951)	-	-	**(4,231,334)**
Merger accounting adjustments related to additional equity issued by Pensana Metals Limited pre scheme of arrangement	-	-	-	7,062,007	-	-	-	**7,062,007**
Share based payments	-	-	-	-	-	1,537,061	-	**1,537,061**
Purchase of additional 14% interest in Ozango	-	-	-	-	-	-	(500,000)	**(500,000)**
Balance at 30 June 2019	**198 788**	**-**	**(36,394,159)**	**45,748,045**	**(1,828,748)**	**4,647,772**	**(500,000)**	**11,871,698**

	Fully paid ordinary shares	**Share premium**	**Shares to be issued Reserve**	**Accumulated Losses**	**Merger Reserve**	**Foreign Currency Reserve**	**Share Based Payments Reserve**	**Equity Reserve**	**Total**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Balance at 1 July 2019	198,788	-	-	(36,394,159)	45,748,045	(1,828,748)	4,647,772	(500,000)	**11,871,698**
Loss for the year	-	-	-	(4,076,220)	-	-	-	-	**(4,076,220)**
Other comprehensive expense	-	-	-	-	-	(204,251)	-	-	**(204,251)**
Total comprehensive loss for the year	-	-	-	(4,076,220)		(204,251)	-	-	**(4,280,471)**
Issue of shares (note 13)	23,157	3,116,850	3,300,560	-	-	-	-	-	**6,440,567**
Share based payments				-	-		829,390	-	**829,390**
Balance at 30 June 2020	**221 945**	**3,116,850**	**3,300,560**	**(40,470,379)**	**45,748,045**	**(2,032,999)**	**5,477,162**	**(500,000)**	**14,861,184**

Refer to note 3 for details of the change in presentational currency and associated restatement of comparatives. Refer to note 3 for details of the merger accounting principles applied as a result of the Scheme of Arrangement.

Notes to the financial statements are included on pages 50 to 75.

Consolidated Statement of Cash Flows for the financial year ended 30 June 2020

	Note	30 June 2020 US$	30 June 2019 (restated) US$
Cash flows from operating activities			
Operating cash flows	20	(2,441,398)	(1,312,044)
Net cash used in operating activities		**(2,441,398)**	**(1,312,044)**
Cash flows from investing activities			
Interest received		3,268	4,025
Proceeds from deposits for Tanzanian assets disposed in prior periods		107,448	164,000
Payments for exploration expenditure		(2,895,689)	(2,291,221)
Payment for property, plant & equipment		(4,239)	(8,241)
Net cash used in investing activities		**(2,789,212)**	**(2,131,438)**
Cash flows from financing activities			
Proceeds from issues of equity securities		6,354,258	7,507,592
Payment for additional 14% interest in Ozango		-	(500,000)
Share issue costs		(265,283)	(445,584)
Net cash provided by financing activities		**6,088,975**	**6,562,008**
Net increase/(decrease) in cash and cash equivalents		**858,365**	**(3,118,526)**
Cash and cash equivalents at the beginning of the year		3,312,442	179,915
Effects of exchange rate changes on the balance of cash held in foreign currencies		(64,486)	14,001
Cash and cash equivalents at the end of the year	8	**4,106,321**	**3,312,442**

Refer to note 3 for details of the change in presentational currency and associated restatement of comparatives. Refer to note 3 for details of the merger accounting principles applied as a result of the Scheme of Arrangement.

Notes to the financial statements are included on pages 50 to 75.

Notes to the financial statements

1. General information

The consolidated financial statements present the financial information of Pensana Rare Earths Plc and its subsidiary (collectively, the Group) for the year ended 30 June 2020 in United States dollars (USD or $). Pensana Rare Earths Plc (the Company or the parent) is a public company limited by shares listed on the Australian Stock Exchange and the Main Market of the London Stock Exchange and incorporated in England & Wales on 13 September 2019. The registered office is located at 100 Pall Mall, St James, London, United Kingdom, SW1Y 5NQ.

The Company is focussed on developing its NdPr Project in Angola to be a major and crucial supplier of raw materials for the move towards the electrification of society.

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

Post period end the Board of Pensana Rare Earths Plc resolved to restructure the group to remove redundant holding companies and streamline the group structure. As part of this restructuring process the shares in the wholly owned subsidiaries, Sable Minerals GmbH and Sable Rare Earths GmbH were acquired directly by Pensana Rare Earths Plc post period end and it is anticipated that additional dormant entities in Tanzania and Australia will be liquidated during the current period. Further information on the Group's structure is provided in Note 22.

2. New accounting standards and interpretations

(a) Changes in accounting policies and disclosures

From 1 July 2019, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2019.

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures
- Annual Improvements to IFRSs (2015-2017 Cycle)

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

- IFRS 16: Leases

The adoption of 'IFRS 16: Leases' from 1 July 2019 provides for a new model of lessee accounting in which all leases, other than short-term and small-ticket-item leases, are accounted for by the recognition on the balance sheet of a right-to-use asset and an associated lease liability, with the subsequent amortisation of the right-to-use asset over the lease term. The Group undertook an assessment exercise on its active lease agreements as part of the transition to IFRS 16. None of the Group's agreements have terms that require an amended accounting treatment under IFRS 16. The Group applied the exemptions not to recognise leases which had a term of less than 12 months remaining at the date of transition.

(b) Accounting standards and interpretations issued but not yet effective:

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

Standard	Description	Effective date
Amendments to IAS 1 and IAS 8	'Presentation of Financial Statements' and 'Accounting Policies, Changes in Accounting Estimates and Errors'	1 January 2020
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 16	'Property, Plant & Equipment'	1 January 2022
Amendment to IAS 37	'Provisions, Contingent Liabilities and Contingent Assets'	1 January 2022
Amendments to IFRS 3	'Business Combinations '	1 January 2022
IFRS 17	Insurance contracts	1 January 2023

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

3. Significant accounting policies and Going Concern

Basis of preparation

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("IFRSs"), and with the Companies Act 2006.

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$) rounded to the nearest dollar. Prior years consolidated financials have been previously presented in Australian dollars ("A$") refer to note 1 d) for further details on the change of presentational currency.

Basis of measurement

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

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

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

Going Concern

The consolidated financial statements have been prepared on a going concern basis with the Directors of the opinion that the Group can meet its obligations as and when they fall due.

At 30 June 2020 the Group has a net current asset position of US$14.9 million, had incurred a loss after income tax of $4,076,220 (30 June 2019: $4,172,383) and experienced cumulative net cash outflows from operating and investing activities of $5,231,150 (30 June 2019: $3,443,482). Cash and cash equivalents totalled $4,106,321 (30 June 2019: $3,312,442) at period end. On 25 September 2020 the Group raised $8.6m of equity from the Angolan Sovereign Wealth Fund by way of an equity placing.

The Directors have prepared a cashflow forecast for a period of at least twelve months from the date of this report. In assessing the going concern basis of preparation, the Directors have given consideration to the principal risks and uncertainties facing the business, including specific consideration of the impact of COVID-19 in terms of the availability of funding and progression of the Longonjo NdPr Project in Angola. The forecasts demonstrate that whilst the Group has sufficient funding to meet its corporate costs and day to day operating costs, additional capital will need to be secured to meet expected liabilities and commitments as they fall due based on its committed and planned exploration and development expenditures and operating costs related to the Longonjo Project.

The Directors have therefore considered mitigating actions and are confident of being able to raise the required capital through either debt or equity financing during the 12 month period, but note that the required capital has not been secured at the date of this report and the availability of such funding is not guaranteed. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Pensana Rare Earths Plc and its subsidiaries as at 30 June 2020.

Subsidiaries are all those entities controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is shown at note 22. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. All controlled entities have a June financial year-end.
Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

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 there is no NCI applicable due to the Company still being in exploration stage during which phase the minorities have a free-carry.

In the Company's financial statements, investments in subsidiaries are carried at cost. A list of controlled entities is contained in Note 22 to the financial statements.

Group reconstruction and merger accounting principles

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

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

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

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

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

b) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in in profit or loss.

. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9.

c) Segment Information

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

d) Foreign Currency Translation

Functional and presentation currency

The functional currency of each of the Group's operations is measured using the currency of the primary economic environment in which that entity operates. The financial statements are being presented in United States dollars for the first time this financial year. The presentation currency of the Group has historically been considered to be Australian Dollars (A$). Due to the Scheme of Arrangement and the Groups redomiciling to the UK environment alongside the fact that majority of future revenue generation and funds will be held in US dollars, the presentation currency of the Group has been changed to United States Dollars (US$) the group has applied this change retrospectively resulting in restatement of prior periods.

The functional currency of the Company is British Pounds, The functional currency of its Australian subsidiaries is Australian Dollars and the functional currency of the non-Australian subsidiaries is US dollars and Euro.

The change in the presentation currency reduces the foreign currency movements in the consolidated financial statements and is, therefore, providing the user of the consolidated financial statements with more reliable and relevant information in the currency which is most relevant to the Group’s operating environment for its primary project. The change has been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors by using the US$ as if it had always been the Group’s presentation currency. Consequently, all assets and liabilities not denominated in US$ were translated into US$ by using the closing rate on the relevant balance sheet date. The equity components were translated at the historical exchange rate applicable at the date of the transaction. Non-US expenses and income were translated at the average rate of the relevant period. The Group presents the opening balance sheet of the preceding period as a consequence of the retrospective change in the presentation currency. The retranslated figures are with respect to the previous parent entity, Pensana Metals Ltd that was denominated in Australian dollars and now subsequently retranslated and presented in US Dollars further to the Scheme of Arrangement and the insertion of the Company as the UK parent.

Transaction and balances

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

The financial results and position of foreign subsidiaries whose functional currency is different from the Group’s presentation currency are translated as follows:

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

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

e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of less than three months.

f) Financial Instruments

Financial Assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All of the group's financial assets are measured at amortised cost.

Impairment of financial assets
The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Loans and borrowings and trade and other payables
After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

g) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure
Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

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

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

Once a development decision has been taken, being based on finalisation of a definitive feasibility study, a bankable feasibility study and the finalisation of appropriate funding, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment
The Group assesses at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation costs whether the above carry forward criteria are met.

Where an indicator of impairment is identified and impairment test is performed and if the recoverable amount is lower than the carrying amount an impairment is recorded. The recoverable amount of exploration and evaluation assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

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

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

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

h) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. The carrying value of the plant and equipment also includes costs eligible for capitalisation. Other costs relating to plant and equipment are expensed when incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings.

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

Asset	**Depreciation Rate**
Motor Vehicles	25%
Plant and equipment	5% - 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

i) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

j) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the period that are unpaid and arise when the Group becomes obligated to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

k) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the balance date. Employee benefits expected to be settled within one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows.

l) Share Based Payment Transactions

Equity Settled Transactions

The Company provides benefits to certain key management personnel in the form of share-based payments and/or options. The Group currently has a Performance Rights Plan (PRP), which may be used to provide benefits to directors and senior executives.

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

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

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

m) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) Other Income

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the asset.

Disposal of asset

Gains from the disposal of assets is recognised when all conditions precedent to the sale of the asset have been met and it is probable that any consideration receivable will be collected.

o) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

p) Goods & Services Tax (GST) and Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the Australian Taxation Office or other Government authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

GST or VAT receivable from or payable to, either the Australian Taxation Office or other Government authorities has been accounted for and included as part of receivables or payables in the statement of financial position.

q) Loss per Share (EPS)

Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group, excluding any costs of servicing equity other than shares, by the weighted average number of shares outstanding during the financial year, adjusted for any bonus elements in shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential shares.

r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restoration and rehabilitation will be recognised when there is a present obligation as a result of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations will include the costs of restoring the affected exploration and evaluation areas contained in the Group's tenements.

The provision for future restoration will be the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets will be capitalised into the cost of the related asset and amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation will be treated in the same way, except that the unwinding of the effect of discounting on the provision will be recognised as a finance cost rather than being capitalised into the cost of the related asset. As at 30 June 2020, the Group has not recognised any provision for restoration and rehabilitation as the Group does not have any obligation due to the limited disturbances to date as the Group is still in the exploration phase.

s) Non-current assets held for sale.

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal. Disposal costs are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

t) Leases

Accounting policy applicable before 1 July 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. At the year-end date all leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Accounting policy applicable after 1 July 2019

IFRS 16 was adopted as of 1 July 2019 without restatement of comparative figures. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately. On transition, neither the Group nor Company had any leases in scope of IFRS 16.

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

Right of use asset
A right of use asset and a lease liability has been recognized for all leases except leases of low value assets, which are considered to be those with a fair value below USD 5,000, and those with a duration of 12 months or less. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability adjusted for prepaid and accrued lease payments at the date of transition.

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

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

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

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

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

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Impairment of assets and exploration and evaluation expenditure, recovery of parent company investments and intercompany balances (refer note 3)

The ultimate recovery of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets. See Note 11 for the disclosure of the exploration and evaluation asset.

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

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

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

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

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

(ii) Significant accounting estimates and assumptions

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

Assets held for sale (note 10)

The carrying value of assets at Miyabi, considered on the basis of classification as non-current assets held for sale, are carried at the lower of carrying value and fair value less cost to sell. The assessment of fair value less cost to sell was considered by the Board and represented a key judgement, based on internal valuation models and the current sale process. The sale terms include a royalty arrangement which the Board valued as part of its assessment of the fair value less cost to sell. This required estimates of future production from the project based on the purchaser's proposed mine plan and studies, gold price assumptions and discount rates. A 10% change in the forecast gold price or a 1% change in the discount rate would indicate a $0.2 million or $0.04 million change in the fair values less cost to sell respectively.

5. Operating Segments

Description of segments
The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified that it has one operating segment being related to the activities in Angola, on the basis that the assets in Tanzania are held for sale and operations in the UK and Australia relate to running the Corporate Head Office only.

All significant exploration and evaluation expenditure are domiciled in Angola.

	Consolidated	
	2020	**2019 (restated)**
	US$	**US $**
Non-current assets		
Angola	9,642,118	6,445,573
Unallocated	7,002	5,760
Total non-current assets per statement of financial position	**9,649,120**	**6,451,333**
Current and non-current Liabilities		
Angola	-	-
Unallocated	1,365,474	403,861
Total liabilities per statement of financial position	**1,365,474**	**403,861**

Non-current assets for this purpose consist of plant and equipment and evaluation and evaluation assets. The assets in Tanzanian held for sale have been reclassified to current and the assets related to UK and Australia are related to corporate costs and therefore not presented above.

6. Other Income and Other Expenses

	Consolidated	
	2020	**2019 (restated)**
	US $	**US $**
Other Income		
Interest	3,268	4,025
Research and development rebate	-	73,465
Gain on sale of assets held for sale	-	250,215
	3,268	**327,705**
Loss for the year includes the following expenses:		
Administration expenses:		
General administration costs	1,049,069	862,187
Corporate advisor fees	213,530	-
Consultant Fees	829,678	-
Travel expenses	65,889	62,957
Legal fees	282,821	10,051
Operating lease rental expenses:		
Lease payments –(short life leases)	67,682	44,151
Depreciation on non-current assets:		
Property, plant and equipment	2,997	6,629
	2,511,666	**985,975**

Corporate expenses
Employee Benefits

Charged to statement of comprehensive income		
Performance rights and options granted to directors, officers and employees	829,390	1,512,812
Directors fees, superannuation and salaries & wages	894,110	547,729
	1,723,500	**2,060,541**

Key management personnel remuneration disclosed in note 26 includes amounts in "Employee benefits" disclosed above. Information in respect of the highest paid director is provided in the Remuneration Report.

7. Income Taxes

No Liability to corporation tax arose in ordinary activities for the year ended 30 June 2020 or 30 June 2019.
The tax assessed for the year the standard rate of tax in the UK of 19% (2019: 27.5% based on Australian corporate entities on taxable profits under Australian tax law).

The differences are explained as follows:

	Consolidated	
	2020 US $	**2019 (restated) US $**
Loss from continuing operations	(4,076,220)	(4,172,383)
Loss on continuing activities multiplied by the rate of corporation tax in the UK of 19% (2019: 27.5% Australia)	(774,482)	(1,147,405)
Tax effects of:		
Different tax rates in overseas jurisdictions	(238,995)	(442,956)
Deferred tax assets not recognised (a)	1,013,477	1,590,361
Total tax expense/(benefit)	**-**	**-**

(a) Tax loss information is an estimate of available losses.

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

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

The Company is subject to 19% income tax in United Kingdom. In Australia Pensana Metals Limited is subject to a corporation tax rate of 27.5%. In Tanzania, all subsidiaries are subject to the 30% corporation tax. In Angola, Ozanga Minerais and Coola Mining are subject to 30% corporation tax.

No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability of this benefit is dependent on the future profitability of the individual entities within the Group, the timing of which is considered insufficiently certain. The total unrecognised potential deferred tax assets in respect of losses carried forward is $10,440,021 (30 June 2019: $9,426,544l).

8. Cash and Cash Equivalents

	Consolidated	
	2020 US$	**2019 (restated) US$**
Cash at bank and on hand	4,106,321	3,312,441
	4,106,321	**3,312,441**

9. Trade and Other Receivables

	Consolidated 2020 US$	2019 (restated) US$
Receivables from historic disposals	228,552	335,277
Credit loss provision	(228,552)	(335,277)
Net total	-	-
Other debtors	140,162	32,018
	140,162	**32,018**

The receivables totalling $228,552 (2019: $335,277 were considered to be credit impaired owing to being significantly overdue. At year end the Group have undertaken an updated expected credit loss assessment and consider continued impairment to be appropriate considering scenario based outcomes and noting the current economic environment notwithstanding the receipt in the period of $107,448 which was recorded as a gain in the income statement.

10. Assets held for sale

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

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

$169,063 of expenses were incurred during the year in relation to the Miyabi exploration project. Management do not consider the Miyabi project to represent a separate major line of business and therefore the expenses have not been disclosed separately as a loss from discontinued operations.

The principal classes of assets and liabilities for Tanzania classified as held for sale as at 30 June 2020 are as follows:

	2020 US$	2019 (restated) US$
Assets		
Exploration and valuation assets	2,500,000	2,500,000
Assets held for sale	2,500,000	**2,500,000**
Liabilities		
Trade and other payables	211,844	42,781
Net assets directly associated with disposal group	**2,288,156**	**2,457,219**

2019

Kitongo Gold Project

The company executed a conditional sale agreement to sell the Kitongo Gold Project tenements which were classified as held for sale during 2018 and disposed in that period for a total consideration of US$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, paid US$364,000 of the total consideration price as at 30 June 2019.

All conditions on the sale have been met and the licence has been transferred to the purchaser. During the current period, the Company has received US$77,448 with the remaining US$108,552 due and payable by the purchaser.

Canuck Prospecting Licence

A Mineral Prospecting rights agreement has been executed by Pensana and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck" which were classified as held for sale during 2018 and disposed in that period. The purchaser, Pamoja Mining Company Limited, (Director – Nathan Conradie), a private company incorporated in the United Republic of Tanzania, agreed to purchase the licence for a total consideration of US$250,000 subject to the transfer of the prospecting licence to the purchaser.

During 2019 the licence was transferred and US$100,000 of the consideration price had been received. During the current period US$30,000 has been received with the remaining US$120,000 due and payable by the purchaser.

11. Exploration and Evaluation Expenditure

	Consolidated	
	2020 US$	2019 (restated) US$
Carrying value:		
Balance at beginning of the year	6,445,573	4,133,466
Additions	3,196,545	2,312,107
Balance at end of the year	**9,642,118**	**6,445,573**
At the end of the year book value net of accumulated amortisation and impairment (i)	9,642,118	6,445,573

(i) The above amounts represent capitalised costs of exploration carried forward as an asset in accordance with the accounting policy set out in note 3 (g). The ultimate recoupment of the exploration and evaluation expenditure in respect to the areas of interest carried forward is dependent upon the discovery of commercially viable reserves and the successful development and exploitation of the respective areas or alternatively the sale of the underlying areas of interest for at least their carrying value.

12. Trade and Other Payables

	Consolidated	
	2020 US$	2019 (restated) US$
Trade and other payables(i)	803,889	190,596
Accrued expenses	561,585	213,265
	1,365,474	**403,861**

(i) There has been no interest charged on the trade payables

13. Issued Capital

Consolidated	2020 No.	2020 US$	2019 No.	2019 (restated) US$
Fully paid ordinary shares				
Balance at beginning of the period reflecting incorporation and Scheme of Arrangement	152,973,315	198,788	152,973,315	198,788
Share Placement	16 948 670	20 885	-	-
Shares issued in lieu of fees	1,844,047	2,272	-	-
Balance at end of financial year	171,766,032	221,945	152,973,315	198,788
Shares not yet issued	16,508,633	20,342		

Company	2020 No.	2020 US$
Fully paid ordinary shares		
Incorporation	50,000,000	50,000
Scheme of Arrangement	102,973,315	148,788
Share Placement	16 948 670	20 885
Shares issued in lieu of fees	1,844,047	2,272
Balance at end of financial year	171,766,032	221,945
Shares not yet issued	16,508,633	20,342

On 13 September 2019, the Company was incorporated with 50,000,000 shares with a par value of £0.001 subscribed by Pensana Metals Ltd for £50,000 ($62,530) with an irrevocable undertaking for settlement upon completion of the proposed scheme of arrangement. At that time, the Company was a wholly owned subsidiary of Pensana Metals Ltd.

On 5 February 2020, the Group completed a scheme of arrangement, which was approved by the court in Australia and the Majority of shareholders of Pensana Metals Ltd. The scheme resulting in the acquisition of Pensana Metals Ltd by Pensana Rare Earths Plc, resulting in the re-domicile of the Pensana Group in the United Kingdom and the ultimate holding Company, Pensana Rare Earths plc incorporated in England and Wales. The shares issued to the former shareholders of Pensana Metals comprised the 50,000,000 shares subscribed on incorporation of the Company by Pensana Metals Ltd which were transferred by that company to CHESS Depositary Nominees Pty Ltd (a subsidiary of the ASX) for use in the scheme of arrangement and 102,973,314 shares additionally issued by the Company to CHESS Depositary Nominees Pty Ltd for us in the scheme of arrangement. CHESS Depositary Nominees Ltd subsequently issued CHESS Depositary Instruments in proportion to the interests the former shareholders of Pensana Metals held in that company for trading on the ASX. The 152,973,315 shares issued and transferred with a nominal value of £0.001 per share equated to $198,788.

Pensana Metals Ltd became a wholly owned subsidiary of Pensana Rare Earths Plc and was removed from the official list of ASX. Pensana Rare Earths Plc was admitted to the official list of ASX and Pensana Rare Earths Plc CDI's were admitted for official quotation by ASX under the ticker PM8.

The Company raised approximately $6,4million through the issue of 2 placements on the Company's UK share register to the Angolan Sovereign Wealth Fund ("FSDEA"). The March 2020 placing was for 7,648,670 fully paid ordinary shares at £0.14 (A$0.27) to raise a US Dollar equivalent of US$1,365,884.

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

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

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

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

Ordinary shares participate in dividends and proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Management controls the capital of the Group in order to fund its operations and continue as a going concern. The Consolidated Entity does not have any externally imposed capital requirements.

Share options on issue

During the year, 1,250,000 options expired. These number of options are based on a post 10:1 share consolidation basis.

As at 30 June 2020, there are 250,000 unlisted options exercisable at $0.15 cents (A$0.30) cents and expiring 31 December 2020 remaining. Should these options be exercised, they will be allotted as CDI's on the ASX.

Performance rights on issue

Refer to note 23 for performance rights on issue 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.
Foreign Currency Reserve	Represents foreign exchange differences arising from the translation of the financial statements of entities in the Group denominated in a currency other than United States dollars.
Share Based Payments Reserve	The Share option reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are converted to equity. Further information about share-based payments can be found in note 26 to the financial statements.
Equity Reserve	The movement in the equity reserve for the prior period relates to the Company's acquisition of an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US$500,000, from minorities. Ozango holds title to the Longonjo NdPr project.
Accumulated Losses	Cumulative net losses recognised in the statement of comprehensive income.
Merger Reserve	The Company issued shares at par value as part of a Group reorganisation to acquire 100% of the share capital of Pensana metals. The difference arising in the Group at the date of the group reorganisation is recorded in the non-distributable merger reserve as part of the transaction. The Company level merger reserve represents the difference between the investment and nominal value of shares issued in the Scheme of Arrangement.
Shares to be issued reserve	Represents the proceeds received on the placement of shares during the period where the shares were only legally issued post period end.

15. Loss per Share

	2020 cents per share	2019 (restated) cents per share
Basic loss per share		
From continuing operations	2.62	2.73
Total basic loss per share	2.62	2.73
Diluted loss per share		
From continuing operations	2.62	2.73
Total diluted loss per share	2.62	2.73

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:

	2020 US$	2019 (restated) US$
Net loss	(4,076,220)	(4,172,383)
Losses used in the calculation of basic loss per share from continuing operations	(4,076,220)	(4,172,383)
Losses used in the calculation of diluted loss per share attributable to ordinary shareholders	(4,076,220)	(4,172,383)

	2020 No.	2019 No.
Weighted average number of ordinary shares for the purposes of calculating basic loss per share and diluted loss per share[1]	155,723,451	152,973,315

Options and performance rights have not been included in the diluted earnings per share as they are anti-dilutive in the current period, however they could potentially dilute basic earnings per share in the future.

As at year end there are 250,000 options on issue (2019: 2,200,000 options) and 10,858,037 performance rights on issue (2019:14,466,074). These numbers are post the 10:1 share consolidation undertaken in 2019 by Pensana Metals Ltd.

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 the possibility of a native title claim application. Any substantial claim may have an effect on the value of the relevant tenement. These obligations will vary from time to time, subject to statutory approval.

No provision has been made in the accounts for minimum expenditure requirements in respect of tenements.

(i) Operating leases

The Group has entered into a lease with Regus Serviced Offices in the UK. The lease is currently on a rolling short term basis There are no restrictions placed upon the lessee by entering into these leases.

	Consolidated	
	2020 US$	2019 (restated) US$
Operating lease expenditure		
Less than 1 year[1]	3,866	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	3,866	-

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

(ii) Exploration Commitments

Commitments for payments under exploration permits and mineral leases in existence at the reporting date but not recognised as liabilities payable are as follows:

	Consolidated	
	2020 US$	2019 (restated) US$
Exploration and evaluation expenditure		
Not longer than 1 year	10,382	14,170
Longer than 1 year and not longer than 5 years	38,655	44,946
Longer than 5 years	-	6,421
	49,037	65,536

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 2020 %	Ownership interest 2019 %
Parent entity:			
Pensana Rare Earths Plc [1]	United Kingdom		
Controlled entities:			
Pensana Metals Ltd	Australia	100	-
Carlton Resources Pty Ltd	Australia	100	100
Carlton Miyabi Tanzania Limited	Tanzania	100	100
Carlton Kitongo Tanzania Limited	Tanzania	100	100
Bright Star Tanzania Limited	Tanzania	100	100
Rift Valley Resources (Africa) Pty Ltd	Australia	100	100
Rift Valley Resources Tanzania Limited	Tanzania	100	100
Tasman Goldfields Australia Operations Pty Ltd	Australia	100	100
Sable Minerals Pty Ltd	Australia	100	100
Sable Minerals GmbH	Germany	100	100
Sable Mining GmbH	Germany	100	-
Ozango Minerais S.A.[2]	Angola	84	84
Coola Mining LDA[2]	Angola	90	-
Mtemi Resources Pte Ltd	Singapore	100	100
Mtemi G Pte Ltd	Singapore	100	100
Mtemi O Pte Ltd	Singapore	100	100
Mtemi U Pte Ltd	Singapore	100	100
Mtemi G (Tanzania) Ltd	Tanzania	100	100
Mtemi O (Tanzania) Ltd	Tanzania	100	100
Mtemi U (Tanzania) Ltd	Tanzania	100	100

Note: Pensana Rare Earths Plc is the ultimate holding Company as at 30 June 2020. During exploration phase on the projects the minority shareholders are entitled to free-carry, as such no non-controlling interest is currently recognised on the Longonjo or Coola projects. The parent entity and its controlled entities are not within a tax-consolidated Group.

20. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2020	**2019** (restated)
	US$	**US$**
Cash and cash equivalents	4,106,321	3,312,441

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

	Consolidated	
	2020	**2019** (restated)
	US$	**US$**
Net loss	(4,076,220)	(4,172,383)
Add/less non-cash items		
Depreciation	2,997	6,629
Share based payments	829,390	1,537,060
Unrealised FX gain	(296,780)	(137,270)
Issue of shares in lieu of payment to creditors	351,592	
Gain on sale of assets held for sale	-	(250,215)
(Reversal)/ Provisions for estimated credit losses on financial assets	(107,448)	341,892
Impairment of assets	-	1,154,163
(Increase)/decrease in assets:		
Trade and other receivables	(108,144)	(871)
Other current assets	(20,355)	33,511
Increase/(decrease) in liabilities:		
Trade and other payables	983,570	175,440
Net cash used in operating activities	(2,441,398)	(1,312,044)

21. Financial Instruments

(a) Financial risk management objectives

The senior management and Board monitor and manage the financial risk relating to the operations of the Group. The Group's activities include exposure to market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk. The overall risk management program focuses on managing these risks and implementing and monitoring controls over the cash management function. Owing to the unpredictability of finance markets, the senior management and Board seek to minimise potential adverse effects on financial performance. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, polices and processes for managing these risks or the methods to measure them.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Notes 3 and 4 to the financial statements.

(c) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in Notes 13, 14 and 15 respectively. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.

(d) Market price risk

The Group is involved in the exploration and development of mining tenements for rare earths. Revenue from any future mining associated with metal sales, the acquisition and disposal consideration for mining tenements and the ability to raise funds through equity and debt will be largely dependent upon the commodity price for resources at the time of the transaction.

(e) Interest rate risk

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

A 1% change in interest rates on interest bearing assets will increase or decrease net loss and accumulated losses by $41,063 (2019: $33,124).

(f) Credit risk management

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

Financial Instruments and cash deposits
Credit risk balances with banks and financial institutions is managed by senior management and the Board in accordance with the Group's internal policy. The Group's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2012 and 2019 is the carrying amounts as per the statement of financial position.

Trade and other receivables
At 30 June 2020, the Group had other receivables of $228,552 being amounts receivable from the sale of Tanzanian assets, refer to Note 9 (2019: $336,000). An impairment analysis is performed at each reporting date by senior management on all trade and other receivable balances. The maximum exposure to credit risk for trade and other receivables at reporting date is the carrying value of each class of financial asset. Other receivables that were past due by more than 90 day an estimated credit loss allowance for the entire receivable balance has been recognised based on the estimated lifetime credit loss.

(g) Foreign currency risk

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

At 30 June 2020, the Group had the following exposure to Australian Dollars (AUD) and Great British Pounds (GBP) foreign currency that is not designated in cash flow hedges:

	Consolidated 2020 US$
Financial Assets	
Cash and cash equivalents	
Australian dollars	831,876
Great British pounds	-
	831,876
Net exposure	831,876

A 5% change in the Australian Dollar will increase or decrease net loss and accumulated losses by $41,594.

(h) Liquidity risk

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

Maturity profile of financial instruments

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the Group's exposure to interest rate risk as at 30 June 2020 and as at 30 June 2019:

2020	Weighted average effective interest rate %	Less than 1 month US$	1-3 months US$	3 months to 1 year US$	1-5 years US$	5 + years US$	Total
Financial assets							
Non-interest bearing		-	-	-	-	-	-
Variable interest rate instrument		4,246,483	-	-	-	-	4,246,483
Fixed interest rate instruments		-	-	-	-	-	-
		4,246,483	-	-	-	-	4,246,483
Financial liabilities							
Non-interest bearing		1,196,411	-	-	-	-	1,196,411
		3,050,072	-	-	-	-	3,050,072

2019	Weighted average effective interest rate %	Less than 1 month US$	1-3 months US$	3 months to 1 year US$	1-5 years US$	5 + years US$	Total
Financial assets							
Non-interest bearing		-	-	-	-	-	-
Variable interest rate instrument		3,312,441	-	-	-	-	3,312,441
Fixed interest rate instruments		-	-	-	-	-	-
		3,312,441	-	-	-	-	3,312,441
Financial liabilities							
Non-interest bearing		190,596	-	-	-	-	190,596
		3,121,846	-	-	-	-	3,121,846

22. Key Management Personnel Compensation

	2020 US$	2019 US$
Short-term employee benefits	1,069,839	517,390
Post-employment benefits	26,687	24,583
Share-based payment	543,420	1,117,328
	1,639,946	1,659,301

Further details of the key management personnel compensation can be found in the Remuneration Report section of the Directors' Report.

23. Share-based Payments

2020

During 2020 the following the following performance rights were issued:

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

Performance rights

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

2019

During 2019 the following performance rights were issued (pre 10:1 consolidation):

Issued to	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	10,000,000	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	17 September 2020	28 February 2019
David Hammond	10,000,000[1]	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	17 September 2018	17 September 2023	Upon vesting conditions being met
David Hammond	10,000,000[2]	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	17 September 2018	17 September 2023	Upon vesting conditions being met
Paul Atherley	38,580,371	Completion of a capital raising of at least an aggregate amount of A$5.5m via the issue of new shares by no later than 13 November 2018.	13 May 2018	13 November 2018	25 September 2018
Paul Atherley	38,580,371	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	13 May 2018	13 May 2023	Upon vesting conditions being met
Paul Atherley	38,580,371	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	13 May 2018	13 May 2023	Upon vesting conditions being met
Tim George	12,500,000	Commencement of concentrate sales by end of December 2021	22 April 2019	31 December 2021	Upon vesting conditions being met
Tim George	12,500,000	Commencement of Construction by end of December 2020	22 April 2019	31 December 2021	Upon vesting conditions being met
Issue under the Employee Incentive Plan	7,500,000	Delivery of a Pre-Feasibility Study and the Company making the decision to proceed to a Definitive Feasibility Study of the Project	28 June 2019	30 September 2019	Upon vesting conditions being met
Issue under the Employee Incentive Plan	5,000,000	Commencement of Construction by end of December 2020	28 June 2019	31 December 2020	Upon vesting conditions being met
Issue under the Employee Incentive Plan	10,000,000	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	-	28 February 2019
Scott Mison	5,000,000	Listing on London Stock exchange	28 June 2019	31 December 2019	Upon vesting conditions being met
Scott Mison	5,000,000	Completion of sale of Tanzanian assets and closing subsidiaries	28 June 2019	31 December 2019	Upon vesting conditions being met
Issue under the Employee Incentive Plan	1,500,000	No vesting conditions	28 June 2019	-	Vest on issue

[1] This performance rights issue replaced David Hammond's 2,500,000 performance rights granted on 14 November 2017 vesting upon delivery of a Pre-Feasibility Study, expiring on 14 November 2019.
[2] This performance rights issue replaced David Hammond's 2,500,000 performance rights granted on 14 November 2017 vesting upon the delivery of a Bankable Feasibility Study, expiring on 14 November 2017.

The fair value of performance rights granted is estimated using the share price as at the grant date. During the year, there were 20,000,000 performance rights issued which replaced 5,000,000 performance rights issued in the prior year (as detailed above). This was accounted for as modification with the incremental fair value of the original performance rights and the replacement performance rights, determined at the date when the replacement awards were issued, is being expensed over the vesting period of the replacement awards.

The following table lists the inputs to the models for the year ended 30 June 2019:

	Performance Rights				
	Director	KMP	KMP	Corporate advisor	KMP
Grant date	17 September 2018	22 April 2019	28 June 2019	28 June 2019	17 September 2018
Number of performance rights (pre 10:1 consolidation)	145,741,113	25,000,000	22,500,000	1,500,000	22,500,000
Share price	A$1.8 cents	A$2.0 cents	A2$.3 cents	A$2.3 cents	A$1.8 cents
Exercise price	A$0.0 cents	A$0.0 cents	A$0.0 cents	A$0.0 cents	A$0.0 cents
Weighted average fair value	A$1.8 cents	A$2.0 cents	A$2.3 cents	A$2.3 cents	AS1.8 cents
Total amount	$1,928,518 (A$2,683,340)[1]	$357,858 (A$500,000)	$3,629,382 (A$5,175,500)	$24,194 (A$34,500)	$129,366 (A$180,000)
Expensed to 30 June 2019	$1,337,408 (A$1,860,870)[2]	$32,492 (A$45,398)	$4,648 (A$6,628)	$24,194 (A$34,500)	$129,366 (A$180,000)

Options

2019

During 2019, the following options were issued to corporate advisors and consultants (pre 10:1 consolidation):

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Volatility	Risk Free Rate	Vesting date
Corporate Advisor	5,000,000	$0.04	$0.0025	17 September 2018	25 September 2019	90%	1.63%	Vested at date of grant
Corporate Advisor	5,000,000	$0.06	$0.0012	17 September 2018	25 September 2019	90%	1.63%	Vested at date of grant
Consultant	2,500,000	$0.04	$0.0029	2 May 2019	31 December 2019	100%	1.73%	Vested at date of grant
Consultant	2,500,000	$0.04	$0.0086	2 May 2019	31 December 2020	100%	2.32%	Vested at date of grant

The following table lists the inputs to the models for the year ended 30 June 2019:

	Unlisted Options			
	Corporate Advisor	Corporate Advisor	Consultant	Consultant
Grant date	17 September 2018	17 September 2018	2 May 2019	2 May 2019
Number of options	5,000,000	5,000,000	2,500,000	2,500,000
Share price	A1.8 cents	A1.8 cents	A1.8 cents	A1.8 cents
Exercise price	A4 cents	A6 cents	A4 cents	A4 cents
Weighted average fair value	A0.25 cents	A0.12 cents	A0.29 cents	A0.86 cents
Total amount	A$12,500	A$6,000	$5,098 (A$7,250)	$15,120 (A$21,500)
Expensed to 30 June 2019	$8,983 (A$12,500)	$4,312 (A$6,000)	$1,238 (A$1,760)	$1,465 (A$2,083)

Reconciliation of options outstanding

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

	2020		2019	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Balance at beginning of the financial year	22,500,000	A$0.05	17,500,000	A$0.05
Issued or to be issued during the financial year	-	-	15,000,000	A$0.04
Expired during the financial year	-	-	(10,000,000)	A$0.05
Balance pre 10:1 consolidation	22,500,000	A$0.05	-	-
Balance Post 10:1 Consolidation	2,250,000	A$0.50	-	-
Forfeited during the financial year	-	-	-	-
Expired during the financial year	(2,000,000)	A$0.50	-	-
Balance at end of the financial year	250,000	$0.30	22,500,000	A$0.05
Exercisable at end of the financial year	250,000[1]	A$0.30	12,500,000	A$0.04

[1] – These options will expire on 31 December 2020

24. Related party transactions

Parent entity

The parent entity in the Group is Pensana Rare Earths Plc which is incorporated in United Kingdom and Wales.

(a) Equity interests in related parties

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

(b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 22 of the financial statements and details of the compensation has been provided in the remuneration report which forms part of the Directors' Report.

(c) Other Transactions with Key Management Personnel and Related Parties

The following amounts have been disclosed as remuneration in note 22:

- Selection Capital Limited, a Company controlled by Mr Paul Atherley, has charged the Company $236,858 for consultancy fees during the current year (2019: $94,275).
- Fernan Pty Ltd <Fernan Trust> controlled by Mark Hohnen, was paid $33,500 during the current year for director fees (2019: $30,089)

25. Remuneration of auditors

	Consolidated	
	2020 US$	**2019 US$**
Fee payable to BDO LLP as the Company's external auditor for the audit of the Company's annual financial statements:	61,612	-
Fee payable to Ernst & Young as Pensana Metal's external auditor:	-	49,883
Fees payable to the Ernst & Young as Pensana Metals external auditors for other non-audit services to the Group:	42,450[1]	34,845

[1]There were non-audit services fees of $42,450 (A$63,234) incurred by EY with respect to the review of the retranslation of the 30 June 2019 group consolidated accounts, the Scheme of Arrangement and the listing on the LSE.

26. Subsequent events

Subsequent to the year end the following events occurred:

- On 1 July 2020, the Company issued a further 3,978,388 shares at $0.2730 per share and 12,530,245 shares at $0.2893 per share as part of the total share placing of 25,808,633 ordinary shares to the FSDEA for a total consideration of $5,000,000.00
- On 6 July 2020, the Company was admitted to the standard listing on the Main Board of the London Stock Exchange;
- On 10 August 2020, Ms Sandra Bates was appointed as a Non-Executive Director to the Board of the Company;
- On 11 August 2020, the Company announced the conversion of 500,000 performance rights into fully paid ordinary shares on Listing on the London Stock Exchange;
- On 11 August 2020, the Company issued 821,157 fully paid ordinary shares to third party service providers.
- On 21 September 2020 the Company announced the sale of the Miyabi exploration gold project in Tanzania to Drillcraft Limited for $0.5m plus a 5 year, 2% royalty participation agreement.
- On 25 September 2020, the Company placed 13,500,000 fully paid ordinary shares with the Angolan Sovereign Wealth fund. As at the date of this report funds have not yet been received but are expected to be receipted shortly.

No other matters or circumstances have arisen since 30 June 2020 that have significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

Pensana Rare Earths PLC
Company Statement of Financial Position as at 30 June 2020
(Company Registration Number 12206525)

	Note	30 June 2020 US$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	C1	3,249,034
Trade and other receivables	C2	42,792
TOTAL CURRENT ASSETS		**3,291,826**
NON-CURRENT ASSETS		
Investment in Pensana Metals	C4	11,756,018
Trade and other receivables	C2	2,310,195
Exploration and evaluation expenditure		-
TOTAL NON-CURRENT ASSETS		**14,066,213**
TOTAL ASSETS		**17,358,039**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	C3	126,439
TOTAL CURRENT LIABILITIES		**126,439**
TOTAL LIABILITIES		**126,439**
NET ASSETS		**17,231,600**
EQUITY		
Issued capital	13	221,945
Share premium	14	3,116,850
Reserves	14	15,202,792
Accumulated losses	14	(1,309,987)
TOTAL EQUITY		**17,231,600**

Approved by the directors on 30 September 2020

The Notes to the financial statements, included on pages 79 to 80, form an integral part of these Financial Statements.
The Company's loss for the period from 13 September 2019 to 30 June 2020 was USD1.3 million. The Company has taken advantage of the section 408 exemption in the Companies Act 2006 not to present a separate Statement of Comprehensive Income.

Company Statement of Changes in Equity for the financial year ended 30 June 2020

	Issued share capital	Share premium	Shares to be issued	Merger Reserve	Accumulated Losses	Foreign Currency Reserve	Share Based Payments Reserve	Total
	US$	USUS	USUS	US$	US$	US$	US$	US$
Loss for the year	-	-	-	-	(1,309,987)	-	-	(1,309,987)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(1,309,987)	-	-	(1,309,987)
Foreign Currency Translation Reserve	-	-	-	-	-	(35,541)		(35,541)
Shares issued on incorporation	50,000	-	-	-	-	-	-	50,000
Scheme of arrangement and merger relief	148,788	-	-	11,557,230	-	-	-	11,706,018
Issue of shares(note 13)	23,157	3,116,850	3,300,560	-	-	-	-	6,440,567
Share based payments	-	-	-	-	-	-	380,543	380,543
Balance at 30 June 2020	**221,945**	**3,116,850**	**3,300,560**	**11,557,230**	**(1,309,987)**	**(35,541)**	**380,543**	**17,231,600**

The Notes to the financial statements, included on pages 79 to 80, form an integral part of these Financial Statements.

Company Statement of Cash Flows
for the financial year ended 30 June 2020

	Note	30 June 2020 US$
Cash flows from operating activities		
(Decrease)/increase in trade and other payables		-
(Increase)/decrease in trade and other receivables		-
Payments to suppliers and employees		-
Net cash used in operating activities		**-**
Cash flows from investing activities		
Interest received		-
Payments for exploration expenditure		-
Payment for property, plant & equipment		-
Net cash used in investing activities		**-**
Cash flows from financing activities		
Proceeds from issues of equity securities	13	3,249,034
Share issue costs		-
Net cash provided by financing activities		**3,249,034**
Net increase/(decrease) in cash and cash equivalents		**3,249,034**
Cash and cash equivalents at the beginning of the period		-
Effects of exchange rate changes on the balance of cash held in foreign currencies		-
Cash and cash equivalents at the end of the period		**3,249,034**

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

The Notes to the financial statements are included on pages 79 to 80 form an integral part of these Financial Statements.

Pensana Rare Earths PLC
Notes to the Company Financial Statements
for the financial year ended 30 June 2020

C1 Cash and Cash Equivalents

	30 June 2020 US$
Cash at bank and on hand	3,249,034
	3,249,034

C2 Trade and Other Receivables

Current	Prepayments US$	Amounts owed by Group Undertakings US$	Total US$
At incorporation	-	-	-
Movement in the period	42,792	-	42,792
At 30 June 2020	**42,792**	**-**	**42,792**
Non-current			
At incorporation	-	-	-
Movement in the period	-	2,310,195	2,310,195
At 30 June 2020	**-**	**2,310,195**	**2,310,195**

Balances with subsidiaries at the period-end were:

	30 June 2020 US$	30 June 2019 US$
Pensana Metals Limited	2,310,192	-
Total	**2,310,192**	**-**

Amounts owed by Group undertakings are unrestricted and payable on demand but the directors do not anticipate that they will be paid within twelve months and therefore have classified them as non-current.

Pensana Rare Earths Plc is the ultimate holding Company as at 30 June 2020. See Note 22 of the Group financial statements.

C3 Investment in Pensana Metals Limited

	30 June 2020 US$
Pensana Metals Limited	11,756,018
Total	**11,756,018**

C4 Trade and Other Payables

	30 June 2020 US$
Accrued Expense	126,441
Total	**126,441**

ASX ADDITIONAL INFORMATION

DISTRIBUTION OF EQUITY SECURITIES

The distribution of members and their holdings of fully paid ordinary shares as at 28 September 2020 were as follows:

Shares held	No. of Shareholders	Ordinary shares
1-1,000	328	170,037
1,001-5,000	639	1,776,634
5,001-10,000	285	2,211,354
10,001-100,000	581	18,923,274
100,001 and over	192	166,513,523
Totals	2,021	189,594,822

Less than Marketable Parcel	Min Parcel size	Holders	Units
Shares at A$0.95	527	150	25,017

RESTRICTED SECURITIES

There are no restricted securities.

TWENTY LARGEST SHARE SECURITY HOLDERS

The names of the 20 largest holders of fully paid ordinary shares as at 28 September 2020 are listed below:

Name	Number of Shares	Percentage
ASF AFRICA MINING L.P.	33,457,303	17.6%
JIM NOMINEES LIMITED <JARVIS>	12,353,864	6.5%
SELECTION CAPITAL LIMITED	9,069,861	4.8%
JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,076,984	3.2%
CITICORP NOMINEES PTY LIMITED	6,049,011	3.2%
JENFRE NOMINEES PTY LTD	6,046,750	3.2%
VYNBEN PTY LIMITED	4,318,693	2.3%
MR RICHARD ARTHUR LOCKWOOD	4,000,000	2.1%
HSBC CUSTODY NOMINEES	3,838,692	2.0%
STARFIN PTY LTD	2,505,000	1.3%
MR NEIL THACKER MACLACHLAN	2,417,385	1.3%
HSBC CUSTODY NOMINEES AUSTRALIA LIMITED	2,373,300	1.3%
MR DAVID PETER HAMMOND	2,046,000	1.1%
INVIA CUSTODIAN PTY LIMITED	2,034,955	1.1%
MS PHILIPPA CAMERON CUMMINS	2,000,000	1.1%
TASMAN FUND TRUSTEE LIMITED	2,000,000	1.1%
MR LECKIE GERAI	1,595,000	0.8%
PINELEAF PTY LIMITED	1,444,206,	0.8%
EAST AFRICA INTERNATIONAL LTD	1,426,618	0.8%
NATIONAL NOMINEES LIMITED	1,422,399	0.8%

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders, prepared in accordance with Chapter 6C of the Corporations Act 2001, showed the following substantial shareholders as at 28 September 2020:

Name	Number of Shares	Percentage
ASF Africa Mining LP (previously QG Africa Mining LP)[1]	33,457,303	17.6%

1 - *Post period end QG Africa Mining LP changed its name to ASF Africa Mining LP*

VOTING RIGHTS

The Company is incorporated under the legal jurisdiction of England and Wales. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, Depositary Instruments called CHESS Depositary Interests (CDIs) are issued. Each CDI represents one underlying ordinary share in the Company (Share). The main difference between holding CDIs and Shares is that CDI holders hold the beneficial ownership in the Shares instead of legal title. CHESS Depositary Nominees Pty Limited (CDN), a subsidiary of ASX, holds the legal title to the underlying Shares.

Pursuant to the ASX Settlement Operating Rules, CDI holders receive all of the economic benefits of actual ownership of the underlying Shares. CDIs are traded in a manner similar to shares of Australian companies listed on ASX.

CDIs will be held in uncertificated form and settled/transferred through CHESS. No share certificates will be issued to CDI holders. Each CDI is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

If holders of CDIs wish to attend and vote at the Company's general meetings, they will be able to do so. Under the ASX Listing Rules and the ASX Settlement Operating Rules, the Company as an issuer of CDIs must allow CDI holders to attend any meeting of the holders of Shares unless relevant English law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

(i) instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting or proxy statement for the meeting and this must be completed and returned to the Company's Share Registry prior to the meeting; or

(ii) informing the Company that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or

(iii) converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As holders of CDIs will not appear on the Company's share register as the legal holders of the Shares, they will not be entitled to vote at Shareholder meetings unless one of the above steps is undertaken.

As each CDI represents one Share, a CDI Holder will be entitled to one vote for every CDI they hold.

Proxy forms, CDI voting instruction forms and details of these alternatives will be included in each notice of meeting sent to CDI holders by the Company.

These voting rights exist only under the ASX Settlement Operating Rules, rather than under the Companies Act 2006 (England and Wales). Since CDN is the legal holder of the applicable Shares and the holders of CDIs are not themselves the legal holder of their applicable Shares, the holders of CDIs do not have any directly enforceable rights under the Company's articles of association.

As holders of CDIs will not appear on our share register as the legal holders of shares of ordinary shares they will not be entitled to vote at our shareholder meetings unless one of the above steps is undertaken.

TENEMENT SCHEDULE

Country	Project Name	License Name	License no.	% Held
Angola	Longonjo	Ozango Minerais SA	Nº298/05/01/T.E/ANG-MIREMPET/2020	100%
	Ozango	Ozango Minerais SA	Nº013/03/09/T.P/ANG-MGM/2015	84%
	Coola	Coola Mining LDA	Nº059/02/01/T.P/ANG-MIREMPET/2020	90%
Tanzania	Miyabi	Miyabi Dyke	PL8933/2013	100%
	Miyabi	Miyabi North	PL10908/2016	100%
	Miyabi	Miyabi Airport New	PL10556/2015	100%
	Miyabi	Mwabombo	PL10836/2016	100%
	Miyabi	Kilimani	PL11309/2019	100%
	Miyabi	Dalafuma	PL11310/2019	100%
	Miyabi	Ngaya	PL11311/2019	100%
	Miyabi	Shambani	PL11312/2019	100%