

PENSANA Plc



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Independent and sustainable

2023 ANNUAL REPORT

for the financial year ended 30 June

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The directors of Pensana Plc (the company) submit herewith the annual financial report of Pensana Plc (consolidated entity) for the year ended 30 June 2023.

CORPORATE HIGHLIGHTS

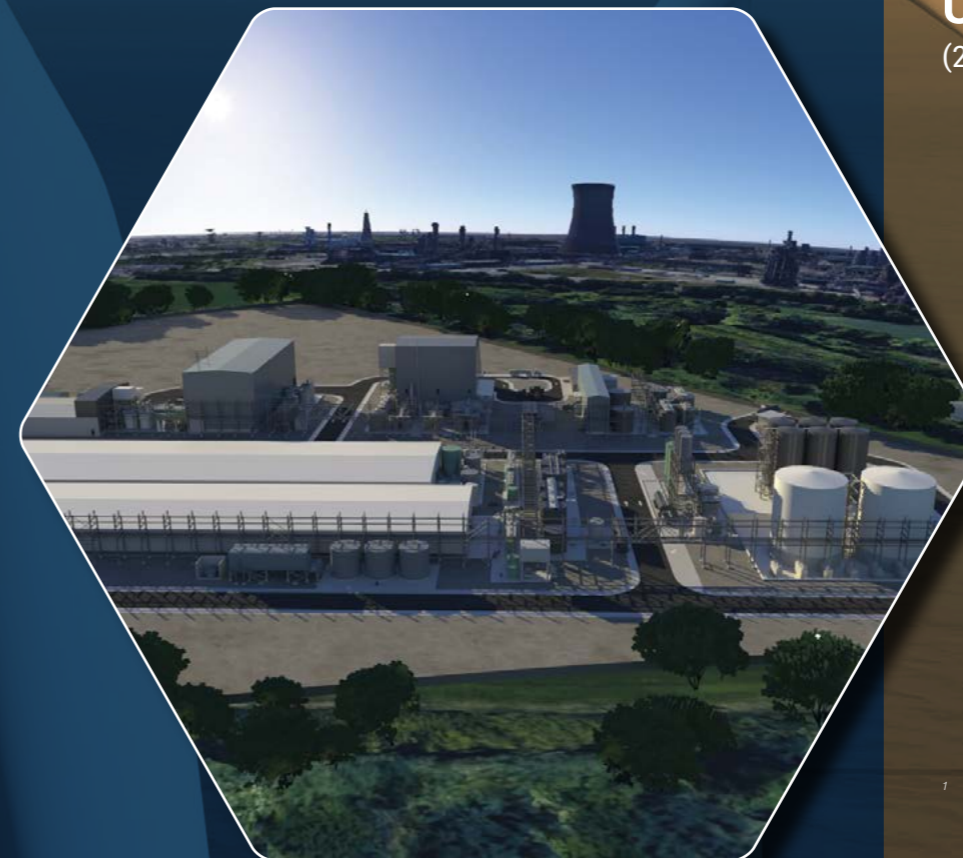
- Revised Longonjo execution plan allowing for staged mine development reducing upfront capital expenditure to US\$200 million with US\$105 million deferred until year three
- Absa Bank mandated to arrange a US\$120 million project debt facility, which together with the US\$80 million funding, will fund the mine and processing facilities into production
- US\$15 million Fundo Soberano de Angola (FSDEA) loan facility as part of a broader US\$80 million investment (subject to due diligence and the finalisation of investment terms) to facilitate the development of the Longonjo Project

Post period-end

- Meeting with United Kingdom (UK) Minister Nusrat Ghani to discuss the potential UK and United States (US) government support for the Saltend Project
- Pensana, working in partnership with Polestar, Route2 and the Universities of Leeds and Hull, awarded £316,643 in grant funding by Innovate UK under its CLIMATES programme
- Offtake memorandum of understanding for up to 100% of Longonjo production

OPERATIONAL HIGHLIGHTS

- Completion of the Ore Reserve estimate during September 2022 undertaken by Snowden Optiro over both the Longonjo and Saltend operations in support of a 20-year life of mine
- Ongoing mineralogical studies confirm processing potential of the rare earth host minerals at the Coola carbonatite and Sulima West exploration targets



3D rendering of the planned Saltend rare earth processing hub

FY2023 RESULTS

TOTAL COMPREHENSIVE LOSS FOR THE PERIOD

US\$5,189,120

(2022: US\$11,446,441)¹

TOTAL LOSS AFTER TAX FOR THE PERIOD

US\$4,302,823

(2022: US\$11,712,022)¹

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

US\$59,414,968

(2022: US\$36,695,202)¹

CASH AND CASH EQUIVALENTS

US\$9,695,491

(2022: US\$2,930,162)

¹ Refer to **note 5** to the financial statements for details of the restatement of prior year results.



CHAIRMAN'S REVIEW

By establishing an independent and sustainable supply chain to the highest international standards, we will be able to provide our customers with the assurances they need in terms of supply chain resilience and transparency in terms of our environmental, social and governance (ESG) strategy.

Dear shareholders,

On behalf of my board colleagues, it is my pleasure to present the Pensana 2023 annual report.

In last year's review, I referred to the market commentary which highlighted that the electrification of motive power is forecast to become the biggest energy transition in history, with the phasing out of internal combustion engines in favour of electric vehicles and offshore wind, both of which rely heavily on powerful rare earth permanent magnets.

The past 12 months have seen record highs for electric vehicle sales and increases in offshore wind-generating capacity. This increase in demand for magnet metals is taking place while the UK, US, Canadian, Australian and European governments raise concerns over the lack of supply chain resilience for rare earth permanent magnets. A single country, China, controls 91% of the refining capacity, 87% of the oxide separation and 94% of magnet production. As per the article published by the Wall Street Journal, April 2023, the need to realign at least part of this supply chain is clear.

Against this backdrop, we have continued with our financing of one of the world's largest undeveloped deposits of magnet metal rare earths, the Longonjo Neodymium and Praseodymium (NdPr) Project in Angola and the Saltend rare earth separation facility (RESF) in the UK.

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

Our Polestar collaboration to produce the world's first climate-neutral car, green bond accreditation from CICERO*, Norway's foremost institute for climate research, alongside our Blueprint for Sustainable Rare Earths, which outlines our aim to produce the lowest embedded carbon products in the rare earth industry, as well as deep and meaningful carbon reduction, with the company's goal of achieving net zero across the value chain by no later than 2040, speaks to these ambitions. This has been more fully reported in the ESG report.

At the beginning of the calendar year, the company entered into a non-disclosable exclusivity period with a major strategic mining house for an equity investment of US\$220 million at 68.4 pence per share. The process did not complete due to internal issues at the mining house and, following discussions with our major shareholders, FSDEA (Angola Sovereign Wealth Fund) and M&G, supported by Angola's Ministry of Mineral Resources, Petroleum and Gas (MIREMPET), a detailed review was undertaken reflecting the strong desire of all parties to bring the Longonjo operation into production as soon as practical.

A revised execution plan was agreed, based on a staged development of the mine and processing facilities with a reduced upfront capital cost of US\$200 million, with circa US\$105 million, related largely to the national power grid connection, rail spur and subsequent expansion costs, deferred until year three following commissioning.

FSDEA agreed to provide an initial US\$15 million loan facility as part of a US\$80 million investment (subject to due diligence and the finalisation of investment terms), which will be repaid out of the larger facility, for the US\$200 million staged development.

* Shades of Green, formerly part of CICERO, now part of S&P Global, provides independent research-based evaluations of green bond and sustainability financing frameworks to determine their environmental robustness. In December 2022, S&P Global acquired the Shares of Green business from CICERO.

Chairman Mr Paul Atherley gives evidence to the BEIS House of Commons Select Committee on Critical Minerals, relating to the recent enacted National Security and Investment Act



The company has also mandated Absa Bank to arrange a US\$120 million project loan which together with the potential US\$80 million investment represents the funding required to develop the mine and processing facilities.

At the time of writing, the technical and financial due diligence being undertaken by industry specialists The Mineral Corporation on behalf of the financiers was well underway and expected to be signed off and reported on by the end of the calendar year.

During peak construction activity, the mine will employ over 650 personnel and contractors and once in production, it will create over 420 high-value full-time jobs and will be an important project in the region.

Angola is a growing mining jurisdiction attracting global investment from Rio Tinto, Anglo American, Trafigura, Mota Engil, the US Department of Energy and the European Union due to untapped geological endowment, excellent infrastructure and a highly supportive government.

The US\$550 million Lobito Corridor is anticipated to become one of Africa's most important rail transport systems and we are expecting it to have a very positive impact on the transport logistics during Longonjo's construction and on the reagent and product transport during operations.

We have overcome major challenges during the year. We have re-engineered the Longonjo Project to be one of the lowest capital expenditure projects among its peers thereby considerably enhancing its ability to be financed, and we have made substantial progress with our financiers and offtake partners and are now on the cusp of commencing construction of one of the first major rare earth mines to be developed in over a decade.

This has been made possible by the ongoing financial support of our major shareholders. I would like to take this opportunity to thank President Carlos Lopez and the board of FSDEA and also that of Mr Michael Stiasny and his team at M&G for their ongoing support which is very much appreciated.

I would like to take this opportunity to thank the executive team led by chief executive officer (CEO) Mr Tim George, and individually Mr Rob Kaplan finance director, Mr Rocky Smith chief operating officer and Mr William Izod chief commercial officer for their considerable efforts throughout a challenging year and for their achievements in bringing the Longonjo Project to the financing stage.

Finally, I would like to thank my fellow directors for their very valuable and much appreciated contributions during the year. A note of thanks to Mr Steve Sharpe for his guidance on financing, Ms Alison Saxby for her insights on the rare earths market, Dr Jeremy Beeton for sharing his knowledge and wisdom on project engineering and development and, importantly, Baroness Lindsay Northover for keeping us pointing to the north star of sustainability.

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

Paul Atherley
Executive chairman

30 October 2023



CHIEF EXECUTIVE OFFICER'S REVIEW

The past year has seen a lively period for Pensana with significant achievements and navigation of impediments for the various projects under the group umbrella.

Dear Pensana Shareholders,

The past year has seen a lively period for Pensana with significant achievements and navigation of impediments for the various projects under the group umbrella. Against a backdrop of geopolitical variability, inflationary pressure and market constraints, our team has worked to mitigate resultant risks and preserve our position as one of the lowest capital expenditure rare earth development projects globally.

We launched our Blueprint for Sustainable Rare Earths in which we have committed to achieving 11 specific ambitions across the business' four ESG workstreams, i.e. carbon and climate; the environment; colleagues and community; and strong corporate governance. The Blueprint enshrines Pensana's commitment to developing a sustainable and low-carbon supply chain through clear ambitions to produce the lowest carbon rare earth products and to be net zero throughout its value chain by no later than 2040. We have fully reported on this in the ESG report.

The initial quarter importantly saw intriguing developments in the UK political landscape alongside another well-contested but peaceful democratic election in Angola. This marked a further five-year term for the 'open for business' policies implemented by President João Lourenço.

During September 2022, we announced the completion of the Ore Reserve estimate undertaken by Snowden Optiro covering both the Longonjo and Saltend operations in support of a 20-year life of mine according to the guidelines of the 2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC).

Exploration activity resumed on the Coola licence area, culminating in the preliminary results for several exciting

targets at the Sulima West complex in addition to the Coola carbonatite itself. Initial results are particularly encouraging in terms of both adding to the resource base of the company and opportunities for enhancing and prolonging the useful life of the planned development at Longonjo.

Front-end engineering design (FEED) and value engineering activities for the processing facilities planned at both Longonjo and Saltend progressed through the year, and our owner's teams were enlarged to supervise the early works packages initiated at both sites. This year was interspersed with several due diligence processes by various interested parties, culminating with the Q3 exclusivity period during which a strategic major mining house considered a US\$220 million equity investment alongside the debt/bond packages contemplated to fund both Longonjo and Saltend. Unfortunately, the process stalled due to operational challenges faced by the potential strategic investor.

Financial constraints in Q1 2023, as a consequence of the stalled strategic investment process, necessitated temporary suspension of on-site activity for the Saltend Project along with all significant engagements with third-party contractors being put on hold while alternative financing options are being explored. The existing Intellectual Property developed to date and core technical team expertise remain in place alongside the agreement for lease in relation to the Saltend site.

Over the past months, following the financing envisaged alongside a strategic major mining house being incomplete, I am pleased to report that our owner's team, along with key financial support from our major shareholders, have rapidly repositioned our Longonjo Rare Earth Project into a staged development programme targeting first production in early 2026. The reduced US\$200 million capital cost metallurgical plant is a downscaled version of the identical processing unit

stages within the existing defined mining, comminution, flotation, thickening, calcining, leaching and product precipitation process route. Key points in the revised development implementation are:

- Existing permits remain intact including the Exploitation Licence, the Environmental and Social Impact Assessment (ESIA) construction permit, the Resettlement Action Plan (RAP) and the Livelihood Restoration Plan (LRP) as developed in conjunction with the local community and relevant provincial authorities;
- Minimising pre-production spend while still ensuring that the project's potential for generating economic benefits on a larger scale is not compromised;
- Production of a standardised and globally saleable refined radionuclide-free mixed rare earth product from Angola, independent of other developments;
- The modular sulphuric acid plant production unit capacity provides the pivot point around which the engineering and design work is currently being undertaken and optimised;
- The historical testwork and pilot plant trials conducted in collaboration with equipment vendors continue to underpin the plant design criteria;
- All preferred vendors of major and long-lead equipment items have been engaged and remain committed to the project;
- Levels of accuracy based on recent pricing exercises in preparation for a Class 2 AACE study will give a high degree of confidence and adequate contingency;
- Enhanced modularisation enables off-site pre-fabrication, testing and containerised transport which will ensure a faster and more efficient construction phase in terms of schedule, equipment and manpower requirements; and
- Job creation in Angola along with training and skills transfer mechanisms remain intact.

The Longonjo Project team is currently focused on the following key workstreams necessary to trigger the financing of main construction, namely:

- Continued project-specific and unchanged site infrastructure development to facilitate commencement of main construction activities;
- An update of engineering detail within the initial US\$200 million capital expenditure envelope which is well advanced;
- Preferred vendor repricing on the revised equipment schedule now largely complete;
- Conclusion of the mine pit development schedule and run-of-mine feed blending strategy detail in years one to five to confirm the current annualised projections;
- Completion of the optimised tailings storage facility (TSF) detailed design;
- Execution of LRP arrangements with the local community under the RAP; and
- Strengthening of the engineering team for the detailed design and execution phase with the engagement of ADP and ProProcess.

Notable developments towards de-risking aspects of the project include:

- The SRK team finalised geotechnical investigation in support of the dual-purpose TSF detailed design. The selected TSF site has been confirmed as also providing suitable excavated material for use in the TSF starter walls, pit haul roads, plant terracing and other construction-related requirements, thus mitigating the need to develop borrow-pit sources and associated licensing and material transport costs as well as reducing the overall environmental impact.
- Integration of the Longonjo Project bulk reagent consumption requirements (including sulphur and caustic soda) into the Trafigura/Mota Engil-led strategic mineral-focused Lobito Corridor port and rail concessions is being pursued as part of the ongoing operations readiness preparation. Logistical and operational expenditure benefits are obvious in terms of broader reagent supply to the existing Democratic Republic of the Congo (DRC) Copperbelt mines alongside the limestone which will be sourced from the existing quarries in the Lobito area. In addition, global procurement and logistical support for the construction phase have been negotiated with Deugro, an internationally established freight-forwarding business with a specific relationship with their Africa-centric specialised project logistics division. This combination of global and local logistics to enable efficient movement of material to and from the project site is considered by management to contribute to significantly de-risk this aspect of the project.

In restructuring the Longonjo Project, we are grateful also to the assistance rendered by the special task team appointed by H.E. Diamantino Azevedo, Minister of Mineral Resources, Petroleum and Gas to accelerate the development of the Longonjo Project. This task team is led by H. E. Dr. Jânio da Rosa Corrêa Victor, the Secretary of State for Mines, to navigate any issues which may affect the project execution.

I also thank the ongoing collaborative efforts of Eng. Jacinto Rocha, Chair of the National Agency for Mineral Resources, and H.E. Lotti Noliika, Governor of Huambo, alongside the support from the Longonjo municipality.

I also wish to thank the Angolan Sovereign Wealth Fund for their ongoing financial support, in the form of a US\$15 million facility, towards maintaining project momentum at Longonjo.

The above engagements are a testament to the enthusiastic and continued support within the State organs of Angola for the speedy development of Longonjo as a demonstration project for the stated policy of diversification of the Angolan economy.

Tim George
Chief executive officer

30 October 2023

BOARD OF DIRECTORS

DIRECTORS AND DIRECTORS' DETAILS



**PAUL
ATHERLEY**
Executive chairman

Appointed: 13 May 2018

Mr Atherley is the founding director of Pensana Plc. He has pioneered the establishment of an independent and sustainable rare earth processing hub in the UK and value-added mineral processing in Angola. He is a highly experienced senior resources executive with wide-ranging international and capital markets experience. He graduated as a mining engineer from Imperial College London and has held a number of mine management, senior executive and board positions during his career.

He served as executive director of the investment banking arm of HSBC Australia where he undertook a range of advisory roles in the resources sector. He has completed a number of acquisitions and financings of resource projects in Europe, China, Australia and Asia.

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

Other current directorships of listed companies:

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

Former directorships of listed companies in the past three years:

- Berkeley Energia Limited (Australian Securities Exchange (ASX)/Alternative Investment Market (AIM))
- Leyshon Resources Limited (May 2004 to May 2019)



**TIM
GEORGE**
*Executive director/
chief executive officer*

Appointed: 22 April 2019

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

He holds an Honours Degree in Minerals Engineering from Leeds University and spent over a decade in production management at several Anglo American operations in Africa along with plant design and feasibility studies in various base and precious metal projects.

His history in Angola started in 1998 in the construction and engineering sector, migrating to chairman and CEO of Xceldiam, an Angola-focused AIM-listed diamond exploration company and subsequently, as a non-executive director of a Scandinavian dual-listed resources entity with assets in sub-Saharan Africa including Angola.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- None



**ROBERT
KAPLAN**
*Executive director/finance
director*

Appointed: 31 March 2022

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

Mr Kaplan joined Pensana from London Stock Exchange (LSE)-listed Petra Diamonds Limited where, in his role as finance manager corporate and head of treasury, he was involved in a number of mine financings including two US dollar bond issues totalling US\$1 billion, a number of African lender facilities totalling over US\$750 million and, most recently, an equity rights issue of US\$178 million on the LSE. Prior to this, he was financial director of Xceldiam, an Angola-focused AIM-listed diamond exploration company.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- None



**RT HON BARONESS
LINDSAY PATRICIA
NORTHOVER**

*Independent non-executive
director*

Appointed: 2 November 2020

Baroness Northover is a Member of the House of Lords and a Member of the House of Lords Select Committee on the Environment and Climate Change. She was the Prime Minister's trade envoy to Angola (2016 to 2020) and Zambia (2017 to 2020) and a Minister in the Department for International Development from 2011 to 2015, including serving as Parliamentary Under Secretary and Africa Minister from 2014 to 2015. She is a member of the board of AgDevCo Holdings and a Member of Council of the Royal African Society.

She has been at the core of the recent successful development of the UK/Angola bilateral relationship, which has seen significant progress in recent years. She is an Honorary Associate Professor at the Institute of Global Health Innovation, Imperial College, London; a trustee on the British International Investment's MedAccess Trust board (formerly Commonwealth Development Corporation); a former Member of the Advisory Council, Wilton Park; and a former trustee of the Malaria Consortium and UNICEF UK.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- None



**STEVEN LAWRENCE
SHARPE**

*Independent non-executive
director*

Appointed: 29 September 2021

Mr Sharpe is a highly experienced natural resources financier and has been involved with financing of some US\$6 billion over his 37-year career. He is an executive board member of EIT Raw Materials. He was formerly the chair of AME Group, president and CEO of Euromax Resources Limited, senior vice president of European Goldfields Limited, managing director at Canaccord Genuity, managing director at Endeavour Financial, assistant general manager at Standard Bank London Limited and assistant director of N M Rothschild & Sons Limited.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- None



**DR JEREMY
JOHN BEETON**

*Independent non-executive
director*

Appointed: 2 March 2021

Dr Beeton has extensive international experience in project management over complex multi-site, multiple project operations portfolios for national and regional government, as well as public and private companies.

He was director-general of the London 2012 Olympic and Paralympic Games from 2007 until 2012, and chairman of WYG Plc and Merseylink Limited. Dr Beeton was also a principal vice president with Bechtel, an advisory board member of PricewaterhouseCoopers until October 2018 and an independent non-executive director of SSE Plc until July 2018. He served as an independent non-executive director of John Laing Group Plc for six years and was a member of the governing Court of Strathclyde University for nine years.

With a BSc CEng from the University of Strathclyde, Dr Beeton is a Fellow of the Institution of Civil Engineers FICE and received UK honours including the Order of the Bath CB and an Honorary Doctorate in Engineering from Napier University.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

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



ALISON SAXBY

*Independent non-executive
director*

Appointed: 17 August 2022

Ms Saxby is an industry-leading expert with over 35 years of experience in industrial minerals and metals. Her expertise includes pricing, deep market knowledge, research and communications gained through consultancy projects, minerals trading and commercial reports. She was previously a managing director at metals consultancy Roskill, where she led the strategic direction of the company's research and products through a period of growth, with a focus on critical minerals. Prior to that, she held roles at Fastmarkets as an independent consultant.

Ms Saxby was recently a member of the UK government's Critical Materials Global Expert Mission to both Canada and the United States of America for Innovate UK-KTN and is working with Edumine to provide educational courses on critical materials. She is the author of numerous publications on critical and other minerals and originally trained as a mineral engineer.

Other current directorships of listed companies:

- None

Former directorships of listed companies in the past three years:

- Roskill (2012 to 2022)

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 2023.

Description	Pensana Plc				Pensana Metals Limited
	30 June 2023 US\$	Restated ¹ 30 June 2022 US\$	30 June 2021 US\$	30 June 2020 US\$	30 June 2019 US\$
Statement of comprehensive income					
Finance and other (cost)/income	(28)	28	342	3,268	327,705
Net loss before tax	(4,302,823)	(11,712,022)	(9,583,772)	(4,076,220)	(4,172,383)
Net loss after tax	(4,302,823)	(11,712,022)	(9,370,862)	(4,076,220)	(4,172,383)
Weighted average number of ordinary shares (number)	254,074,694	229,019,699	199,554,645	155,723,451	152,573,315
Basic (loss) per share (US\$ cents per share)	(1.69)	(5.11)	(4.70)	(2.62)	(2.73)
Diluted (loss) per share (US\$ cents per share)	(1.69)	(5.11)	(4.70)	(2.62)	(2.73)
Statement of financial position					
Property, plant and equipment	45,594,650	31,277,770	18,507,768	–	–
Intangible assets	13,820,318	5,417,432	132,040	9,642,118	6,445,573
Net current (liabilities)/assets	(2,654,366)	1,683,787	17,528,826	5,219,066	5,426,125
Total equity attributable to equity shareholders	56,760,602	38,378,989	36,168,634	14,861,184	11,871,698
Share price history					
Share price at the start of the year (US\$ cents)	72.0	150.5	18.6	16.2	12.7
Share price at the end of the year (US\$ cents)	33.1	72.0	150.5	18.6	16.2
Market capitalisation (US\$ million)	94.3	169.0	325.7	31.9	23.5

¹ Refer to **note 5** to the financial statements for details of the restatement of prior year results.

REVIEW OF OPERATIONS AND STRATEGIC REPORT

The board is pleased to present its review of Pensana Plc, the rare earth exploration and development group, whose flagship assets are the Saltend rare earth processing hub in the UK and the Longonjo NdPr Project in Angola.

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

PRINCIPAL ACTIVITIES

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

In July 2022, Pensana broke ground at Saltend, with attendance from the then Secretary of State for Business, Energy and Industrial Strategy, Rt Hon Kwasi Kwarteng MP. During September 2022, final planning approval for the company's expanded site was obtained along with Snowden Optiro issuing Pensana with its first JORC-compliant Mineral Reserve estimate in September 2022.

Pensana launched its Blueprint for Sustainable Rare Earths and has received full construction licence approval for the life of mine plan for Longonjo under an updated ESIA submission in addition to a RAP, LRP and stakeholder engagement plan. As part of the environmental permitting requirements at Saltend, the company has undertaken a number of risk and environmental assessments, illustrating that the facility will not adversely impact the environment. The ESG report on [page 45](#) sets out the full details of progress on these fronts.

OPERATING AND FINANCIAL REVIEW

During the year ended 30 June 2023, the consolidated entity incurred a comprehensive loss of US\$5,189,120 (2022: US\$11,446,441), including:

- administration and corporate expenses decreased by 39% to US\$5,375,576 (2022: US\$8,787,109) mainly due to the reduction in employee costs as a result of the reversal of prior year bonuses not being paid, no current year bonuses being applicable, as well as a reversal of share-based payment charges for non-market vesting conditions not expected to be met;
- an expected credit loss (ECL) provision of US\$308,260 (2022: US\$669,470), relating to the impairment of debtors outstanding as part of the equity raise completed on 25 June 2021;
- a net foreign currency exchange gain of US\$494,744 (2022: US\$1,989,890 loss), comprising:
 - a gain on foreign exchange movements recorded in the income statement of US\$1,381,041 (2022: US\$2,255,471 loss) on monetary balances and inter-company funding which are considered repayable in the foreseeable future; and
 - a loss on exchange movements on retranslation of non-US dollar functional currency entities into the group's US dollar presentation currency and currency movements on inter-company balances considered permanent as equity and recorded in the statement of changes in equity of US\$886,297 (2022: US\$265,581 gain).

Group net assets increased in the year by 48% to US\$56,760,602 from US\$38,378,989. This was primarily driven by additions to development assets and Saltend intangible assets of US\$25,602,375 (2022: US\$19,287,032).

Of the other debtors as at 30 June 2023, US\$280,893 (2022: US\$630,097) relates to payment pending (net of the ECL provision) as part of the equity raise completed on 25 June 2021. Management has reassessed the carrying value of long-outstanding debtors as at 30 June 2023 and has provided for an additional ECL of US\$308,260 against this receivable.

The increase in share capital (issued capital and share premium) comprised the share capital issued by the company on equity placings totalling US\$24 million for the year, as detailed under the corporate activities section.

Year-on-year, the cash and cash equivalents balance increased by 231% to US\$9,695,491 (2022: US\$2,930,162) at year-end due to higher proceeds from issues of equity securities, lower

GROUP NET ASSETS
INCREASED IN THE YEAR BY
48% TO
US\$56,760,602
FROM US\$38,378,989

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

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

operating cash outflows and a reduction in cash outflows relating to additions to property, plant and equipment.

With project spend decreasing year-on-year, the group experienced a 40% decrease in net cash outflows from operating and investing activities of US\$17,332,760 (2022: US\$28,794,950).

Net cash outflows from operating activities amounted to US\$5,753,905, showing a decrease from the previous year's figure of US\$7,948,231. This reduction can be attributed to a decrease in operating losses.

Investing cash flows totalled US\$11,578,855 (2022: US\$20,846,719), primarily associated with expenses incurred at Longonjo, amounting to US\$11,739,519 (2022: US\$14,564,879), and work conducted at Saltend, totalling US\$2,029,356 (2022: US\$6,158,982). In addition, the group had significant capital project-related payables at year-end which have been part-settled post year-end with the remainder planned to be settled as additional short-term funding is secured.

Proceeds from the issuance of equity before share issue costs for an amount of US\$24,265,820 (2022: US\$16,780,204) were the source of financing to facilitate the site development and exploration spend over the period.

The directors have prepared a cash flow forecast for the period ending 31 March 2025. On the Saltend Project, the UK Department for Business and Trade (UK DBT) has offered Pensana a conditional grant of up to £4,000,000 towards the funding which is anticipated to be received in Q4 FY2024 and forms part of the forecast.

In Angola, the group has secured a US\$15 million loan facility secured over the indirect shareholding in the group's Angolan subsidiary which matures in February 2024 from FSDEA which is available to meet operating cash flow requirements and progress the Longonjo Project in the near term. The parent company is well advanced in its main financing workstreams on the Longonjo Project and is aiming to complete the main financing in Q1 2024 which would enable settlement of the FSDEA facility and provide funds for the wider project development.

The forecast indicates that funding is required to settle existing project-related contractor balances in the UK and to also provide working capital. Continuing support of these contractors will be required until the group has secured this required funding and then remain as the group subsequently moves towards main financing in the normal course of project development.

The board notes that, in addition to the funding requirement for the UK operations, additional funding will also be required during the period to maintain liquidity if the grant funding is delayed or the conditions are not met. Additionally, the group would need to refinance the FSDEA facility in the event the main financing is not complete by the maturity date of the FSDEA loan. Given the support provided by the Angolan government for the Longonjo Project, the directors anticipate such a refinancing being made available to the group.

It is anticipated that the contemplated financing across the group may include further issues of equity, export credit-backed debt financing and issuing a green bond.

The ability of the company and group to continue as a going concern is dependent on securing such additional funding given the forecast expenditure above.

Conditions regarding financing and cash flow mentioned above indicate a material uncertainty, which may cast significant doubt as to the company's and group's ability to continue as a going concern, and therefore they may be unable to realise their assets and discharge their liabilities in the normal course of business.

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

KEY PERFORMANCE INDICATORS

Given that the group is in the development stage for the Saltend and Longonjo Projects, in the exploration stage at the Coola Project, and has no revenue, the board considers usual financial key performance indicators (KPIs) as inappropriate in the measurement of value creation of the group. The board considers the carrying value of the development assets and the cash balance to be the most applicable KPIs at this stage of the group's development, further details of which have been given above. In addition to this, the directors consider that the detailed information in the operational review is the best guide to the group's progress and performance during the year.

Further details are provided in the chairman's review, the chief executive officer's review and the technical development programme update as highlighted on [page 14](#).

BREXIT

During the year, the board regularly considered the potential impact of the UK leaving the European Union and its possible impact on the company and the industry. At this point, the board is comfortable that its positioning and the product it is looking to bring to market have not been negatively impacted by Brexit.

WARS IN UKRAINE/RUSSIA AND ISRAEL/GAZA

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

PENSANA'S STRATEGY

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

Pensana plans to establish its Saltend refinery as an independent, sustainable supplier of key magnet metal oxides to a growing market, fuelled in part by the green energy transition, which is currently dominated by China. The Saltend facility is

Electric motors and wind turbines will be at the core of our clean energy future. NdPr are the irreplaceable raw materials used to manufacture the permanent magnet components of these technologies. Experts predict a supply shortfall from 2024 onwards and if additional independent primary magnet metal sources are not brought into production, China's position as the dominant global NdPr producer will persist.



being designed to produce circa 12,500t per annum of rare earth oxides, of which 4,500t will be NdPr, representing around 5% of the world market in 2025.

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

Initial feedstock will be shipped as clean, high-purity mixed rare earth product from the company's Longonjo low environmental-impact mine in Angola. The free-dig, open-cast mine and state-of-the-art processing plant have been designed by Wood Group to the highest international standards, are powered by low-carbon hydroelectric power and are connected to the Port of Lobito by the recently upgraded Benguela railway line.

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

SUSTAINABILITY

During the period, Pensana's Blueprint for Sustainable Rare Earths was launched. This is a strategy which outlines how sustainability will be integrated throughout the company over the short, medium and long term including its ambition to reach net-zero carbon.

The company's subsidiary, Ozango Minerais SA, has received full licence approval for the life of mine for the Longonjo site, subject to conditions which will run through the life of mine. An action plan has been mutually agreed with the Angolan Ministry of Mineral Resources, Petroleum and Gas alongside retaining excellent relations with the provincial and local communities. In FY2023, the company successfully completed the first tranche of economic displacement compensation with full community consent, with those affected being provided with transitional support, with a view to receiving, along with all economically displaced persons, land of at least equal economic value.

Pensana continues to progress its ambition to become an independent and sustainable source of rare earths. It has successfully gained third-party recognition confirming the alignment of its Saltend Project with the CICERO Shades of Green rating for sustainable finance. The innovative methodology

used by CICERO* is aligned to the International Capital Market Association's Green Bond Principles, and the issuance of an opinion provides robust independent verification that Pensana's Saltend Project is aligned to best practice in the climate financing sector. Additionally, this year the business has disclosed against the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), having voluntarily disclosed in FY2022, one year ahead of the requirement to do so. The TCFD disclosures include a summary of the steps taken by the company to mitigate risks and adapt the business model to be more resilient to the threats from climate change.

* Shades of Green, formerly part of CICERO, now part of S&P Global, provides independent research-based evaluations of green bond and sustainability financing frameworks to determine their environmental robustness. In December 2022, S&P Global acquired the Shares of Green business from CICERO.

Pensana has successfully achieved planning consent for the larger Reedmere site at Saltend and, as part of this, undertook a number of environmental and social assessments including pollution and flood assessments, air emissions modelling, biodiversity surveys and cultural heritage assessments.

LONGONJO MINE

Longonjo is differentiated from other rare earth projects as a low capital expenditure development through the combination of low-cost mining of the 'free-dig' high-grade surface-weathered zone mineralisation of the deposit, the favourable location of the project adjacent to modern infrastructure and the company's strategy to maximise beneficiation on-site and ship a low-volume, high-purity mixed rare earth product, thus reducing logistics costs.



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 a recently commissioned hydropower scheme in an infrastructure-rich part of Angola.



Ongoing earthworks and civil construction programs at the Longonjo Project



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 similar development projects. Longonjo is located close to modern road and rail links to a new Atlantic port development and a recently commissioned hydropower scheme in an infrastructure-rich part of Angola.

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

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

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

The Angolan government invested approximately US\$2 billion for the refurbishment and upgrade of the Port of Lobito and associated infrastructure. The new rail system links directly into the dry port, container and ore terminals at the Port of Lobito. The container terminal is 414m long, the ore terminal has a 310m jetty and the dry dock has an area of 90,000m².



Port of Lobito infrastructure directly connects to the Benguela rail line

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

TECHNICAL DEVELOPMENT AND METALLURGICAL TESTWORK PROGRAMMES

Several metallurgical pilot testwork programmes continued during the year, confirming the final design criteria for the Longonjo concentrator, recovery plant and the Saltend refinery. The Longonjo concentrator plant scenario is modelled around an open pit free-dig orebody with an additional refinery to

be built alongside producing a clean, high-purity, NdPr-rich product. This two-stage process will see the product exported through the Port of Lobito for further processing at our planned Saltend rare earth separation refinery, adding further value in-country and allowing access to a wider market for the separated rare earth products.

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

During the year, concentrator testwork was completed at the ALS Perth facility, primarily focused on reagent optimisation and the impact of flotation reagent build-up in process water. Recycling of this process water was also optimised.

The testwork for the recovery plant design was undertaken by Nagrom at their facility in Perth. The following testwork was completed during the reporting period:

- Continuous piloting of the acid mixing and baking circuits to produce representative feed for downstream

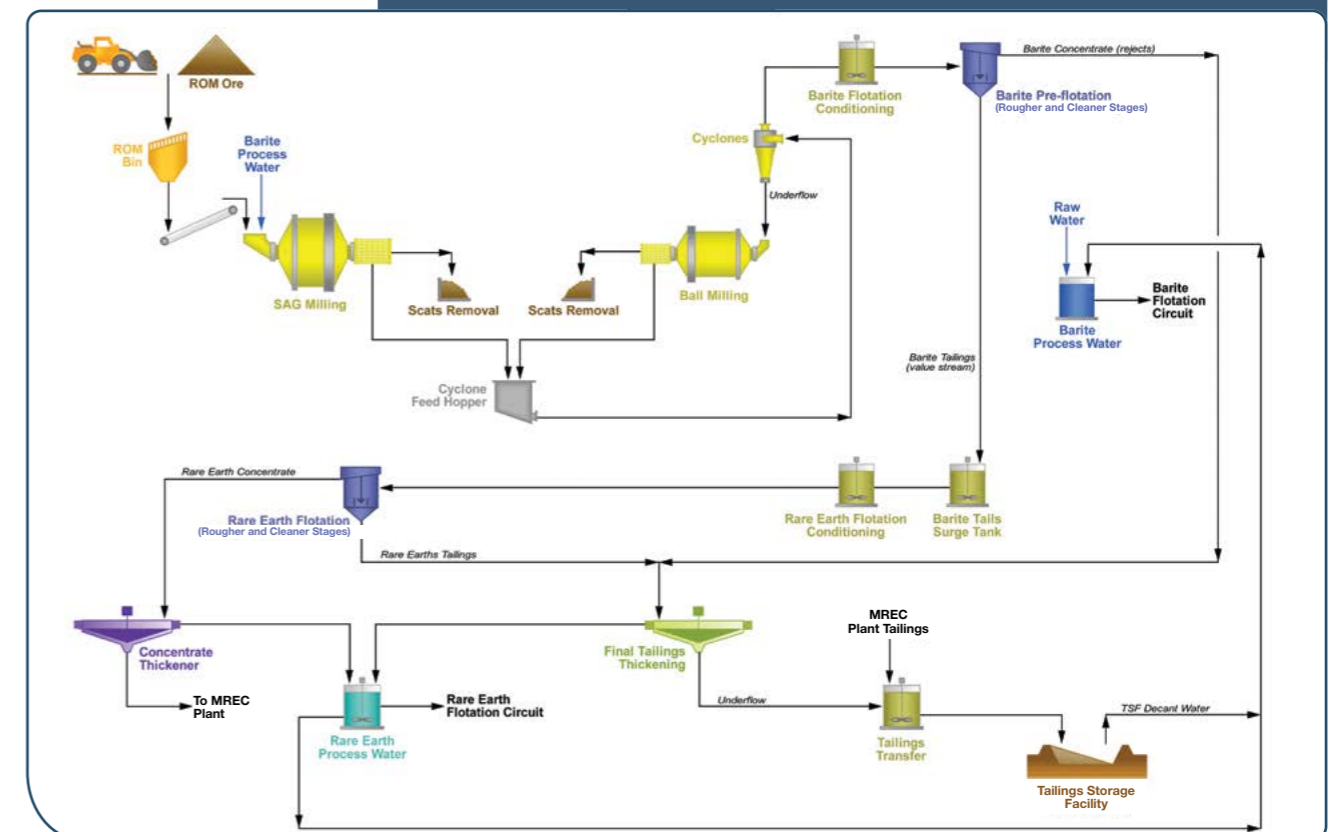
processing, including exposure of corrosion coupons to process conditions to assist in the selection of appropriate construction materials. Vendors were involved in piloting to advise on operating parameters and ensure learnings are captured in the plant design;

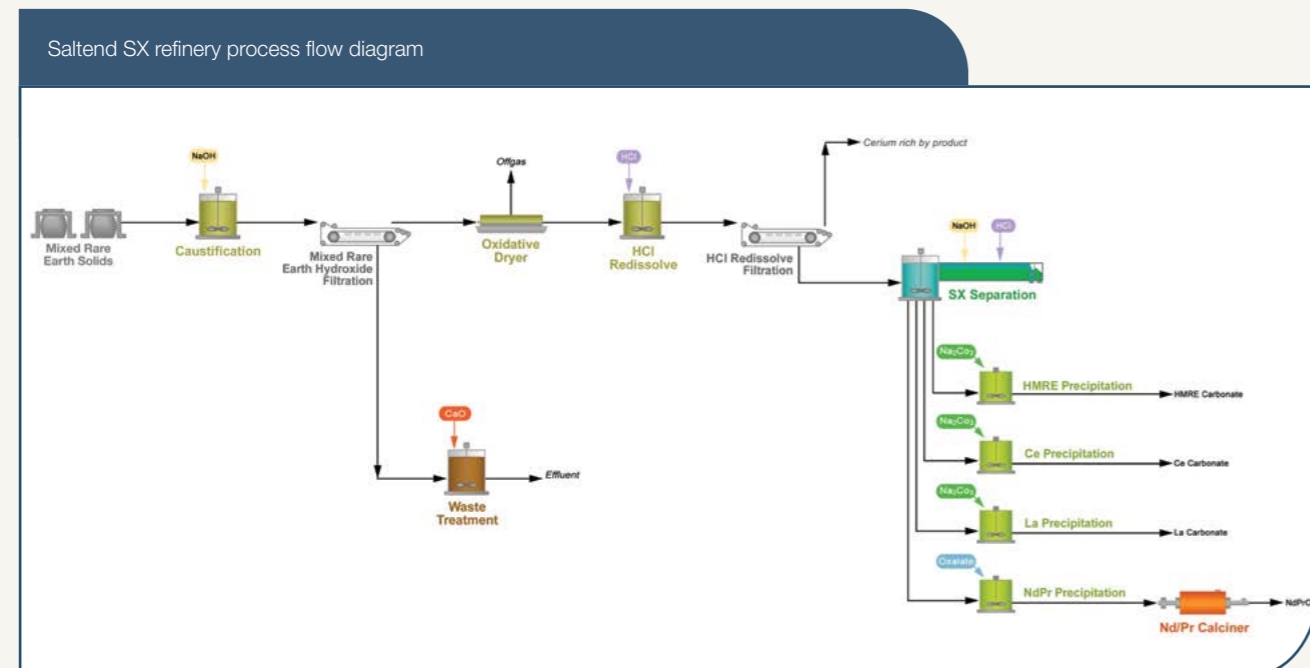
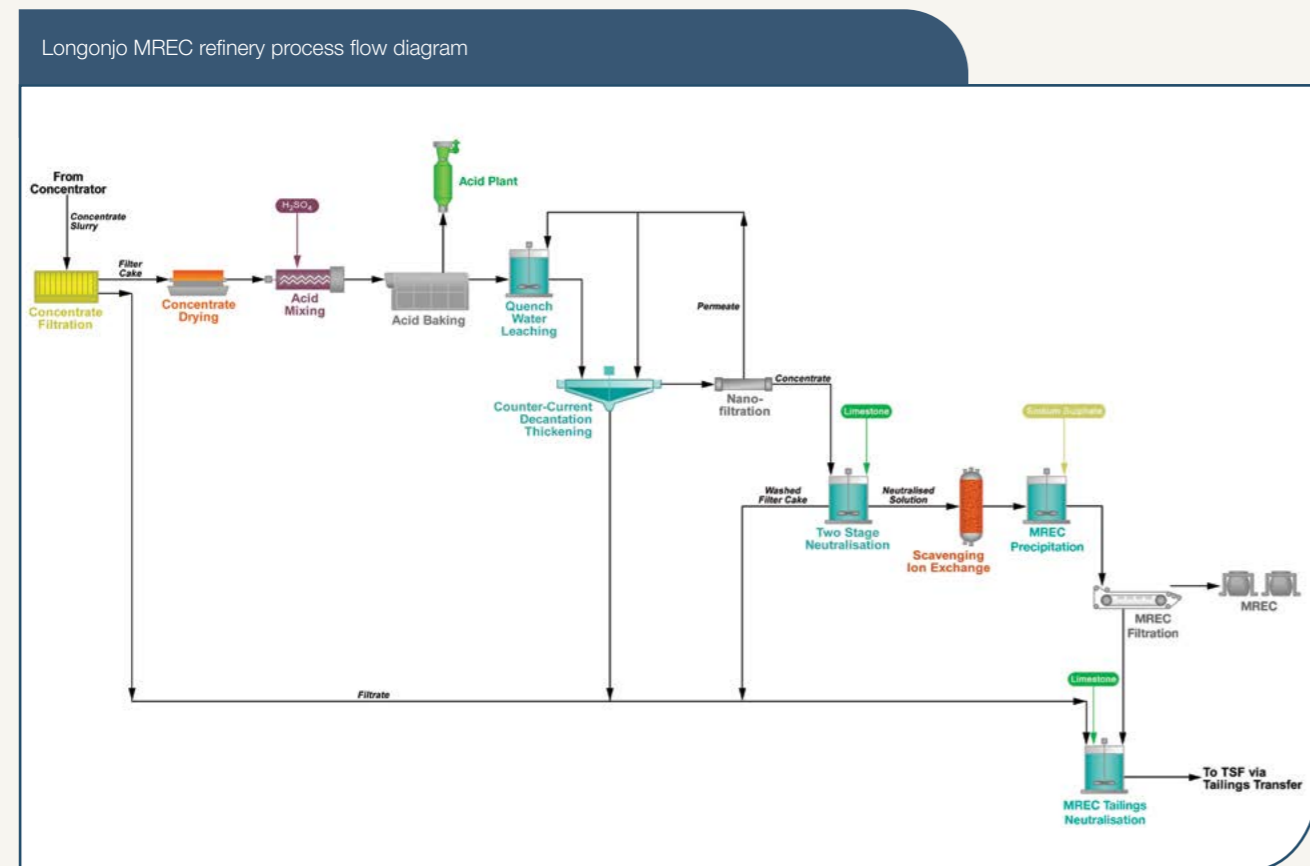
- Piloting of the leach extraction stage and the nanofiltration technology, which demonstrated both high rare earth extraction and a concentrated liquor that reduces the size of downstream plant equipment; and
- Piloting of the impurity removal processes, including ion exchange, followed by piloting of the final mixed rare earth product precipitation.

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

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

Longonjo concentrator process flow diagram





The images show examples of testwork stages that were undertaken.



- 1 Concentrate feeding to continuous pug acid mixer
- 2 Leach extraction pilot circuit
- 3 Acid mixed product
- 4 Impurity removal circuit
- 5 Mixed rare earth precipitate
- 6 Rare earth carbonate precipitation circuit
- 7 Rare earth carbonate precipitate

During the reporting year, Pensana received full updated construction licence approval for the extended life of mine for the Longonjo Project.

In FY2022, the revised ESIA was completed for the revised life of mine. This report was completed independently by HCV Africa and Grupo Simples. The business has now moved into the implementation phase and is implementing the mitigations recommended by the report. The report included studies on biodiversity, soils, hydrology, hydrogeology, air quality, noise levels, visual effects and socio-economic aspects.

In parallel, the company completed a comprehensive stakeholder engagement plan and a RAP. This process involved mapping out current land ownership and usage to ensure all those affected by the project can be suitably compensated. To ensure human rights were protected through this process, Development Workshop, a Huambo-based non-governmental organisation (NGO) specialising in Angolan land rights, led the process of identifying land ownership. The business has developed a compensation and eligibility matrix which will provide structure to ensure all project-affected persons receive fair and equitable compensation.

Additionally, Pensana is developing an LRP. Through close collaboration between Pensana's local subsidiary, Ozango, and the Municipality of Longonjo, various land options have been studied to resettle the subsistence farming lands affected by the mine footprint within the mining licence area. The business now has a preferred solution and, in Q1 FY2024, will complete detailed studies to assess the inputs and preparation required to bring the replacement land up to sufficient agricultural standard to at least match that of lands being displaced. The project, as part of a comprehensive LRP, includes a component of sustainable agricultural development, which will offer a comprehensive training and development programme to enhance agricultural yields in the area. This programme will be co-delivered by Vuna Agri, an organisation experienced in developing agricultural programmes across Africa.

Pensana has created and is now operating a series of demonstration plots on the mine site. These plots are being used to assess the benefits of different crops, fertilisers and seeds to identify the optimised yield for the area, and there are further plans to offer training on diversified agricultural activities. In addition, different activities will be researched to assist with the planning of land use in the rehabilitation phase. This will consider the different pillars of the economy, biodiversity and climate.

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

OPERATIONAL READINESS

The recruitment drive started in 2022 and continued into 2023 to support the early works programme and to bolster the Ozango team on the ground in Longonjo. Engagement with local communities continued during 2023 and procedures for the employment of candidates were finalised. Recruitment activities were put on hold during Q2 2023 due to funding constraints, but have resumed post period-end.

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

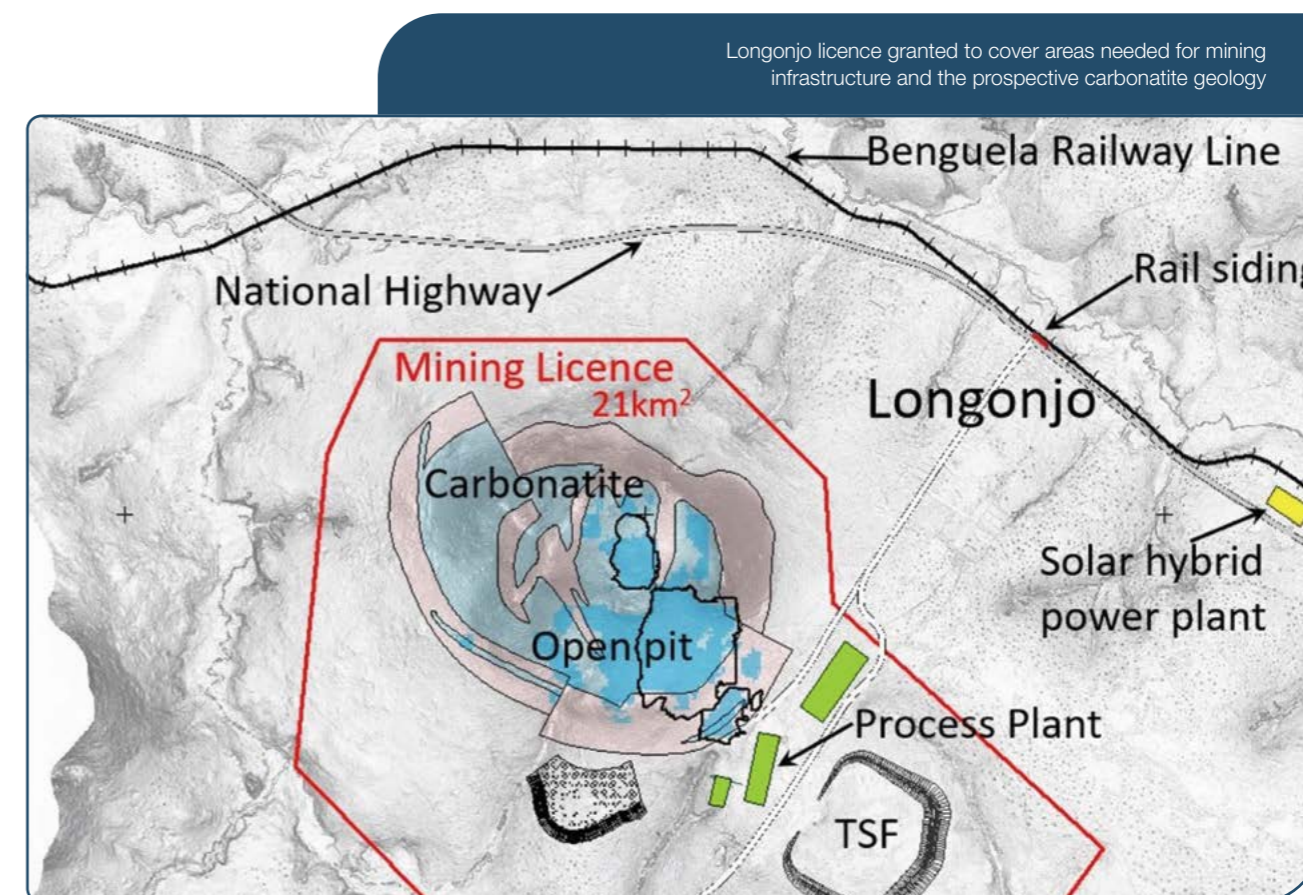
- Port of Lobito – in respect of the arrangements for the import of project containers and equipment during the construction period. Engagements also included discussions on the operational requirements for the importation of the reagents for the operational phase;
- Caminho de Ferro de Benguela – The Trafigura/Mota Engil-led 'Lobito Atlantic Railway' consortium was awarded the licence to operate the Lobito logistics corridor from the Lobito port to the DRC. Several meetings were held in respect of the arrangements for both the movement of goods for the project and operational phases;
- Rede Nacional de Transporte/Empresa Nacional de Electricidade de Angola – in respect of the bulk power requirements and connection to the hydroelectric power supply from the Huambo area; and
- Administração Geral Tributária – in respect of tax requirements for the project.

Additional operational readiness activities for the period included:

- ongoing review of the reagent requirements and identification of alternative sourcing options;
- development and review of group-level policies and procedures;
- development of documents for the Longonjo Project consisting of policies, procedures, standards and checklists for use in both the project and operational phases;
- engagement with various service providers on solutions for health, safety and the environment, procurement and maintenance management; and
- ongoing interaction with Deugro South Africa to manage the project logistics.

PARTNERSHIPS AND COLLABORATION

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



PROJECT DELIVERY TEAM

Following the previous design workstreams completed in the Wood FEED study and the identified long-lead equipment suppliers, Pensana has engaged with the African-based ADP Group and ProProcess to develop and implement the detailed design and execution plan within the initial US\$200 million capital expenditure envelope. ADP, which is part of the Lycopodium Group, has designed, built and commissioned metallurgical plants in Angola since 1997, with particular emphasis on a modular approach to optimise regional fabrication, installation and commissioning time. ProProcess is an Africa-centric vertically integrated hydrometallurgy engineering and modular fabrication company servicing the global mining community over the past 14 years.

Expansion of the owner's team under the Mining Consultancy Company Limited (MCC) (formerly Project Paradigm Partners) supervision continues to be an integral part of the Longonjo Project development to increase local capacity in the Angolan subsidiary, Ozango Minerai, and has matured well over the past two years. Initially assuming responsibility for the design and execution of the operational support infrastructure (electrical, civils, earthworks, camp and water

infrastructure), the owner's team responsibilities now extend to overarching co-ordination of execution of the project as well as the procurement, construction, operational readiness and commissioning management activities.

COMMUNITY DEVELOPMENT

A key focus area for the company is ensuring the project delivers a strong RAP and LRP as an integral part of its activities. The project will not displace housing or any existing structures and involves only economic displacement of subsistence agricultural activities within the licence area, which will be compensated for on a land for land basis.

Two extensive nearby land blocks have been identified to provide new land for those economic activities displaced by the project following positive meetings with the Sobas (traditional leaders) and other relevant parties. The replacement land is currently in the latter stages of agricultural quality and yield assessment by experienced personnel in agricultural potential and ecology, led by Vuna Agri, with a view to the land being acceptable and available as needed during the project development and implementation.

BOARD APPOINTMENTS

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

FUTURE DEVELOPMENTS

The directors intend to continue to explore and develop the company's key existing projects with key focus on the exploration project at Coola as well as further expansion into separation of heavy rare earth oxides (HREOs) and further downstream expansion into magnet metal/alloy production and magnet recycling.

DIRECTORS' SECTION 172 STATEMENT

The long-term strategy of the company is to establish Saltend as an independent, sustainable supplier of key magnet metal oxides with feedstock sourced initially from its low-impact mine in Angola. Leveraging years of industry experience, coupled

with our targeting a guarantee for reliability and sustainability of supply, we aim to introduce innovative NdPr solutions to power magnets, wind turbines, hybrid motor vehicles and more all while creating value for our shareholders. The company has a number of stakeholders and partners, and the board recognises that managing these relationships is critical to the success of the company, and that the success of the company will be to the benefit of all of its stakeholders.

During the period 2021 to 2023, the company's key focus was the finalisation of the FEED studies, value engineering and optimisation in preparation for the initiation of early-stage construction at both the Saltend and Longonjo Projects. In July 2022, Pensana announced a memorandum of understanding with Yorkshire Energy Park for an offtake of up to 10MW of green electricity from their facility. We have continued to engage with the park and have agreed a further expansion area catering for future scalability and flexibility on feedstock sourcing, expansion into HREOs, future magnet metal/alloy production and recycling as a natural progression of activities and part of our growing circular economy ambitions.

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

Completion of the 8,000m drilling programme on the Longonjo Project in 2021, which supported the revised Mineral Resource estimate and highlighted the large resource that could be readily developed, was further enhanced during the year with the issuance of an updated Reserve Statement, evidencing both Proved and Probable Reserves.

On the corporate front, additional equity placings, supported by FSDEA and M&G, provided ongoing project development momentum; a critical step in ensuring the group continued working towards an operational readiness state and the subsequent consideration of a final investment decision and associated main financing.

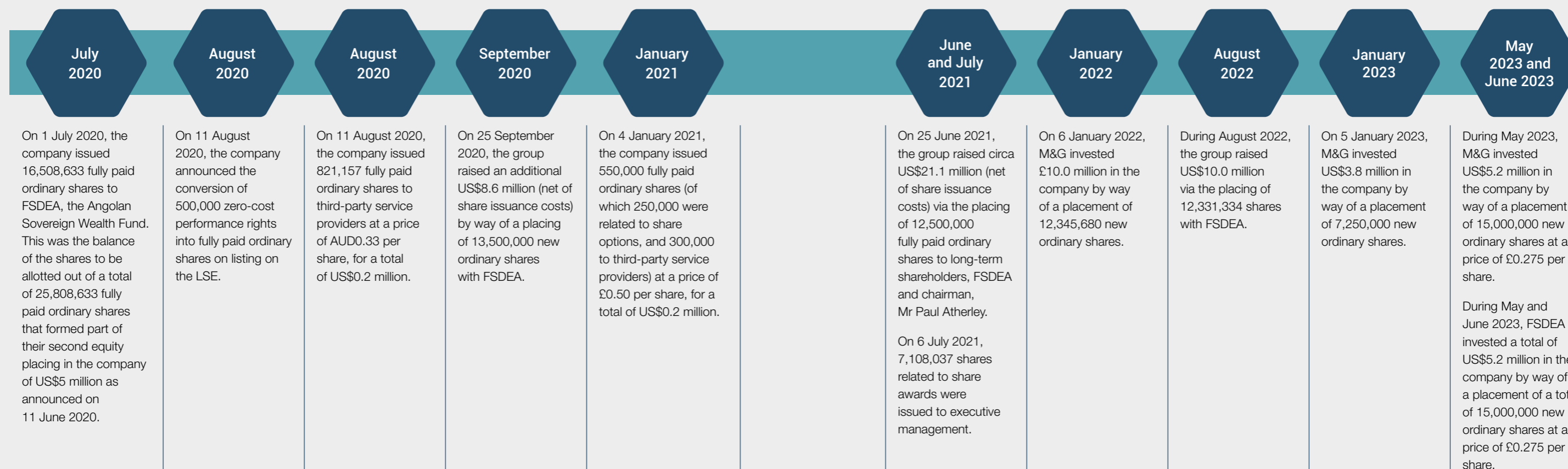
Key collaborations with Polestar and Equinor, signing a letter of intent securing private wire connection to Yorkshire Energy Park, green bond accreditation from CICERO*, launching our Blueprint for Sustainable Rare Earths and signing a memorandum of understanding with a major non-Chinese industry player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

The company views its relationship with local communities as vital to its social licence to operate. There are two sides to this aspect: firstly, the company needs to consider, and therefore minimise, the potential negative or disruptive impacts of exploration and mining operations locally; and secondly, the company needs to communicate the benefits of such operations to the local economy. As part of the development of the ESIA on Longonjo, any potential impacts on the local communities have been comprehensively assessed and suitable mitigation measures established.

* Shades of Green, formerly part of CICERO, now part of S&P Global, provides independent research-based evaluations of green bond and sustainability financing frameworks to determine their environmental robustness. In December 2022, S&P Global acquired the Shares of Green business from CICERO.

CORPORATE ACTIVITIES

Equity placings



This has included the development of a stakeholder engagement plan including national government, provincial government, local authorities, traditional leaders and local communities living in the vicinity of the project. Both Ozango and Pensana have maintained regular dialogue with all stakeholders. As part of the mine and mixed rare earth carbonate development, the business is required to undertake a programme of economic displacement. A RAP has been authored and filed with the Angolan authorities and an LRP has been developed. Both of these were authored independently by reputable third parties, HCV Africa and Development Workshop, the latter an NGO specialising in land rights based in the Huambo province in Angola, with specialist agricultural support from Vuna Agri. The company will move into the implementation stage of the programme prior to construction commencing and will ensure that all affected are supported in ensuring food security and are offered opportunities for economic development. To deliver the LRP, the business has appointed Vuna Agri to provide expert agronomy support.

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

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

The company has taken great care in the selection of its suppliers in order to ensure a positive, mutually beneficial long-term relationship can be put in place, which maximises the quality of the services and goods received while remaining cost-competitive.

The company's workforce remained relatively small during 2022 and 2023, however, this is growing steadily as the company progresses towards project development roll-out and production and, as the company continues to rely on its staff and workers, increased emphasis is being placed on the health, safety and well-being of the workforce, as well as ensuring employment terms are competitive and attractive.

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

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



Tim George
Chief executive officer

30 October 2023

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



GEOLOGY AND MINERAL RESOURCES

GEOLOGY

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

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

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

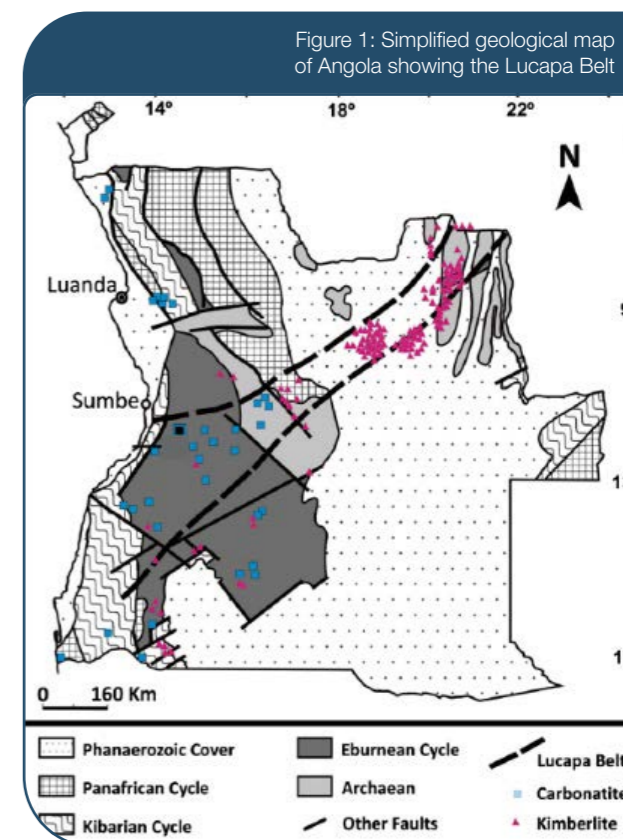


Figure 2: Simplified geological map of Longonjo with all drillhole collars as of September 2020

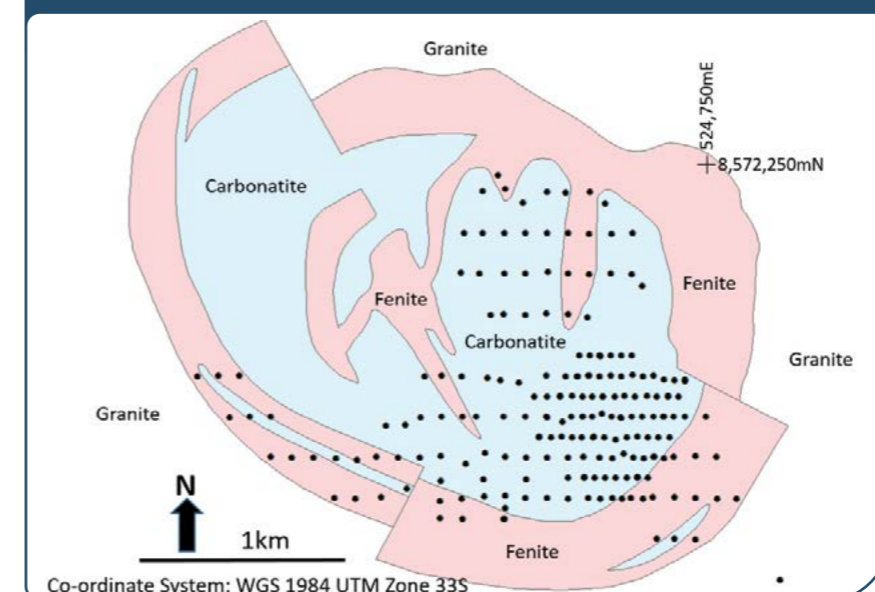


Figure 3: Plan view of the Mineral Resource block model for the weathered zone coloured by average NdPr grade over simplified geology of the Longonjo carbonatite. Resource categories highlighted

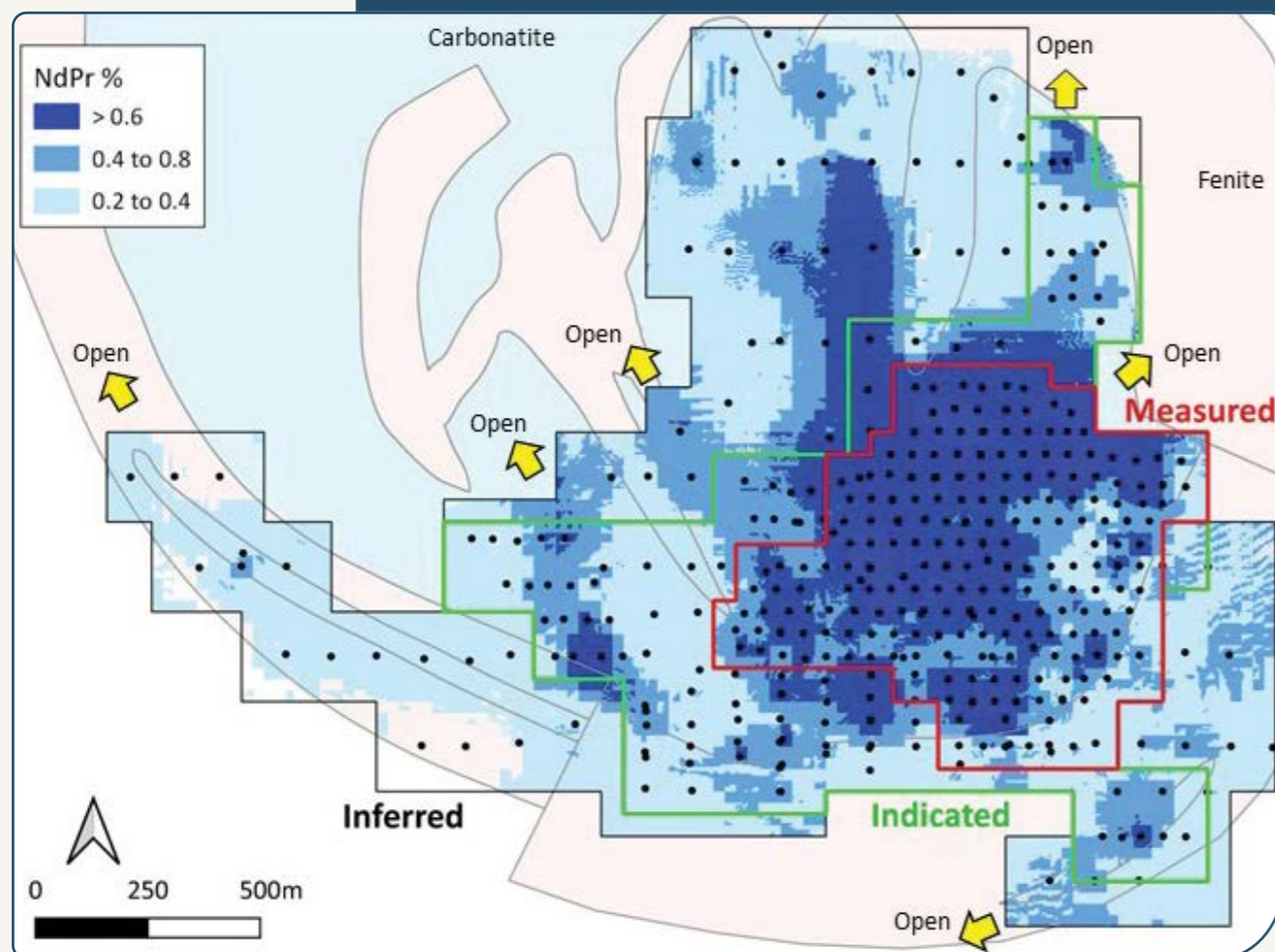
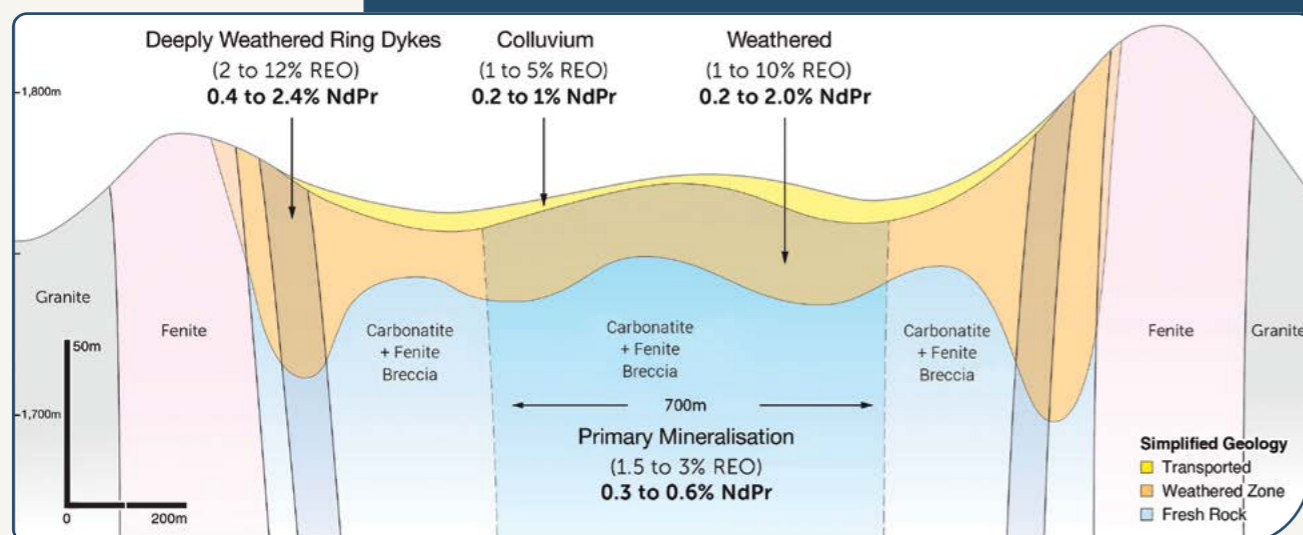


Figure 4: Schematic geological cross-section looking north across the Longonjo carbonatite showing styles and typical grades of NdPr mineralisation. Note vertical exaggeration



MINERAL RESOURCES

A 195-hole, 7,987m reverse circulation infill and extension drilling programme completed during 2020 was done in support of the geological studies. A series of high-grade intersections from this drilling were reported during 2020. COVID-19 restrictions delayed the transport of some samples, and the final batch of assay results was received in August 2020. The drilling programme confirmed the continuity of high-grade mineralisation in the weathered zone, proved some extensions to the deposit and provided a first test of the fresh rock potential of the project.

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

* NdPr = neodymium and 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.

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

The upgraded estimate is summarised in the table below:

- It contains more than 2.3 times the previous estimate of the Measured and Indicated Resources used in the preliminary feasibility study¹ (announced on the ASX on 15 November 2019);
- The proportion of the resources reported in the Measured and Indicated categories has increased from 31% to 68%²; and
- The overall contained NdPrO has increased 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 and Inferred categories).

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

Mineral Resource estimate category	Tonnes (million)	REO grade (%)	NdPr grade (%)	Contained REO (tonnes)	Contained NdPr (tonnes)
Measured	26	2.58	0.55	664,000	141,000
Indicated	165	1.51	0.33	2,490,000	536,000
Inferred	123	1.08	0.25	1,320,000	313,000
Total	313	1.43	0.32	4,470,000	990,000

REO includes NdPr. Any discrepancies in totals are due to rounding.

MINING ORE RESERVES

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

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

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

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

GEOLOGY AND MINERAL RESOURCES continued

The Ore Reserve estimate is summarised in the table below.

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

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

Notes:

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

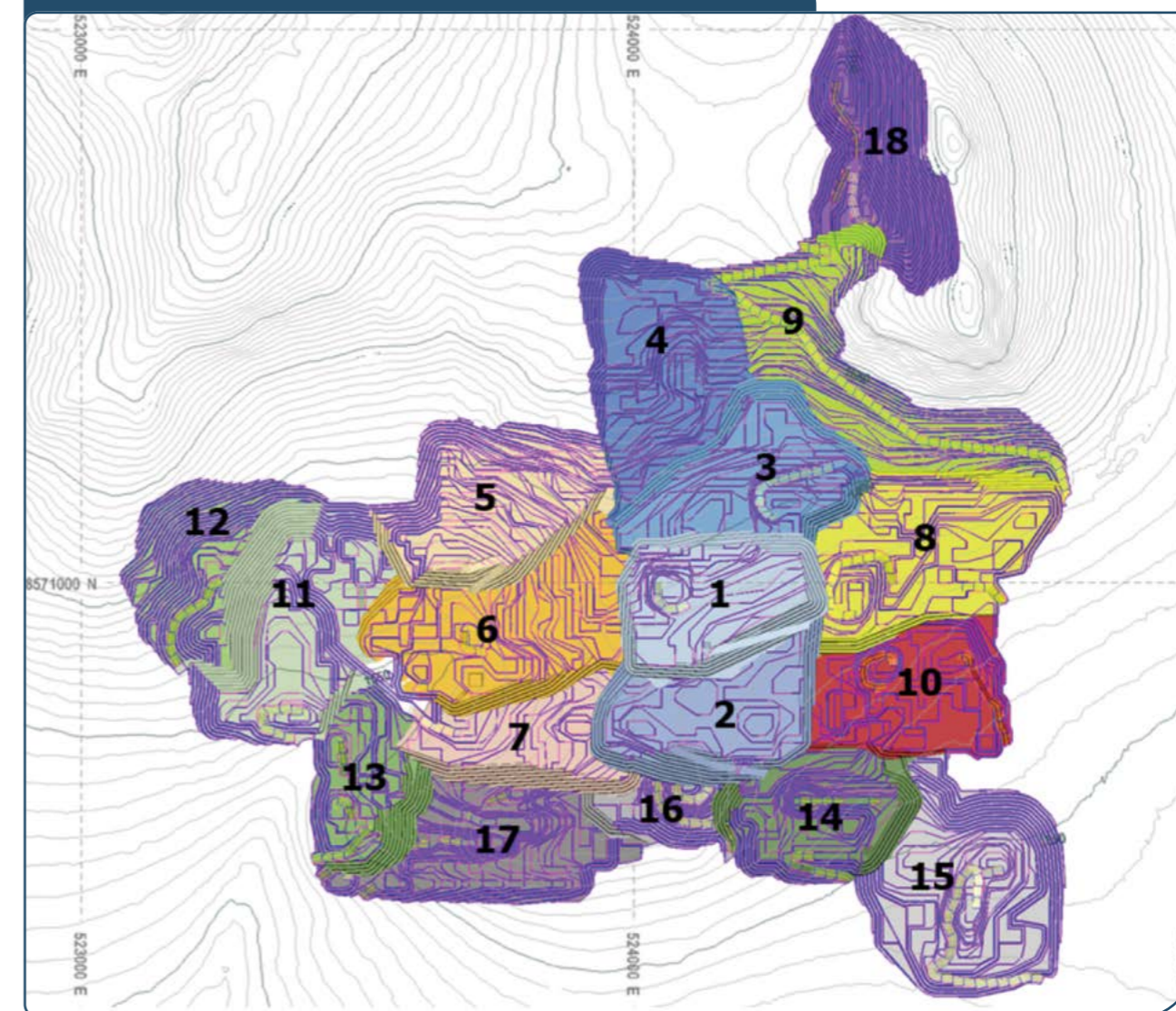


Mr Frank Blanchfield (competent person, Snowden Optiro), Mr Grant Hayward (Pensana head of geology) and other Pensana team members on-site at Longonjo

MINING

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

Figure 5: Longonjo mining stage designs



COOLA EXPLORATION PROJECT

The Coola Exploration Project licence is located in Angola, approximately 160km east of the Port of Lobito, and covers an area of 7,456km².

Systematic exploration of the licence over the past three years has identified three highly prospective targets, namely the Sulima West carbonatite, the Coola carbonatite and the Benga Novo alkaline complex. The three targets are located between 40km and 100km north of Pensana's Longonjo Project.

Pensana, through Coola Mining LDA in which Pensana holds a 90% interest, was granted the Coola exploration licence in May 2020 and has since completed multiple field programmes in 2020, 2021 and 2022 involving stream sediment sampling, soil sampling, geological mapping, rock chip sampling, trench and pit sampling, initial radiometric surveys, preliminary mineralogical investigations and assaying confirming rare earth mineralisation across all three carbonatites/alkaline complexes. In 2023, further mapping and sampling were conducted with 100kg bulk samples being extracted for

bench-scale metallurgical testwork and, in October 2023, ground geophysics (magnetics and radiometrics) were completed at the Coola carbonatite and Sulima West (magnetics, radiometrics and gravity). The geophysical data is currently being processed and interpreted.

Sulima West is a roughly 5km diameter alkaline carbonatite ring complex with a corresponding high radiometric response. Ten historical trenches each of about 90m in length located in the western segment of the structure were identified from satellite imagery and corresponded with the highest radiometric response.

The trenches are excavated into an iron/manganese-rich laterite very similar in appearance to the REE laterite developed over the Longonjo carbonatite. Initial reconnaissance sampling of the trenches returned significant values for rare earth oxides with up to 10.6% TREO encountered in the laterite. Manganese oxide values of up to 15.9% MnO were also reported. Close-spaced soil sampling clearly identifies a rare earth enriched zone of 15ha with >2% TREO in soils. In 2022, initial trench and pit sampling was conducted, reporting rare earth grades of up to 9.7% TREO averaging 3.4% TREO over 68m in the trench and up to 5.2% TREO, averaging 4.3% TREO over 6m for the pit. In addition, a prominent outcrop of secondary apatite-magnetite was observed and sampling returned values of up to 22% P2O5.

The Sulima West laterite is comprised predominantly of Mn and Fe oxides. The sample also contains a number of different REE-bearing minerals, including florencite, bastnaesite and monazite. The La in the sample is present in both the florencite and monazite, while the majority of the Ce is hosted in the bastnaesite, and Nd is hosted almost exclusively in monazite. The REE-bearing phases are typically associated with one another as well as the Mn and Fe oxides. All REE-bearing phases tend to have moderate liberation and exposure. Florencite has the best liberation of the individual minerals, with almost 30 mass % better than 80% liberated. Bastnaesite has the best exposure with 27.4 mass % better than 80% exposed.

The apatite-magnetite sample consists primarily of Fe oxides and apatite. The apatite is enriched in REEs and, as such, the apatite is the most significant host to the Ce, La and Nd in the sample. The apatite is relatively coarse-grained and is well liberated and exposed.

The presence of highly anomalous TREO of >10%, the anomalous radioactivity, outcropping fenite, as well as significant manganese and supergene apatite, are all supportive of a carbonatite at depth.

The Coola carbonatite is a roughly circular body, measuring about 900m across as inferred from the limited outcrops of carbonatite and fenite. The circular shape suggests that the Coola carbonatite may be a ring dyke or breccia pipe, similar to the carbonatite at Longonjo.

Rock chip sampling of the ring dyke returned values of between 0.6% and 4.9% TREO (average 2.6%). Soil geochemistry over the covered carbonatite returned values of between 0.37% and 13.18% TREO (average 3.21%).

Soil geochemistry over the fluorite-rich zone at Coola identified an area of 25 000m² with average fluorite values of 17% (Calcium Fluoride) CaF₂.

Mineralogical studies of the Coola carbonatite identified the rare earth mineral to be bastnaesite, which occurs as discrete veins, veinlets, and segregations within the carbonatite. Preliminary mineral liberation studies confirmed that the REE-bearing phase is bastnaesite (10.66 mass %), which is host to more than 90% of the light REEs found in this sample. The bastnaesite is moderately sized with 85 mass % occurring in size classes ranging from 50-250µm with practically no fines (<1% <10µm). The bastnaesite is moderately liberated and exposed.

Economic grades of REE mineralisation in the form of bastnaesite have been located in banded dolomitic carbonatites at the Coola carbonatite and the fluorite occurrence may be of economic significance.

The Benga Novo intrusion is interpreted as a very large caldera occurring immediately to the north of the Sulima West intrusion. It is regarded to be at least 8km to 10km across and is characterised by flat, deeply weathered soils with a solitary alkaline granite outcropping in the south-eastern part.

The identification of a significant, clay dominated, deeply weathered regolith over parts of the main Benga Novo intrusion may be prospective for the occurrence of ionic clay hosted REE deposits and/or bauxite. Initial sampling of the clays showed a low Al₂O₃ content (<18%) with no bauxite minerals identified, however, the clays typically contain up to 1,600ppm TREO.

The Benga Novo intrusion is believed to be vast (approaching 100km²) and the potential for alkaline silicate-related mineralisation such as REE, Nb, U and Zr is deemed positive.

PRINCIPAL RISKS AND UNCERTAINTIES

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

PRINCIPAL RISKS

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

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
External risks				
Commodity price	Medium	Medium	↔	If the group is able to develop the Longonjo and Saltend Projects and/or the Coola Project for production and the market price of rare earth oxide decreases significantly for an extended period of time, the ability of the group to attract finance and ultimately generate profits could be adversely affected.
Managing the risk The group will primarily look to focus on managing its underlying production costs to mitigate price volatility. If appropriate, the group may also consider entering into offtake agreements with the goal of preserving future revenue streams. The group has, to date, not entered into any such contracts. A non-exclusive and non-binding memorandum of undertaking with a large non-Chinese magnet manufacturer for an offtake of 25% of Pensana's rare earth oxide production has been entered into with this in mind.				
Demand risk	Medium	Low	↔	The risk that forecast product demand may be lower than expected.
Managing the risk The group actively monitors market demand, customer needs and potential new entrants into the rare earth industry.				

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
External risks <small>continued</small>				
Foreign exchange risk	Medium	Medium	↔	The group operates across multiple jurisdictions and is exposed to several currencies outside of its reporting currency, including the Angolan kwanza, Australian dollar, Euro and British pound.
Managing the risk The group to date has raised finance in US dollars and British pounds to align to input costs in the various jurisdictions it operates within. On completion of main financing, consideration will be given to foreign currency hedging.				
Market supply concentration	Medium	High	↔	Currently, China is the dominant producer of the world's rare earth magnets. China could manipulate market prices of rare earth oxides to control the number of new entrants into the market.
Managing the risk The group may consider entering into offtake agreements with the goal of preserving future revenue streams. The group has entered into strategic partnerships and memoranda of understanding with offtake customers.				
Country and political	Medium	Medium	↔	<p>There are substantial risks associated with investments in emerging markets, such as Angola, where civil unrest, nationalist movements, political violence and economic crises are possible. Any changes in the political, fiscal and legal systems or conditions, or civil unrest in these countries, may affect the ownership or operation of the group's interests, in particular the Longonjo Project which could have a material adverse effect on the group's business, financial condition, results of operations and prospects.</p> <p>There is a risk that Angolan bank payments to service providers are not being made timeously causing a risk to the project in the form of lack of confidence in doing business in Angola.</p>
Managing the risk This is deemed a medium risk due to Angola's strong economic performance and the Angolan government's support and backing of the Longonjo Project. In addition, FSDEA is the group's largest shareholder. The group continues to maintain strong local and national government relations in Angola and vigorous compliance with local regulations. The group will continue to engage with Angolan banks and regulatory bodies on a regular basis. Facilities that allow for payments outside of Angola within current regulatory frameworks have been established.				

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
External risks <small>continued</small>				
COVID-19 and any further pandemics	Low	Low	↔	<p>The COVID-19 pandemic had an impact on the group's businesses. The government lockdown conditions in Angola delayed early works at the Longonjo and Coola Projects, which have subsequently resumed.</p> <p>There is a risk of the resurgence of COVID-19 or another pandemic, and associated government-regulated restrictions in Angola and the UK, which will delay the group in carrying out its business activities at the Longonjo and Coola Projects and site development at Saltend. This will ultimately delay the group's ability to reach production and start to generate cash and could have a material adverse impact on the group's operations and financial results.</p>
Managing the risk The board proactively monitors global and national trends and reviews management's contingency plans to manage operations under restrictions as a result of COVID-19 and potential restrictions due to future pandemics.				
Operating risks				
Attracting skilled employees	Low	Medium	↔	<p>The group's ability to compete in the competitive natural resources and specialist rare earth chemical processing sectors depends upon its ability to retain and attract highly qualified management, geological and technical personnel.</p> <p>The loss of key management and/or technical personnel could delay the development of the Longonjo Project, exploration at the Longonjo Project and the Coola Project and development and commissioning of the Saltend refinery thereby negatively impacting the ability of the group to compete in the resources and chemical processing sectors.</p> <p>In addition, the group will need to recruit key personnel to develop its business as and when it moves to construction and ultimately operation of a mine, each of which requires additional skills.</p>
Managing the risk The board seeks to incentivise and retain key employees through an appropriate blend of short- and long-term incentivisation packages and share schemes that are appropriately aligned to the environment and conditions under which key management are operating. A project development team has been established for the construction phase at both Saltend and Longonjo, and key operating personnel are currently being recruited to ensure a smooth transition from construction and commissioning to sustainable operations.				

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Operating risks <small>continued</small>				
Development of the Longonjo and Saltend Projects	Low	Medium	↔	<p>The group's operations are at an early stage of construction development and future success will depend on the group's ability to manage the Longonjo and Saltend Projects (the projects) and the production of NdPr-rich mixed rare earth product at Longonjo for export to the Saltend processing plant and further processing into a rare earth oxide. In particular, the group's success is dependent upon the directors' ability to develop the projects by commencing and maintaining production at the sites, and there is no certainty that funding will be available. Development of the projects could be delayed or could experience interruptions or increased costs as a result of supply chain or inflationary pressures or may not be completed at all due to a number of factors, including but not limited to:</p> <ul style="list-style-type: none"> the group's ability to raise finance for the development of the projects; changes in the regulatory environment; non-performance by third-party contractors; inability to attract, train (as required) and retain a sufficient number of workers; changes in environmental compliance requirements; unfavourable weather conditions or catastrophic events; unforeseen escalation in anticipated costs of development, delays in construction or adverse currency movements resulting in insufficient funds being available to complete planned development; increases in extraction costs including energy, material and labour costs; lack of availability of mining equipment and other exploration services; and shortages or delays in obtaining critical mining and processing equipment. <p>There can therefore be no assurance that the group will complete the various stages of development necessary to begin generating revenue for the group at both the Longonjo and Saltend Projects, and any of these factors may have a material adverse effect on the group's business, results of operations and activities, financial condition and prospects.</p>
	<p>Managing the risk</p> <p>Through the engagement of independent industry experts in the geological, metallurgical, engineering, financial and environmental fields, as appropriate, alongside the in-house skill set which has significant mine development experience, the board seeks to mitigate the project development risk upfront through systematically addressing perceived risks. Funding models have incorporated contingencies for project development and logistical delays as well as the current high inflation environment. The group has recruited an owner's team to ensure active contract management to enforce any penalty clauses for project delays due to contractor delays.</p>			

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Operating risks <small>continued</small>				
Logistics challenges and delays	Medium	Medium	↔	<p>Global supply chain challenges could result in logistical risks for equipment and materials both for the project and operations phases.</p> <p>Managing the risk</p> <p>Management has put in place contingency plans in respect of potential logistics risks for equipment and materials. This may include bulk movement of consumables by road.</p> <p>The group further continues to work with Angolan government entities to ensure that key logistics and infrastructural networks are in place for Longonjo. In addition, the group continues to support group projects for renewable energy supply to Longonjo and Saltend as well as exploring independent options for Pensana.</p>
Strategic risks				
Financing	Low	High	↔	<p>The company is of the opinion that in addition to the funding requirement for the UK operations, additional funding will also be required during the period to maintain liquidity if the grant funding is delayed or the conditions are not met. Additionally, the group would need to refinance the FSDEA facility in the event the main financing is not complete by the maturity date of the FSDEA loan. Given the support provided by the Angolan government for the Longonjo Project, the directors anticipate such a refinancing being made available to the group.</p> <p>It is anticipated that the contemplated financing across the group may include further issues of equity, export credit-backed debt financing and issuing a green bond. The ability of the company and group to continue as a going concern is dependent on securing additional funding given the forecast expenditure.</p> <p>The group is in pre-production phase and therefore has no revenues from operations currently. There is a risk that funding may not be available and/or the cost of financing may be higher than expected.</p> <p>Managing the risk</p> <p>The board continuously monitors the liquidity position of the group and benchmarks key targeted milestones against funding requirements to ensure adequate resources will be available. Furthermore, management and the board engage continuously with potential financiers, investors, sovereign wealth funds and lenders across the UK, Europe and Africa thereby keeping them abreast of project developments and the timing of potential fundraising. The group is currently in the process of attempting to raise financing for both operations which may include issuing a green bond which, together with further issues of equity and debt financing, is expected to raise sufficient funding for the ongoing development of both the Longonjo and Saltend Projects.</p>
Licence to operate	Low	Low	↔	<p>To the extent approvals, community consent, licences and permits are not obtained, the group may be curtailed or prohibited from proceeding with planned exploitation, development and operations of the Longonjo and Saltend Projects and the exploration and potential exploitation of the Coala Project.</p> <p>Managing the risk</p> <p>The group continuously endeavours to foster strong relations with the Angolan and UK governments at a local and national level and ensures ongoing interaction with key stakeholders, including communities local to our sites and compliance with mandated licensing terms and requirements. The group has furthermore built in a holistic approach to its mine development plans at Longonjo in order for it to address the key areas of safety, social, environmental and local community obligations and thereby ensure opportunity for true long-term sustainability.</p>

PRINCIPAL RISKS AND UNCERTAINTIES continued

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Strategic risks <small>continued</small>				
Dependence on the Longonjo Project for feedstock and revenue generation	Medium	Medium to low	↔	The group's primary source of feedstock into the Saltend refinery is currently focused on the exploration and development of the Longonjo Project. While the group does have an additional interest in the Coola Project, this is in very early stages of exploration and the viability of the licence area for commercial production is currently unknown. Therefore, any material adverse development affecting the progress of the Longonjo Project would have a material adverse effect on the group's business, financial performance, results of operations and prospects.
				<p>Managing the risk</p> <p>With the group having expanded its scope to include the development of the Saltend refinery, the group has introduced an additional potential revenue-generating unit to its portfolio alongside the Longonjo Project as the Saltend refinery will have the capacity to process third-party feedstock thereby reducing the reliance on Longonjo feedstock. The group is currently in discussions with various third-party feedstock providers that can reduce or supplement the Longonjo feedstock.</p>

Environmental risks				
Climate change – physical risks Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns	Medium	High	↔	The rapid pace of climate change is a risk for all businesses. Pensana has identified its exposure to climate change for a period beyond 10 years as a principal risk. This risk is a combined risk of all physical climate risks to the business. Internally reviewed risks which are grouped into the principal risk are: operational and physical asset risk to Pensana operational sites; exposure to the upstream supply chain for raw materials not adequately adapting to changes as a result of climate; and the effects of physical climate change on global availability of raw materials which may cause shortages, short-term price volatilities and loss of supply routes.
				<p>Managing the risk</p> <p>The business has ensured climate change modelling has been considered as part of project development. Further modelling opportunities have been identified and will be deployed at relevant junctures in project development.</p> <p>The group is developing and will maintain comprehensive supply chain maps and will undertake regular climate assessments of supply routes focused on a risk basis.</p> <p>Saltend physical risks have been assessed in accordance with all relevant English statutes and regulations. Longonjo's physical risks have been identified and assessed in accordance with International Finance Corporation (IFC) Performance Standards and as recommended by independent assessment through the ESIA.</p>

Risk	Risk appetite	Risk rating	Change year-on-year	Nature of risk and management of risk
Environmental risks <small>continued</small>				
Climate change – transitional risks Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change	Low	High	↔	Pensana could be exposed to transitional climate risks over 10 years into the future. This could include exposure with potential impacts on pricing, tax and public/customer perception. Public climate policy may increase taxation or costs and leave the business unable to compete on price with China and other new plants. Statute or original equipment manufacturer (OEM) procurement rules may be integrated which directly restrict trade for material not meeting climate limits and requirements thus disqualifying Pensana from trade.
				<p>Managing the risk</p> <p>The company will continue to monitor potential regulatory, financial market, customer and investor requirements on short- and medium-term horizons and ensure the business is well placed to comply with both current and future requirements.</p> <p>The group will continue to work with partners (including governments, NGOs and commercial partners) to explore carbon and impact reduction, including sourcing renewable energy and exploring innovative partnerships such as that with Equinor (for the future use of hydrogen) and Polestar 0 (on their climate-neutral car ambition).</p>



Ms Geraldine Tchimbali – Site services manager on-site at Longonjo

CORPORATE GOVERNANCE REPORT

Dear shareholder,

I am pleased to introduce Pensana's governance statement under my tenure as chairman. Pensana is committed to upholding the highest standards of corporate governance and ethical business underpinned by a strong and effective governance system, which has been continually enhanced during this period in order to ensure the long-term success of the company. The governance highlights during this period include the following:

BOARD EVOLUTION AND SUCCESSION PLANNING

The Pensana board has the most suitable and appropriate balance of skills and expertise at board level for the company's current and future stages of development, including industry-specific expertise following the appointment of Ms Alison Saxby as an independent non-executive director in August 2022. Ms Saxby is an industry-leading expert with over 35 years of experience in industrial minerals and metals. Her expertise includes pricing, deep market knowledge, research and communications.

BOARD STRATEGY, PROCESS AND PERFORMANCE

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

CULTURE

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

DIVERSITY

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

STAKEHOLDER ENGAGEMENT AND FEEDBACK

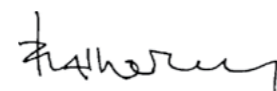
Positive relationships with our stakeholders continue to be essential to the long-term success of our business and we are continually looking to improve and strengthen our stakeholder engagement processes. Significant engagement with the Angolan government, FSDEA, local and national agencies in the UK,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

GOVERNANCE POLICIES

Publicly disclosed policies as well as the company's code of conduct cover the business' approach to group governance including anti-bribery and corruption and diversity.

GOVERNANCE UPDATES

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



Paul Atherley
Executive chairman

30 October 2023

The board of directors of Pensana is responsible for establishing the corporate governance framework of the group.

The company is committed to implementing the best standards of corporate governance appropriate for the company's size and scale.

The company's corporate governance statement has been approved by the board and can be located on the company's website at www.pensana.co.uk/corporate-governance.

This statement outlines the main corporate governance practices in place for the period ended 30 June 2023, which comply with the application of the corporate governance principles as set out in the QCA Corporate Governance Code, unless otherwise stated.

INTRODUCTION

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

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

- code of conduct;
- securities trading policy;
- health, safety and environment policy;
- shareholder communications and continuous disclosure strategy;
- risk management policy;
- board charter;
- diversity policy;
- modern slavery statement; and
- principles for sustainable procurement.

QCA CORPORATE GOVERNANCE CODE PRINCIPLES AND RECOMMENDATIONS

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

Principle 1	Application	Disclosure
Establish a strategy and business model which promote long-term value for shareholders	The board must be able to express a shared view of the company's purpose, business model and strategy.	<p>The company's annual report, as read with the annual financial statements, sets out the company's business model and strategy including how the company intends to deliver shareholder value in the medium to long term.</p> <p>In summary, Pensana intends to build the world's first sustainable magnet metal supply chain to meet the burgeoning demand from electric vehicles and offshore wind turbines. In this regard, Pensana aims to establish a rare earths processing hub at Saltend bringing back high-value manufacturing to the UK and to construct a mine in Angola (Longonjo) producing ethically sourced rare earths. Key challenges include construction and financing risks in relation to both Saltend and Longonjo. Pensana has obtained funding support from FSDEA in relation to commencement of mine construction at Longonjo and is in advanced discussions with a range of funders to put in place a fully financed solution for Longonjo. Funding alternatives for Saltend are also being advanced, with a team of skilled and experienced executives, employees and contractors to ensure construction is timeously and properly completed.</p>

Principle 2	Application	Disclosure
<p>The company should seek to understand and meet shareholder needs and expectations</p>	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.</p>	<p>The board ensures that the shareholders are informed of all major developments affecting the company via the investor relations section of the company's website and through the release of regular media and Regulatory News Service announcements, all of which are accessible via the company's website. The following additional information is available to shareholders via the company's website:</p> <ul style="list-style-type: none"> • Information briefings to media and analysts; • Notices of all shareholder meetings and explanatory notes and documentation; and • Annual and interim reports. <p>The company encourages shareholders to attend all general meetings of the company.</p> <p>Shareholders are also able to email or contact the company with any queries.</p>

Principle 3	Application	Disclosure
<p>The company should take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long term, then those matters must be integrated into the company's strategy and business model.</p> <p>Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>	<p>The board, using a double materiality approach as well as through risk identification and mitigation workshops performed by senior management and reported to the board, has identified all material stakeholder groups in the areas in which it operates in both the UK and Angola, and management has created forums and mechanisms to communicate with stakeholders and to obtain feedback from stakeholders.</p> <p>Senior management are also in regular communication with key shareholders by means of shareholder meetings and stakeholders by way of interaction with senior representatives of those stakeholders.</p> <p>The ESG board sub-committee monitors key stakeholder engagement for the company and ensures that the company fulfils its environmental and social responsibilities as identified by management and the board.</p> <p>The company retains relationships with relevant stakeholders (including council, communities, the Humber Energy Cluster, universities, FE/colleges, schools, national elected officials, local elected officials, marketing bodies, wildlife and environmental bodies, unions and charities) and engages with each group with a focus on two-way communication. The chief commercial officer retains ownership of the stakeholder engagement process for the UK and in Angola, the CEO and country manager take responsibility for ensuring stakeholder feedback is listened to and where relevant acted upon. Examples have included additional data gathering exercises as part of the planning consent for Saltend and amendments to community support packages for those affected by economic land displacement as part of the Longonjo Project.</p>

Principle 4	Application	Disclosure
<p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy. Companies need to consider their extended business, including the company's supply chain, from key suppliers to the end customer.</p> <p>Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>The board is responsible for the oversight of the group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the company with the CEO having ultimate responsibility to the board for the risk management and control framework. In addition, the board audit and risk committee reviews the company's risk register on at least an annual basis prior to the risk register's presentation to the board. The primary objectives of the risk management system at the company are to ensure: all major sources of potential opportunity for and harm to the company (both existing and potential) are identified, analysed and treated appropriately; business decisions throughout the company appropriately balance the risk and reward trade-off; regulatory compliance and integrity in reporting is achieved; and senior management, the board and investors understand the risk profile of the company.</p> <p>In line with these objectives, the risk management system covers:</p> <ul style="list-style-type: none"> • operations risk; • financial reporting; • compliance/regulations; • health, safety, climate and the environment; • system/information technology process risk; and • the degree of risk tolerance and risk appetite in respect of each identified risk. <p>The key risks, as identified, are disclosed annually in the company's annual report.</p> <p>The board has appointed an audit and risk committee which is chaired by a senior independent non-executive director. One of the functions of the audit and risk committee is to act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes.</p>

Principle 5 Maintain the board as a well-functioning, balanced team led by the chair	Application	Disclosure
	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company and are collectively responsible for defining corporate governance arrangements.</p>	<p>The board is chaired by an executive director and comprises a balance of independent non-executive directors and executive directors, details of whom are disclosed on the company's website and in the annual report.</p> <p>Non-executive directors are expected to make sufficient time available to fully engage with the activities of the board and relevant committees. This includes time preparing for meetings and reviewing relevant papers, the meetings themselves and subsequent follow-ups. Refer to page 81 for details of the number of meetings.</p> <p>Executive directors are required to make sufficient time available to discharge their duties in executive office.</p> <p>The board has formed and is supported by the following committees, each of which is chaired by an independent non-executive director:</p> <ul style="list-style-type: none"> • Audit and risk committee; • Remuneration committee; • ESG committee; and • Board nomination committee. <p>The committees' terms of reference are disclosed on the company's website.</p> <p>The number of board and committee meetings attended by each director is recorded annually in the company's annual report on page 81.</p>

Principle 6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Application	Disclosure
	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities.</p> <p>As companies evolve, the mix of skills and experience required on the board will change, and the board composition will need to evolve to reflect this change.</p>	<p>The composition of the board has changed during the year in order to ensure that combined skills, experience and personal qualities of the board match the requirements of the company in its current stage of development. The board is assisted by a lead independent director who chairs the audit and risk committee as well as the remuneration committee. In addition, a senior independent director chairs the ESG committee and serves on the remuneration committee. If any of the directors feel that their skill sets need to be updated in any particular area, refresher training options will be investigated and provided as necessary. The company secretary is in attendance at all board and committee meetings and provides independent advice to the board and board committees on all governance matters.</p> <p>The profiles of each director are disclosed on the company's website and are published in the annual report on pages 6 to 8. The board as a whole, with its blend of experience and skills in rare earths, mining, exploration, finance, as well as the Angolan and UK operating environments, contains the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long term.</p>

Principle 7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	Application	Disclosure
	<p>The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>The board performance review may be carried out internally or, ideally, externally facilitated from time to time.</p>	<p>Following additional board appointments during the year, an internal evaluation of the board will be conducted by the company secretary at the end of the reconstituted board's first full year of its term of office.</p> <p>The board nomination committee monitors on a continual basis succession plans for each director and the board as a whole. Pensana's nomination committee is responsible for reviewing the skills, expertise, composition and balance of the board on an ongoing basis as part of the company's succession planning. When considering new appointments, a brief is prepared and an independent external search agency is utilised to identify potential candidates.</p> <p>The committee continues to focus on succession planning, reviewing the programmes which the company has in place to grow talent within Pensana.</p> <p>As part of our succession practices, the nomination committee will continue to review programmes in place to assimilate talent into leadership and specialist positions.</p> <p>No formal board performance evaluation has been undertaken in the period. A board performance evaluation will be conducted during FY2025 following a full year in office of the reconstituted board. During FY2024, an investigation will be undertaken as to the most appropriate assessment mechanism and/or service provider.</p>

Principle 8 Promote a corporate culture that is based on ethical values and behaviours	Application	Disclosure
	<p>The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.</p>	<p>The board is committed to creating a corporate culture which is underpinned by the highest ethical values and the following by every director and employee of sound ethical behaviours. The board ensures that ethical corporate values guide the objectives and strategy of the company.</p> <p>The company has a code of conduct that sets out the principles and standards which the board, management and employees of the company are encouraged to strive to abide by when dealing with each other, shareholders and the broader community.</p> <p>The board endeavours to ensure that the sound ethical corporate culture of the company is recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.</p> <p>Principles for sustainable procurement have been developed by the company, which reference the code of conduct and require compliance on matters such as avoiding discrimination, bribery and corruption, ethical practice generally and transparency from all suppliers on these matters.</p> <p>The board evaluation process to be conducted and referenced in Principle 7 above will establish means of monitoring and assessing on an ongoing basis the state of the corporate culture of the company.</p>

Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Application	Disclosure
	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity.	<p>The board is of the opinion that its governance structures and processes are suitable for the current size and complexity of the company and applicable for its present stage of development.</p> <p>The board is committed to ensuring that the governance structures as reported on in the annual report will evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p> <p>The chairman leads the board and is primarily responsible for the effective working of the board, including the following:</p> <ul style="list-style-type: none"> • In consultation with the board, ensures good corporate governance and sets clear expectations with regard to company culture, values and behaviour; • Sets the board's agenda and ensures that all directors are encouraged to participate fully in the activities and decision-making process of the board; • Is the ultimate custodian of shareholders' interests; • Engages with shareholders and other governance-related stakeholders, as required; and • Meets with the senior independent director and with the non-executive directors without the executive directors present, in order to encourage open discussions and to assess the executive directors' performance. <p>The CEO is primarily responsible for implementing Pensana's strategy established by the board and for the operational management of the business including the following:</p> <ul style="list-style-type: none"> • Leads and provides strategic direction to the company's management team; • Runs the company on a day-to-day basis; • Implements the decisions of the board and its committees, with the support of the executive committee; • Monitors, reviews and manages key risks; • Ensures that the assets of Pensana are adequately safeguarded and maintained; • Leads by example in establishing a performance-orientated, inclusive and socially responsible company culture; and • Chairs the executive committee and is a member of the ESG committee, thereby having direct involvement in the strategic management of Pensana's ESG matters.

Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board continued	Application	Disclosure
	The company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity.	<p>The audit and risk committee assists the board in discharging its oversight responsibilities relating to audit and risk matters.</p> <p>The ESG committee assists the board in discharging its ESG-related oversight responsibilities.</p> <p>The remuneration committee assists the board in discharging its oversight responsibilities relating to remuneration and the company's executive directors, senior executives, management and non-management. The remuneration committee also comprises the nomination committee. The function of the nomination committee is to identify and recommend candidates to fill vacancies and to determine the appropriateness of director nominees for election to the board.</p> <p>Work undertaken by board committees during the year included:</p> <p>Audit and risk committee: Oversight development of a comprehensive risk register, focusing on the group's development of the Longonjo Project.</p> <p>Nomination and remuneration committee: Oversight the appointment of Ms Alison Saxby as a non-executive director (nomination committee) and the realignment of the share incentive scheme (remuneration committee).</p> <p>ESG committee: Approval of the Blueprint for Sustainable Rare Earths, oversight the ESG strategy, including publication of policies on Pensana's website as well as the RAP at Longonjo.</p> <p>Board: Oversight the process to obtain shareholder and other regulatory approvals for the issue of shares to ASF Yova Mining.</p>

Principle 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Application	Disclosure
	A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.	<p>The annual report includes details of the key reportable activities of all board committees during the year.</p> <p>An audit and risk committee report is included in the company's annual report on pages 83 and 84.</p> <p>A directors' remuneration report is included in the company's annual report on pages 63 to 75. A principal risks and uncertainties report as well as a section 172 statement are included in the company's annual report on pages 29 to 35, respectively.</p> <p>The results of all voting at a shareholders' meeting will be disclosed on the company's website.</p>

	Number of votes for	Number of votes against	Number of votes withheld	Number of votes at chairman's or proxy's discretion
Statutory accounts	85,966,420 (99.16%)	15,874 (0.02%)	64,763	714,387 (0.82%)
To approve the directors' remuneration report	85,756,309 (98.88%)	252,743 (0.29%)	38,005	714,387 (0.82%)
To approve the directors' remuneration policy	85,699,496 (98.83%)	300,180 (0.35%)	47,381	714,387 (0.82%)
To re-elect Mr Timothy George as a director	85,693,042 (98.82%)	311,799 (0.36%)	42,216	714,387 (0.82%)
To re-elect Rt Hon Baroness Lindsay Northover PC as a director	85,687,996 (98.83%)	304,173 (0.35%)	54,888	714,387 (0.82%)
To elect Mr Robert Kaplan as a director	85,669,014 (98.80%)	323,048 (0.37%)	54,995	714,387 (0.82%)
To elect Ms Alison Saxby as a director	85,739,014 (98.88%)	253,048 (0.29%)	54,995	714,387 (0.82%)
To reappoint BDO LLP as the auditor	85,739,319 (98.88%)	252,743 (0.29%)	54,995	714,387 (0.82%)
To authorise the audit and risk committee to determine the remuneration of the auditor	85,748,247 (98.88%)	252,743 (0.29%)	46,067	714,387 (0.82%)
To authorise the directors to issue new ordinary shares or grant rights to subscribe for or convert securities into ordinary shares	85,755,752 (98.88%)	253,048 (0.29%)	38,257	714,387 (0.82%)
Disapplication of pre-emptive provisions	85,679,92 (99.10%)	67,379 (0.08%)	299,757	714,387 (0.82%)
To authorise the purchase of ordinary shares	85,697,186 (98.83%)	304,411 (0.35%)	45,460	714,387 (0.82%)
That a general meeting other than an annual general meeting (AGM) may be called on not less than 14 clear days' notice	85,711,000 (99.12%)	42,907 (0.05%)	293,150	714,387 (0.82%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As part of its commitment to ESG, Pensana has launched its market-leading Pensana Blueprint for Sustainable Rare Earths ensuring the business places ESG risk management and carbon reduction performance at its core.

Pensana has launched its ambitious Blueprint for Sustainable Rare Earths (the Blueprint). Approved by the board's ESG sub-committee on 7 September 2023, this ESG strategy document provides a mapped-out plan of how Pensana intends to achieve 11 sustainability ambitions from across the ESG suite over the short, medium and long term. These ambitions (shown on **page 62**) include, among others, a commitment to deep and meaningful carbon reduction (achieving net zero no later than 2040), an aim to produce the lowest-carbon rare earth products and a plan to protect and enhance nature. The strategy also includes a commitment to embed ESG at the core of every decision the company makes. Pensana demonstrates its commitment to de-risking its projects by operating to reputable and independent ESG standards. This should provide confidence to investors and customers that its claims are reliable and meet the most rigorous standards required by stakeholders.

Pensana takes its responsibility towards addressing high ESG standards very seriously. To support the desire to build the world's first sustainable magnet metal supply chain, a full-time sustainability manager has been employed since the early stages of the company's work and serves as a member of the executive committee reporting directly to the CEO. The CEO has responsibility for the delivery of ESG at Pensana and the board oversees ESG and its associated impacts through a mandated board sub-committee chaired by non-executive director Baroness Lindsay Northover, with the remainder of the membership being non-executive directors Mr Steven Sharpe (until 9 December 2022), Ms Alison Saxby (from 9 December 2022) and CEO Mr Tim George. The committee is responsible for the approval of the company's sustainability strategy and was directly involved in the authoring and approval of the Blueprint. The approval of this document also includes approval of the company's material non-financial topics, metrics, KPIs and ambitions. The material non-financial issues as determined can be found in the Blueprint. The ESG committee retains responsibility for overseeing the effectiveness of the company's performance in all elements of ESG.

In FY2022, Pensana identified its material data points for internal and external reporting and will report against the same metrics in FY2023. While not all of these are yet applicable, the

data deemed applicable for external reporting by the company, based on the current levels of operations, is published on **pages 58 to 61**. In April 2022, the board members attended an extensive training session on ESG commissioned and specifically tailored to Pensana which was delivered by Dr Sarah Gordon from respected ESG consultancy, Sartarla. The session covered all aspects of ESG as well as current and emerging trends.

The company remains committed to its membership of the United Nations Global Compact and the TCFD. The latter saw Pensana register as a supporter and disclose against the recommendations when this was a voluntary action. Pensana is pleased that such disclosure is now mandatory across the sector, and the company has duly reported under the new regime. The business further highlights its commitment to aligning its work to other standards including the Equator Principles and the IFC Performance Standards through the Blueprint.

Progress continues towards developing a sustainable and traceable value chain. Pensana views its ESG responsibilities in the context of its value chain, including opportunities to influence both upstream and downstream activity. It continues to demonstrate this commitment through partnerships with other businesses across the value chain, for example, through its relationships with Polestar and Equinor.

ESG risk identification is incorporated into the company's risk process with ESG risks embedded within its primary risk matrix, which, in turn, is reviewed by the audit and risk committee. The general effectiveness of the approach is reviewed by the ESG committee, including the management of health, safety and environmental risks. Risks specific to climate change beyond a period of 10 years are disclosed in the principal risks and uncertainties section (refer to **page 34**).

Through the integrated risk assessment processes for climate change, Pensana has identified long-term climate change as a principal risk to the company. This risk covers climate change more than 10 years into the future. Pensana has already completed modelling of the physical risk to the Saltend site as part of the UK statutory requirements for the planning process

and has undertaken a high-level desk-based review of climate risk in Angola. The detail of this and the scenarios and climate change models used can be seen in the TCFD disclosure starting on **page 49**. The company has developed qualitative risk and opportunity assessments from transitional risk using internal expertise.

The company views R&D into ESG issues and opportunities as crucial to its future strategy. Pensana has successfully secured funding for two projects. The first will be an Innovate UK-funded project commencing in October 2023. This £316,643 project, working in partnership with Polestar, Route2 and the Universities of Leeds and Hull, will review and measure ESG impacts across the six capitals of integrated reporting (manufactured, natural, social, human, intellectual and financial) and will then use the data to identify future opportunities to reduce the negative impacts and increase the positive impacts of ESG across the entire value chain (note: this project was approved post period). The second project is a PhD studentship funded through the White Rose Doctoral partnership and hosted by the Universities of Leeds and York. The studentship will use our Longonjo Project as a case study of the socio-economic impacts of rare earth mining.



CLIMATE AND CARBON

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

This section provides a progress update for three of Pensana's objectives from the Blueprint:

- Provide a reliable and sustainable source of separated rare earth metals and compounds, essential to global decarbonisation products;
- Produce the rare earth products with the lowest embedded carbon on the market; and
- Promote deep and meaningful carbon reduction across our entire value chain, to be net zero no later than 2040.

As part of its commitment to being climate aware, Pensana voluntarily became a partner of the TCFD before this became mandatory. It is required to disclose against the recommendations of the TCFD for FY2023. However, as it voluntarily disclosed against the recommendations for FY2022, the company's progress on climate change disclosure can be seen in this report. Pensana has disclosed in a measure

¹ International Energy Agency – The Role of Critical Minerals in Clean Energy Transitions.

consistent with the TCFD recommendations and recommended disclosure.

To ensure Pensana supports the demand from customers and investors not only to develop products to reduce the impact of climate change, but products that themselves have a low carbon footprint, the company instructed Route2, a leading consultancy in quantifying sustainability impacts, to develop a product life cycle carbon emissions analysis aligned to the GHG Protocol Product Life Cycle and Reporting Standard. This comprehensive study was completed in FY2023. Findings were presented across the business, including to the ESG board sub-committee and C-suite senior management. This work not only quantified the impacts of the engineering and design already completed, but also demonstrated where future material carbon emissions are likely to be in the value chain, allowing a targeted strategic approach to their reduction particularly through the evolution of partnerships and research. Climate and decarbonisation will be a specific strand of the Innovate UK-funded research project as detailed previously.

Furthermore, Pensana continues to strive to embed low-carbon design into its planning. This has included the electrification of key plant items and planning of logistics, benefiting from the siting of the Longonjo Mine adjacent to the newly refurbished Benguela railway, which runs directly to the Port of Lobito.

As part of its value chain approach, Pensana continues to work closely with partners to further enhance ESG performance. This includes the partnership with Equinor for the potential supply of hydrogen in the rare earth recycling process. The company has further developed its partnership with Polestar as part of the Polestar 0 Project to develop the world's first climate-neutral car. Pensana and Polestar are working very closely together to identify carbon emission points across the value chain and will review options to reduce those emissions to zero.

The company discloses details on its carbon and climate performance through the TCFD disclosure starting on **page 49** and ESG data on **pages 58 to 61**.



PROTECTING THE NATURAL ENVIRONMENT

Longonjo

Ozango Minerais, the subsidiary responsible for the operation of the Longonjo site, has received full and updated licence approval for the operation of the mine site for the life of mine in addition to the previous licence and ESIA approvals.

Pensana is committed to making every effort to protect and enhance the natural environment and included an objective in the Blueprint to "integrate leading practice across our business to protect and enhance the natural environment in and around our operations".

While the project has been structured to identify risk areas early in the process, and therefore reported on risk mitigations in the previous reporting period, the company remains committed to embedding protection of the environment within its decision-making and is working towards ISO14001. While there are no recognised or registered protected areas for biodiversity adjacent to the proposed mining area, it has made a commitment to reduce the area of the mining plan to avoid an area of high-conservation value within the mine lease boundary. This habitat is home to species of conservation concern including the endemic Angolan Cave Chat (*Xenocopsychus ansorgei*). Additionally, all staff continue to be trained on ecological challenges, and a select group of competent staff are trained to deal with any ad hoc wildlife sightings safely and ethically.

Furthermore, environmental management and risk alleviation are high-priority areas throughout the operations. All operations will be compliant with environmental legislation and IFC Performance Standards. Applying high operating standards has included ensuring that the planned construction of the TSF meets the requirements of the Global Industry Standard on Tailings Management and that comprehensive monitoring and reporting plans are designed and integrated early in the construction process in the event that any risks emerge. A rehabilitation plan has been developed and will continually evolve throughout the life of the mine. Ozango has appointed an experienced Angolan environment co-ordinator, who will provide expertise to ensure compliance with all environmental licence requirements and build stakeholder relations in-country.

Saltend

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

Pensana has now submitted its application under the environmental permitting requirements. As part of this, the business has undertaken a number of risk and environmental assessments. These assessments show that the facility will not adversely impact local air quality, cause any groundwater pollution and will not impact the habitats or residential/

industrial/commercial receptors surrounding the site with regard to noise, odour, dust, accidents, fires, surface water discharges or flooding. The facility will be operated utilising the best available techniques for this sector so as to comply with the Environmental Permitting Regulations 2016 and all relevant Environment Agency guidance.

Pensana has agreed on an ambition as part of the Blueprint to "implement a world-class rare earth recycling scheme displacing some of the need for mining and reducing landfilling" and, as such, it continues to explore circular economic opportunities.



OUR COLLEAGUES, THEIR SAFETY AND THE COMMUNITIES IN WHICH THEY LIVE

Health and safety

Pensana completed a full review of its health and safety governance and management system at group level in FY2022 and has updated its structure to adapt to the growing business, with a continual improvement philosophy applied by the company. Pensana continues to develop, review and update documented processes, performance indicators and reporting procedures to ensure senior management can effectively oversee the health and safety implementation at each of the subsidiaries. The company has opted to work towards reporting health and safety statistics based on the Health and Safety Performance Indicators. It draws on the guidance published by the International Council on Mining and Metals (ICMM) and has integrated definitions of health and safety performance indicators from this.

Each subsidiary leads and is responsible for its own health and safety performance. The group CEO remains responsible for overseeing health and safety performance across the group with the group's audit and risk committee responsible for board oversight. The business continues to work towards ISO45001 certification for each of its operating subsidiaries.

All staff are encouraged to engage in good health and safety procedures through regular briefings, site walkabouts and easy-to-access hazard and incident reporting. Pensana has developed practices for monitoring and mitigating risks where they exist in current operations, including the encouragement of hazard identification by staff. As part of the evolution of the management system, project areas are in place to further develop the company's approach to occupational health, action tracking, incident investigation, auditing, worker consultation, specialist work areas and training. The company has appointed an experienced Angolan health and safety co-ordinator to co-ordinate the programmes on-site in Longonjo.

In the period, Pensana recorded four cases of malaria contracted by colleagues in Angola. None of these cases was serious and all were effectively and efficiently treated before returning to work. The local hospital in Longonjo is experienced in malaria treatment and the company has established a strong relationship for early testing, diagnosis and treatment of malaria. In FY2024, it will deploy a malaria education programme and will ensure continued investment and deployment of appropriate mitigation measures including the availability of mosquito nets.

Pensana has placed the health and safety of our colleagues as a highly material issue to the business and the Blueprint contains an ambition to implement a zero-harm approach to health and safety. The company had one recordable incident in the period, whereby a kitchen worker required medical treatment beyond first aid relating to a sprained finger.

Communities

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

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

As part of the mine and plant infrastructure development, the company has undertaken a programme of economic resettlement. No homes have been displaced. A RAP for cultivated plots has been authored and filed with the Angolan authorities and an LRP has been developed. Both of these were authored independently by reputable third parties, HCV Africa and Development Workshop, the latter an NGO specialising in land rights based in Huambo province in Angola. Additional support on the development of specialist agricultural support and the authorship of the LRP has been and is still being provided by Vuna Agri, a consultancy experienced in the delivery of African agricultural and LRP programmes.

In the period, Pensana completed the legal formalities required to proceed with the land from 28 project-affected households (PAHs). This process involved mutual consent from PAHs and agreement on compensation packages for infrastructure and perennial crops. Those PAHs are now in receipt of transitional support. The transitional support consists of a food package of typical foods for the area on a fortnightly basis. All PAHs affected will be provided with replacement land at least to an equal area to the land being displaced. In order to deliver a successful LRP, the company has, in liaison with the local

administration and local communities, identified two potential replacement land blocks. Post period, it has completed an agricultural potential survey of the replacement land and further studies remain ongoing to ensure the replacement land can provide sufficient agricultural potential to support those whose plots will be displaced.

As part of the commitment to uphold the IFC Performance Standards, Pensana has launched a grievance mechanism through which members of the community can raise grievances they do not feel are being dealt with elsewhere. This system has engaged a mechanism for the involvement of traditional community leaders and local administration should Ozango and the complainant not be able to reach a resolution of mutual agreement. Zero grievances have thus far been needed to be moved into the additional resolution process, but Pensana recognises this is an important provision.

The company has allocated space within the mine boundary for the development of agricultural demonstration and test plots. This space will allow it to explore effective agricultural techniques for the area and host a training base for those project-affected persons interested in developing their agricultural skill set. The area will also allow testing of alternative techniques including development of alternative crops and exploration of land use to support an optimised mine restoration programme balancing the needs of economy, carbon and biodiversity. This is now up and running and the first round of test planting has been harvested.

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

This all feeds into the objective in the Blueprint of developing infrastructure and skills so that communities local to our sites see a direct, long-term, economic benefit from our presence. This will, as with all ambitions, be delivered in three phases: construction, optimisation and operations. The key strategic target for the business in the construction phase is to recruit to ensure all roles are filled to enable safe operations at Longonjo and Saltend, with a focus on providing local employment. The company will ensure that an IFC Performance Standards-aligned RAP and LRP are delivered, ensuring no adverse impact on local populations and will deliver an LRP to facilitate optimal use of land and development of the skills of families affected.

Pensana has developed strong relationships with stakeholders across the spectrum in the UK. As part of the successful planning application, the company liaised with local elected officials and with local residents to answer questions and concerns raised as part of the planning. The business is developing strategic partnerships with local educational

institutions including the Universities of Leeds, Hull, York and Lincoln to review prospects for research collaboration and development opportunities.



OPERATING AN ETHICAL BUSINESS WITH STRONG CORPORATE GOVERNANCE

Pensana has approved an ambition as part of the Blueprint to integrate leading practice across our business to embed strong corporate governance in everything we do. This is demonstrated within this section, alongside the corporate governance report, which forms part of this annual report. Publicly disclosed policies cover our approach to anti-bribery and corruption and diversity alongside the details within the company's code of conduct. Furthermore, the company has set up a working group to review and develop governance structures, policies and procedures. The governance report can be viewed on **pages 36 to 44**.

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

Pensana has launched its first Principles for Sustainable Procurement to support the Blueprint ambition to implement a world-class sustainable supply chain backed by strong digital evidence. The principles ensure Pensana's suppliers disclose to us, prior to contractual agreement, key information on their impacts on human rights, health and safety, the environment and climate, as well as their commitments on ethical behaviour, anti-corruption and social impact. The principles require suppliers to be open and transparent to facilitate the development of a fully transparent and de-risked supply chain.

The company remains committed to equality and opportunity in all forms and actively promotes anti-discrimination across all its workplaces. Pensana's data on its gender split can be seen on **page 61**. The business recognises that it does not yet fully comply with the Financial Conduct Authority listing rules on diversity and inclusion on company boards. The company has a strong director team with an appropriate skill set but will continue to work towards compliance as board vacancies arise.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Disclosure against the recommendations of the TCFD is mandatory for Pensana for the first time this year. However, Pensana voluntarily disclosed in FY2022. Pensana has taken great strides to ensure that addressing climate change, and specifically the requirements of the TCFD, has been embedded in the development of the business. This disclosure represents the company's performance for the period FY2023 and highlights our developments in the reporting year.

For the purposes of compliance, the ESG committee and senior management believe this disclosure adheres to the requirements of the TCFD and considers that they have given sufficient information to be consistent with the TCFD framework in the current year.

1. GOVERNANCE

1a

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

DISCLOSURE

The board has ultimate responsibility for group risk and opportunity. It established an audit and risk sub-committee to monitor these closely. Climate risks are integrated and therefore reported and managed via the same channels as other risks across the business. For more information on the audit and risk committee, refer to **page 83**.

The board established an ESG sub-committee to have specific and focused oversight of the climate and carbon workstream. It reviews the effectiveness of the company's approach to all ESG areas, including addressing climate risks. The sustainability manager submits a report to each ESG committee meeting which contains an update on progress against the requirements of the TCFD and further highlights areas of relevance to the committee, including progress against targets. Frequency and attendance at ESG committee meetings can be found on **page 81**.

The board has demonstrated the importance of climate, among ESG issues, to the business through the formation of the ESG committee chaired by an ESG specialist, Baroness Northover. Part of the mandate of the ESG committee is to critique and review the company's performance in effectively considering climate-related issues in all elements of decision-making. Both the audit and risk committee and the ESG committee mandate the consideration of climate-related issues in all elements of decision-making.

The board, in 2022, received independent training on ESG risk from Sartarla, an organisation specialising in ESG risk, with a section on the training including climate and related disclosure.

In FY2024, the board and management will review a monitoring plan for progression against ESG targets and KPIs, including climate. Currently, the board oversees progress against the targets and goals through a qualitative approach through sustainability manager reports.

PROGRESS DURING FY2023

The board, via the ESG committee, received a comprehensive report of the findings from the independently completed GHG product level assessment including highlights of where future carbon emissions are modelled and the key risk factors and future opportunities across the product value chain. This project and the findings were presented to the ESG committee prior to the agreement of the Blueprint and therefore allowed the committee to make an informed decision on a carbon reduction target. For more information on the GHG screening, refer to **page 46**.

The board agreed the Blueprint and approved the inclusion of a workstream entitled carbon and climate. This workstream is specifically focused on ensuring that, at a board-led strategic level, the company embeds ambitious performance targets relating to climate change and ensures that it is resilient to the future effects of climate change.

As an example of board oversight on business direction, the ESG committee has noted potential legislative and investment rule changes and customer demands in both the short and medium term and has therefore directed the company to ensure it is adequately prepared to meet these requirements and be ready for the opportunity provided by customers looking to source sustainable and compliant materials.

1b

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

DISCLOSURE

Senior management oversees risk across the business in each of their respective areas, with climate risks being expressly included and escalated as required through operational teams to management. The CEO retains overall responsibility for the performance of the climate mitigation system and thus reporting of such activity to the board and associated sub-committees. The CEO is supported by the sustainability manager who has technical expertise in the area of climate risk. As climate risks are integrated, where technical support is required, it is provided by internal expertise and, where relevant, external experts are appointed. Climate-related risks are considered on the short-, medium- and long-term time horizons.

Climate risks and opportunities are reported integrally with other business risks to the audit and risk committee, with the ESG committee overseeing the effectiveness of the system with respect to climate. Specific risks and risk areas were identified through the company's risk identification process with support provided by the company's sustainability manager where required in assessing risk ratings and if risks should be added to risk registers. The sustainability manager heads up the business-wide climate risk and opportunity identification process and ensures cross-business risks are identified.

Please read in conjunction with disclosure 3a (refer to **page 55**).

PROGRESS DURING FY2023

A company-wide climate risk and opportunity review was completed in FY2022 and risk categories were added to the group risk register directly related to climate. This was reviewed in FY2023.

2. STRATEGY

2a

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

DISCLOSURE

Pensana has identified three time horizons for the assessment of climate risk and opportunity, aligned to the business' current development plan. They provide a structure against which risk impact and risk appetite can be assessed. The three horizons are:

- Short term – less than three years, which aligns to our construction and early operations phases;
- Medium term – three to 10 years, which aligns to our business optimisation period; and
- Long term – beyond 10 years.

Pensana remains on a journey towards fully embedding tackling climate change within its corporate governance, and more details on this can be found in the Blueprint on the Pensana website at <https://pensana.co.uk/sustainability/>.

Pensana has identified its core business strategy as a climate-related opportunity. There will be an increase in demand for neodymium permanent magnets driven by sustainable technologies, leaving a significant shortfall if additional supply is not hastily created. This material will be required to be produced sustainably to align to the demands of the market, and Pensana has developed its core strategy to develop a product to address the shortfall in demand from the green technology transition in a sustainable, low-carbon manner. Pensana has further embedded its commitment by developing its medium-term strategy to move towards embedding recycled feedstock and embracing circular economy opportunities. Additional opportunities embraced over the short term include exploration of renewable power and consideration of low-carbon technology and electrification throughout the design process.

The company has identified, as part of the integrated risk process, a number of risk areas which align directly or indirectly to climate change. Each of these is then assessed on its own merits and each is assessed separately against all three time horizons. As a result of this process, Pensana has identified the potential of both physical and transitional risks of climate change over a period beyond 10 years (long term) as a principal risk to the business (refer to **page 34**). While identified as risks, the company did not identify the physical or transitional risks in the short and medium term as principal to the business.

The company's risk assessment process assesses all risks on a matrix which considers likelihood and impact. The likelihood process is adjusted for climate change with an assessment for each risk three times, once against each of the three distinct time horizons (short term, medium term and long term). The process for assessing impact has impact ratings across each of the following categories: revenue, cost, safety and health, the environment, regulatory, public stakeholders and socio-economic. The highest of the risk scoring categories is used to score each risk with the highest risks identified being reviewed by senior management and where required, reported to the audit and risk committee.

As the process works by assessing individual risks, examples of the specific risks which contributed to the identification of the physical and transitional climate change risks over 10 years into the future as a principal risk include:

Transitional

- Public climate policy increases taxation or costs and leaves the business unable to compete on price with China and other new plants, including carbon leakage;
- Carbon-intensive value chain activity does not decarbonise and becomes exposed to carbon pricing and taxation regimes thus increasing price (including transportation and supply);
- Remaining presence of hard-to-abate GHG emissions in operations affecting 'net zero', carbon costs and corporate reputation; and
- Statute or OEM procurement rules are developed which directly restrict trade for material not meeting climate limits and requirements, thus disqualifying Pensana from trade.

Physical

- Upstream supply chain not adapted for climate change, from both physical asset risk and availability of resources causing increased availability shortages, short-term price volatilities and loss of supply routes;
- Physical climate risk to transportation of material through the value chain either by ship, air, road or rail including both the transportation phase and associated loading, unloading and storage logistics leading to preferred supply routes becoming unusable, thus creating supply backlogs or the requirement for alternative supply routes and logistics infrastructure; and
- Water-related physical climate impacts from drought and flooding for operations, power supply and wider community use in Angola creating supply shortages or operational outages.

One of the major aggravating factors in the assessment of the long-term risk is the lack of reliable data on rare earth production and the lack of reliable and granular data on climate change in Angola. While Pensana has endeavoured to use the most current and relevant information available, further information is still needed. Pensana continues to take additional steps to model the risks directly associated with the projects to develop more robust risk assessments while taking parallel opportunities to educate stakeholders on the importance of rare earth materials and the need to address data gaps.

2a continued

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

PROGRESS DURING FY2023

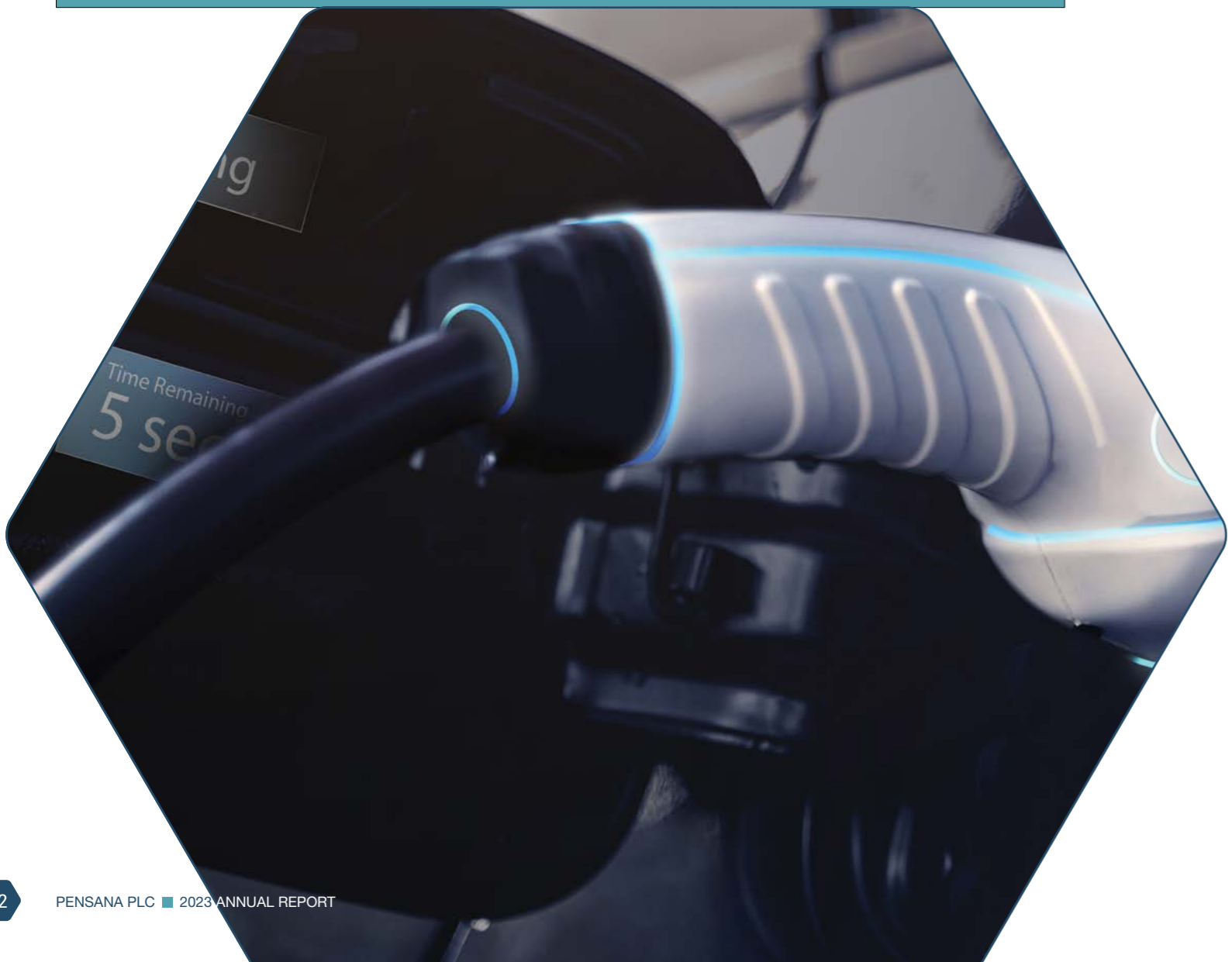
Pensana continues work focused on developing a robust understanding of the scale of the risk to the company from climate change. In order to gain a more detailed and bespoke understanding of the climate risks to the business, Pensana has in this period:

- completed an independent (Route2) and full GHG product analysis (aligned to the GHG Protocol Product Standard) to identify the areas exposed to carbon risk and to identify opportunities to continually reduce the emissions of our product aligned to a 1.5°C pathway (refer to **page 46**); and
- liaised with potential customers, such as OEMs, to understand the dynamic of their future demand and the risks they foresee in their supply chains to enable Pensana to be abreast of customer-driven future required mitigation including increased liaison with Polestar as part of the partnership with the Polestar 0 Project (refer to **page 46**).

Additionally, design work through the optimisation process has continued to identify further de-risking opportunities including:

- identifying water savings, water recycling opportunities and increased water consumption efficiency to reduce reliance on requirements for water abstraction; and
- working with supply chain partners to identify their climate risk profile to enable further development of Pensana's understanding of its supply chain risk.

Pensana will continue to review opportunities to undertake a localised physical climate risk assessment of the Longonjo site and the associated logistics.



2b

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

DISCLOSURE

Climate change has had a significant influence on the business. The core strategy and development plan are focused on a market opportunity to sell a product identified as being essential for reaching global net zero i.e., neodymium permanent magnets. The board agreement of the Blueprint demonstrates the core importance of ESG to its strategy, including performance related to climate and location of resources to ensure this can be delivered. Refer to **page 12** on strategy.

Pensana has taken a number of decisions to address the risks and opportunities of climate change. This has included resourcing studies into financing and/or sourcing renewable power and optimising electrification and reducing water consumption/increasing water recycling in the business' planned operations. Further statutory and investor requirements have involved additional cash investment into surveys related to climate at both proposed projects. This includes stormwater and flood modelling among others.

Pensana's target to embed deep and meaningful carbon reduction across its value chain, and to be net zero no later than 2040, will be reached through a robust and thorough business-wide approach. Currently, engineering and procurement teams are reviewing opportunities to reduce emissions before construction commences. This includes sourcing renewable power, plant electrification and efficient design for logistics. Going forward, the company will continually review future reduction opportunities including those in procurement (for example, reagents) and those downstream (such as a circular economy). Driven by customer demand and the requirement to meet future expected regulations, this carbon reduction strategy has engaged staff and resources, including capital allocation, across the business involved in product development and marketing, sales, R&D and supply chain and sourcing. In addition to external resources, the company has established partnerships with other similarly-minded businesses such as the electric vehicle manufacturer Polestar (refer to **page 46**). For more information on the target and product screening, refer to **pages 46 and 57**.

As a result of customer demand and forthcoming regulations in the areas of carbon and climate, the company has prioritised addressing the associated risks and reviewing opportunities to access the market. As a result of this, it has committed to developing low-carbon products and has invested in R&D, staff resources, project capital and operational costs directly associated with addressing these risks.

While climate change models demonstrate a likely increase in price, there remains a risk as to the exact pricing. Pensana has considered this and it can be seen as a principal risk (refer to **page 34**). In terms of wider financial impacts, Pensana has identified climate change over 10 years as a principal risk, therefore the business will develop its knowledge in this respect on a pathway aligned to that of the company's development. The primary short-term driver of activity in this regard, and the key driver of the principal risk rating of long-term climate change, is to address data gaps in climate knowledge, especially for our Longonjo operations in Angola. Filling these data gaps, alongside the development of detailed process design and development, will further facilitate a greater understanding of wider financial impacts including those associated with revenue, procurement spend and future mitigation and adaptation of capital expenditure.

Away from deep and meaningful carbon reduction, the wider transitional risks have been considered in the company's financial planning. Directed by the board, the business has ensured continued resource availability through the employment of a senior sustainability expert who sits on the company's executive committee and reports directly to the CEO.

The company has opted against a detailed transition plan at this point as the current focus remains, at this point, to ensure initial design and operational strategy are robust against future scenarios. The business acknowledges that transition plans are important and will switch focus to transition once it develops an understanding of its operational baseline. Pensana has committed via the Blueprint to embed deep and meaningful carbon reduction with net zero no later than 2040 into the strategy, which will be overseen by the board.

The approach to physical risk has involved detailed climate forecasts (refer to recommendation 2c). As required by regulation, this has entailed changes to the design process (for example, stormwater mitigation design) for both sites, resulting in increases in the project capital expenditure.

PROGRESS DURING FY2023

Pensana completed an independent (Route2) and full GHG product analysis (aligned to the GHG Protocol Product Standard) to identify the areas exposed to carbon risk and to identify opportunities to continually reduce the emissions of our product aligned to a 1.5°C pathway (refer to **page 46**).

Post period, Pensana, in partnership with the Universities of Leeds and Hull, Route2 and Polestar, has secured funding from Innovate UK's Climates fund to investigate further ESG opportunities across the NdFeB magnet value chain, including those arising from the circular economy (refer to **page 46**).

2c

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

DISCLOSURE

Pensana's strategy to develop a sustainable supply of rare earths was tested against two of the IEA's climate scenarios from their World Energy Model. Using their stated policies scenario and their sustainable development scenario, the models showed a threefold and sevenfold increase in demand for rare earths for clean energy technologies by 2040, respectively. The sustainable development scenario represents a well below 2°C scenario and the stated policies scenario is a more conservative benchmark considering actions put in place to achieve benchmarks globally. Under both scenarios, Pensana's strategy and business plan to supply sustainable rare earths demonstrated robust strength in a sector essential to global net zero moving towards 2040, aligning to Pensana's long-term time horizon (>10 years) and within the life of the Longonjo and Saltend Projects. Furthermore, while Pensana acknowledges the transitional risk of rare earth demand not increasing as suggested by the forecasts (which would in turn undermine the strategy of producing a product with a future demand shortfall), it is satisfied this risk is very low.

The company then reviewed third-party evidence in order to model future pricing of the rare earths market in which it will sell its products. Using both climate modelling and price forecast modelling (which incorporates climate change mitigation change in demand) for the life of mine, Pensana has tested its potential future revenue models and ensured that its future market and therefore core revenue stream are well placed to take advantage of the future increases in demand from green technology. While climate change models demonstrate a likely increase in price, there remains a risk as to the exact pricing. Pensana has considered this and it can be seen as a principal risk (refer to **page 34**).

As Pensana does not have revenue in excess of a one billion US dollar equivalent, it believes the scenarios analysed are adequate to provide sufficient assurance of business strategy robustness under multiple scenarios.

As part of the planning application process for the Saltend refinery site, the Hedon SFRA L2 Infoworks ICM model was utilised as a basis for the hydrological modelling exercise to allow the company to plan for flood risk mitigation at the site. This mandated modelling as part of the planning application has ensured the Saltend site has been designed to withstand a flood event.

Refer to **page 11** on business strategy.

PROGRESS DURING FY2023

Pensana has stress-tested its core business strategy against climate scenarios developed by the IEA. Models used were reviewed in FY2023 and the IEA models used in 'The Role of Critical Minerals in Clean Energy Transitions' and the report 'Global rare earths strategic planning outlook Q1 2023' published by Wood Mackenzie were considered the best available.



The Saltend Chemicals Park is a cluster of world-class chemicals and renewable energy businesses including BP Chemicals technology, Ineos, Nippon Gohsei and Air Products. It is strategically located on the Humber estuary, a gateway to Europe and the UK's busiest ports complex

3. RISK MANAGEMENT

3a

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

DISCLOSURE

Pensana has identified three time horizons over which it identifies climate risk (refer to **page 51**).

Pensana works on an integrated approach to climate risk. Colleagues in each business area are expected to include both physical and transitional climate risks within their own assessments. This is supported by technical expertise from the in-house ESG team and, where relevant, external consultancies. The company encourages all colleagues to use available data and the ESG team furnishes staff with relevant data where required. It has already established data collection methods for water and carbon and can therefore use these metrics to monitor local changes due to climate change and in turn use this in the future to stress test climate models and risk assessments.

Colleagues are expected to consider the impacts of emerging and existing climate legislation and associated impacts on their own work areas, with additional support, where required, provided by technical expertise from the in-house ESG team and, where relevant, external consultancies. The ESG team, led by the sustainability manager, leads the process of identifying legislation and associated risks at a group level reporting this, through existing channels, to the board.

Each climate risk is assessed separately for each of the three time horizons to allow management to understand the risks over the different time horizons and direct mitigations and capital as suitable. Each risk is assessed by competent management of the relevant business area and through the ESG team's climate expertise. Risks are assessed for both consequence and likelihood, with climate risks each assessed three times, once against each of the climate horizons using an internal framework developed by an independent experienced risk analyst. This framework is used across the company in all functional areas to ensure that climate risks are treated on a level parallel to other risks, such as reputation, finance, etc.

For risks assessed as high risk, these are reported to the board and where relevant reported in the company's principal risk register (refer to **page 29**).

Please read in conjunction with disclosure 1b (refer to **page 50**).

PROGRESS DURING FY2023

Pensana made comprehensive progress in FY2022 in this area and the focus in FY2023 has been on consolidation and continual review.

For reference, in FY2022, progress included:

- an amendment to the group risk process to include an adapted rating system for climate risks aligned to the main system but adjusted to cater for three timescales (<three years; three to 10 years; >10 years); and
- completion of the maiden transitional risk and opportunity assessment.

3b

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

DISCLOSURE

Climate risk management is integrated into business processes. Risks are overseen by the group audit and risk committee which has overall responsibility for the company's risk appetite. Risks are managed throughout the company through an escalation process. All business functions have direct responsibility for their own risks, with technical support from the specialist sustainability team where required. Risks that are deemed of sufficient impact or likelihood are escalated to group management (using an internally designed risk matrix that scores all risks as high, medium or low based on likelihood and impact), including C-suite, and from there, risks are escalated to the audit and risk committee. The group ESG committee has an independent role to ensure the effectiveness of the climate risk management process, among ESG risk processes. For group risk management, refer to **page 29** and recommendation 2a.

PROGRESS DURING FY2023

Management instructed and ensured an update of a group-wide climate risk screening including transitional and physical risks.

3c

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

DISCLOSURE

Pensana's approach to climate risk is wholly integrated with the business' approach to risk with only a slight adjustment to assess risks over three time horizons.

Each business area is responsible for their own risk and opportunity assessments. Technical support is provided on climate expertise by in-house experts or through appointment of specialist external consultants.

PROGRESS DURING FY2023

Management reviewed those risks relevant to climate change as part of the regular risk review process and updated risk and impact ratings where relevant. As a result, the long-term (>10 years) physical and transitional risks remain principal risks to the business, with a change of appetite to the risk posed by transitional risks from medium to low.

4. METRICS AND TARGETS

4a

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

DISCLOSURE

Pensana has identified its material ESG issues as part of the Blueprint and has set a series of challenging ambitions. These are broken into four workstreams, with climate and carbon identified as one (refer to **page 62**), and a series of measures and KPIs set to measure progress against its strategy (refer to **page 62**).

This includes performance and measurement of company-wide and product-level GHG data (**page 58**) and water (**page 59**).

Pensana has disclosed data for its operations but as it remains pre-operational, the publishing of historical trends is not yet relevant. Information on the forward-looking modelling and expected pricing can be seen on **page 54** and the disclosure recommendation 2c.

Pensana does not yet link climate indicators and performance to remuneration at any level of the organisation.

PROGRESS DURING FY2023

Pensana has launched the Blueprint for Sustainable Rare Earths highlighting 11 material ESG ambitions and targets, including those it has deemed material to addressing climate change.

Pensana has ensured the continued evolution of its material non-financial data reporting suite.

4b

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

DISCLOSURE

Refer to the ESG data tables starting on **page 58**.

As disclosed in recommendation 2a (**page 51**), Pensana has identified the long-term transitional risk from carbon emissions as part of its principal risk profile and has identified a low appetite for this risk. Refer to **page 35** for more information on transitional risks specific to carbon.

PROGRESS DURING FY2023

The company has completed a product-level GHG screening based on engineering data, thus allowing it to manage its carbon emissions going forward into production and allowing the identification of future deep and meaningful carbon emissions reduction opportunities.

Part of Pensana's Innovate UK-funded research project will address potential future carbon reduction and climate risks and opportunities. Refer to **page 46**.

4c

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

DISCLOSURE

Pensana has committed to developing a sustainable supply chain for rare earths. Through the publication of the Blueprint for Sustainable Rare Earths, Pensana has committed to a series of strategic ambitions and targets relating to climate. These include:

- providing a reliable and sustainable source of separated rare earth metals and compounds, essential to global decarbonisation products;
- producing rare earth products with the lowest embedded carbon on the market;
- promoting deep and meaningful carbon reduction across our entire value chain, to be net zero no later than 2040; and
- integrating leading practice across our business to protect and enhance the natural environment in and around our operations (which includes water within its scope).

The company's current focus on working towards targets is a qualitative approach to deep and meaningful carbon reduction, i.e. engineering and design are being empowered to reduce emissions where financially and technically feasible. For example, this has heavily included electrification of carbon-intensive plant items. The business currently believes the actions being taken are appropriate for the stage of development it is currently at. While no quantitative or interim targets were approved and monitored in FY2023, management and the board will review interim targets and KPIs on a periodic basis and will consider both qualitative and quantitative metrics during reviews.

The business deep and meaningful carbon reduction target has been developed by reviewing the GHG screening exercise completed by Route2, consideration of net-zero targets across the key supply sectors (wind turbines and electric vehicles) and national-level targets, especially in Europe. Pensana acknowledges there are knowledge gaps in the work required to achieve this, but has invested in R&D and in corporate-level partnerships (such as Polestar) to both address these knowledge gaps and work towards identifying solutions.

The company has based its carbon calculations for Scope 1, 2 and 3 on the GHG Protocol on a basis of operational control albeit not yet including Scope 3 emissions (refer to **page 58**). The company envisions it will use the GHG Protocol's 'The Product Life Cycle Accounting and Reporting Standard' to monitor the ambition to produce rare earth products with the lowest embedded carbon on the market. This standard has already been used for baselining as the GHG product screening was completed using this standard. Pensana will continue to review the effectiveness of this standard to review this ambition.

Refer to **pages 58** and **62** for information on metrics and targets.

PROGRESS DURING FY2023

Pensana launched the Blueprint publishing ambitions and targets the company will work towards as per the disclosure above.

Pensana has continued to develop partnerships and R&D programmes (refer to **page 46**) to further improve the business' knowledge of future investment and changes needed to reach a net-zero target across the value chains.

ESG DATA FOR THE PERIOD ENDED 30 JUNE 2023

CLIMATE AND CARBON				
Data point	Angola	UK*	Total	Methodology
Scope 1 GHG emissions ^{1*}	110tCO ₂ e	0 (FY2022: 0)	110tCO ₂ e (FY2022: 97tCO ₂ e)	Calculated using the GHG Protocol and based on a boundary of operational control. ²
Scope 2 market-based GHG emissions ^{1*}	0 (FY2022: 97tCO ₂ e)	0 (FY2022: 0)	0 (FY2022: 0)	Calculated using the GHG Protocol and based on a boundary of operational control. The business does not yet import any electricity into its operations.
Scope 3 emissions	n/a	n/a	n/a	The company has not reported Scope 3 emissions as it is not yet feasible with the nature of the project to do so.
Emissions intensity ⁺	n/a	n/a	n/a	In order to meet the requirements of the Streamlined Energy and Carbon Reporting Regulations, Pensana is required to report an emissions intensity. However, as it has zero revenue and zero product output, a relevant intensity cannot be calculated.

* Pensana currently has no facilities under operational control in the UK. Only corporate office-based functions of our colleagues and not the offices themselves are within the operational control boundary in the UK.
⁺ Indicates data disclosed required under the Streamlined Energy and Carbon Reporting Regulations.
¹ A Corporate Accounting and Reporting Standard – Revised Edition
² Greenhouse gas reporting: conversion factors 2021 – <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>

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



ENVIRONMENT AND ECOLOGY				
Data point	Angola	UK*	Total	Methodology
Permit or compliance breaches (environmental)	0 (FY2022: 0)	0 (FY2022: 0)	0 (FY2022: 0)	Upheld breaches of environmental permits or government-induced conditions such as planning consents against the business.
Energy consumption directly from electricity	540kWh (FY2022: 1,300kWh)	0 (FY2022: 0)	540kWh (FY2022: 1,300kWh)	Calculated using the GHG Protocol and based on a boundary of operational control; note the company does not yet import any electricity into its operations. Energy consumption from electricity reported for Angola is all self-generated from on-site solar power. The FY2023 value is lower due to change in use of on-site solar energy for operational reasons.
Energy consumption not from electricity	401,600kW (FY2022: 388,300kWh)	0 (FY2022: 0)	401,600kW (FY2022: 388,300kWh)	Calculated using the GHG Protocol and based on a boundary of operational control. Consists solely of diesel oil, with the energy factor taken from 'Carbon emission factors and calorific values from the UK Greenhouse Gas Inventory (2021) ³ .
Total energy consumption ⁺	402,100kWh (FY2022: 389,600kWh)	0 (FY2022: 0)	402,100kWh (FY2022: 389,600kWh)	Calculated using the GHG Protocol and based on a boundary of operational control.
Water import – from groundwater	750m ³ (FY2022: 1,500m ³)	0 (FY2022: 0)	750m ³ (FY2022: 1,500m ³)	Water that is being held in, and can be recovered from, an underground formation (as defined by the CDP ⁴).
Water import – from fresh surface water	0 (FY2022: 0)	0 (FY2022: 0)	0 (FY2022: 0)	Water that is naturally occurring water on the earth's surface in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers and streams, and has a low concentration of dissolved solids (less than 10,000mg/l total dissolved solids) (as defined by the CDP ⁴). No Pensana sites are yet connected to fresh water supplies.
Water import – from third party	0 (FY2022: 0)	0 (FY2022: 0)	0 (FY2022: 0)	This includes water provided by municipal water suppliers, public or private utilities, and wastewater from any other organisation (as defined by the CDP ⁴). No Pensana sites are yet connected to municipal water supplies.

* Pensana currently has no facilities under operational control in the UK. Only corporate office-based functions of our colleagues and not the offices themselves are within the operational control boundary in the UK.
⁺ Indicates data disclosed required under the Streamlined Energy and Carbon Reporting Regulation.
³ Carbon Emission Factors and Calorific Values from the UK Greenhouse Gas Inventory (Ricardo Energy & Environment, 2021) to support the UK Emissions Trading Scheme <https://www.gov.uk/government/publications/using-uk-greenhouse-gas-inventory-data-in-uk-ets-monitoring-and-reporting-the-country-specific-factor-list>
⁴ Definitions taken from the CDP Water questionnaire (accessed September 2022): <https://www.cdp.net/en/guidance/guidance-for-companies>

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

COLLEAGUES AND COMMUNITY

Data point	Angola	UK*	Total	Methodology
Total recordable cases	5	0	5 (FY2022: 0)	Total recordable cases is the total of recordable incidents and recordable disease cases as defined by the ICMM ⁵ . This figure includes four cases of malaria and one recordable injury. Refer to page 48 .
Total recordable injury frequency rate (per million hours)			5.15 (FY2022: 0)	Total recordable disease cases are the sum of all new occupational disease cases that meet recording criteria during the ICMM ⁵ recording period in the categories of occupational respiratory disorders, occupational hearing loss, musculoskeletal disorders, occupational cancers and other occupational medical disorders as described in the definitions for recordable disease cases ¹ . The business recorded only one recordable injury in the period. Refer to page 48 . Reported as a single metric including employees of Pensana Plc, Pensana Metals Limited and Ozango Minerais; project owner's teams and contractors associated with the respective projects, excluding those contracted directly on the Saltend Project.
Total recordable fatalities	0 (FY2022: 0)	0 (FY2022: 0)	0 (FY2022: 0)	A fatality is defined as the death of a worker from an occupational injury or disease. A fatality is recorded when death is a direct result of an occupational injury or disease ⁵ .
% grievances raised and resolved between Ozango and individual raising grievance	100%	n/a	100%	Grievances were raised through official grievance mechanism systems for the mine site and the powerline project resolved at step 1 between Ozango and the individual raising the grievance.
% grievances raised referred to independent committee and resolved	0%	n/a	0%	Grievances raised through official grievance mechanism systems for the mine site and the powerline project resolved at step 2 through independent committee stage (refer to page 48). It should be noted that zero grievances reached this stage as all were resolved at step 1.

* Pensana currently has no facilities under operational control in the UK. Only corporate office-based functions of our colleagues and not the offices themselves are within the operational control boundary in the UK.
⁵ For the purpose of health and safety reporting, Pensana uses the ICMM's Health and Safety Performance Indicators Guidance published in 2021. As per the guidance, all frequency rates are calculated per 1,000,000 hours worked. The guidance from the ICMM can be accessed here (accessed September 2022): https://www.icmm.com/website/publications/pdfs/health-and-safety/2021/guidance_health-and-safety-indicators.pdf

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

ETHICAL BUSINESS AND CORPORATE GOVERNANCE

Data point	Angola	UK*	Total	Methodology
Breaches upheld relating to ethical business	0 (FY2022: 0)	0 (FY2022: 0)	0 (FY2022: 0)	Breaches of ethical conduct upheld by the business after being raised and investigated.
Breaches raised via internal whistle-blowing	0 (FY2022: 0)	0 (FY2022: 0)	0 (FY2022: 0)	Queries raised via internal whistle-blowing were upheld as breaches after investigation.
Gender split on the board	Male 71%/Female 29% (FY2022: Male 83%/Female 17%)			% members of the Pensana Plc board broken down by gender as of 30 June 2023.
Gender split in the workforce	Male 85%/Female 15% (FY2022: Male 85%/Female 15%)	Male 68%/Female 32% (FY2022: Male 64%/Female 36%)	Male 80%/Female 20% ⁶ (FY2022: Male 80%/Female 20%)	% employees within Pensana Plc and all subsidiaries under operational control as of 30 June 2023.

* Pensana currently has no facilities under operational control in the UK. Only corporate office-based functions of our colleagues and not the offices themselves are within the operational control boundary in the UK.
⁶ Includes three male employees contracted through Pensana Metals Limited based in Australia.

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



Pilot plant leach extraction circuit in operation

PENSANA BLUEPRINT FOR SUSTAINABLE RARE EARTHS

Pensana has committed to 11 ambitions across the ESG suite



REMUNERATION REPORT

STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

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

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

As part of this process, the remuneration committee completed a major review of the remuneration policy in 2021. This review considered the latest governance developments, independent evaluations of market trends, the evolving views of shareholders alongside input from the committee's independent advisers. Consequently, several recommended changes were proposed and submitted at the last AGM held on 1 December 2022. A resolution to approve the directors' remuneration report was tabled for consideration by shareholders. A total of 86,723,439 votes were cast with 98.88% of shareholders voting in favour and 0.29% voting against.

During the financial year ended 30 June 2023, the remuneration committee had earmarked share awards under the long-term incentive (LTI) plan to continue aligning the interests of the executive team with the long-term success of the company. At this stage of the company's development, the awards under the LTI plan are necessarily largely related to the financing of the Longonjo and Saltend Projects, construction completion parameters and first production.

However, due to the company's delay in securing main financing during FY2023 and the resultant impact on the timing of project delivery, the contemplated share awards for FY2023 were deemed inappropriate. As a result, no share-based awards were granted for FY2023. Similarly, the FY2022 awards lapsed at year-end for the KPIs involving project delivery, financing and production and the share-based charges recognised in prior periods subsequently reversed during FY2023. The delay in securing main financing has also resulted in the FY2022 bonus provisions not being paid and consequently the related bonus charges were reversed in FY2023.

Pensana is committed to providing competitive and performance-based remuneration packages to our directors and while the lapsed share incentive plans are a disappointing development, the remuneration committee recognises the significant progress that has been made to date on both the Saltend and Longonjo Projects. Consequently, while the remuneration committee believes that the overall framework of the LTI plan remains entirely appropriate, it is the interplay between the KPIs of the short-term incentive (STI) and LTI plans that requires further consideration. This process is underway, ensuring as always that any awards align with our company's strategic objectives and updated project milestones.

Our intention is to ensure that our directors and key management are appropriately incentivised to contribute to the company's success. We will keep shareholders informed of any developments relating to the incentive plans in subsequent reports.

We recognise the importance of fostering a culture of accountability and alignment with shareholders' interests, and we remain dedicated to reviewing our remuneration policies and incentive structures to ensure they are effective and reflective of our company's performance and future prospects, while aligning to market comparators and trends.

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

Shareholders will be asked to approve the annual remuneration report as an ordinary resolution at the AGM in December 2023.

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

Steven Sharpe
Chairman of the remuneration committee

30 October 2023

OVERVIEW OF THE POLICY AND HOW IT WAS APPLIED FOR FY2022

Fixed remuneration	
Salary	
Influenced by role requirements, performance of the individual, level of experience and market positioning.	No increases were awarded to executive directors during FY2023. With effect from 1 July 2023, executive director base annual salaries, reflected in British pounds to align to their contract terms, were as follows: <ul style="list-style-type: none"> Mr Paul Atherley – £288,750 (2022: £288,750); Mr Timothy George – £315,000 (2022: £315,000); and Mr Robert Kaplan – £220,000 (2022: £220,000).
Benefits	
Provision of an appropriate level of benefits for the relevant role and local market.	Executive directors do not currently receive any benefits.
Variable remuneration	
Annual bonus	
Linked to key financial, operational, health, safety and the environment, socio-economic development and strategic goals of the company, which reflect critical factors of success.	Maximum opportunity for FY2023 of 150% of salary. The committee reviewed the annual bonus targets for FY2023 to ensure that they are aligned to our strategic priorities and completion of main financing. The bonus scorecard for FY2023 was linked to: <ul style="list-style-type: none"> completion of main financing; initiation of construction at Longonjo and Saltend; health and safety objectives; and ESG objectives. Annual bonuses are subject to a clawback provision, which may apply for up to two years following the end of the performance period. No bonuses were awarded to executives during the year.
LTI plan	
Aligned with shareholders and motivating the delivery of long-term objectives.	No share awards were issued to executives during the year. Awards are currently reviewed under six performance conditions: absolute total shareholder return (TSR) (market-based), lost time injury frequency rate (LTIFR), full financing of the Longonjo Project, full financing of the Saltend Project, construction completion of the RESF and production of the RESF. LTI awards are subject to a two-year holding period post vesting to further align executive remuneration to shareholder interests. The LTI awards are also subject to a clawback provision, which applies for up to two years following the end of the relevant performance period.

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

THE FOLLOWING INFORMATION HAS BEEN AUDITED:

Single total figure of remuneration for the year ended 30 June 2023

	Salaries and fees US\$	Total fixed US\$	Bonuses ¹ US\$	Benefits US\$	Options and rights ² US\$	Total variable US\$	Total 2023 US\$
Non-executive directors							
S Sharpe ⁴	159,693	159,693	–	–	–	–	159,693
J Beeton	63,275	63,275	–	–	–	–	63,275
L Northover	63,275	63,275	–	–	–	–	63,275
A Saxby ³	55,893	55,893	–	–	–	–	55,893
Executive directors							
T George	330,975	330,975	–	–	224,384	224,384	555,359
P Atherley	348,010	348,010	–	–	–	–	348,010
R Kaplan	265,151	265,151	–	–	179,507	179,507	444,658
Key management							
R Smith	262,500	262,500	–	–	–	–	262,500

¹ No bonuses were paid for FY2022 and the related bonus charges were reversed in FY2023. No bonuses were provided or paid in FY2023.

² The options and rights represent the legacy shares that vested during the year. No performance shares relating to FY2022 and FY2023 vested during the year.

³ Appointed on 17 August 2022.

⁴ At the request of the board, Mr Sharpe assumed significant additional duties for the period January 2023 to May 2023 relating to the proposed strategic investment by a third party. As compensation for these duties, he received US\$48,209 in addition to the director fee of US\$56,420.

Single total figure of remuneration for the year ended 30 June 2022

	Salaries and fees US\$	Total fixed US\$	Bonuses US\$	Benefits US\$	Options and rights ¹ US\$	Total variable US\$	Total 2022 US\$
Non-executive directors							
S Sharpe ²	50,183	50,183	–	–	–	–	50,183
J Beeton	66,232	66,232	–	–	–	–	66,232
S Bates ³	16,558	16,558	–	–	–	–	16,558
L Northover	66,232	66,232	–	–	–	–	66,232
Executive directors							
T George	364,531	364,531	258,303	–	558,634	816,937	1,181,468
P Atherley ⁴	364,273	364,273	236,778	–	–	236,778	601,051
R Kaplan ⁵	62,920	62,920	40,898	–	111,726	152,624	215,544
Key management							
R Kaplan	188,760	188,760	122,694	–	335,180	457,874	646,634
R Smith	238,640	238,640	163,592	–	–	163,592	402,232

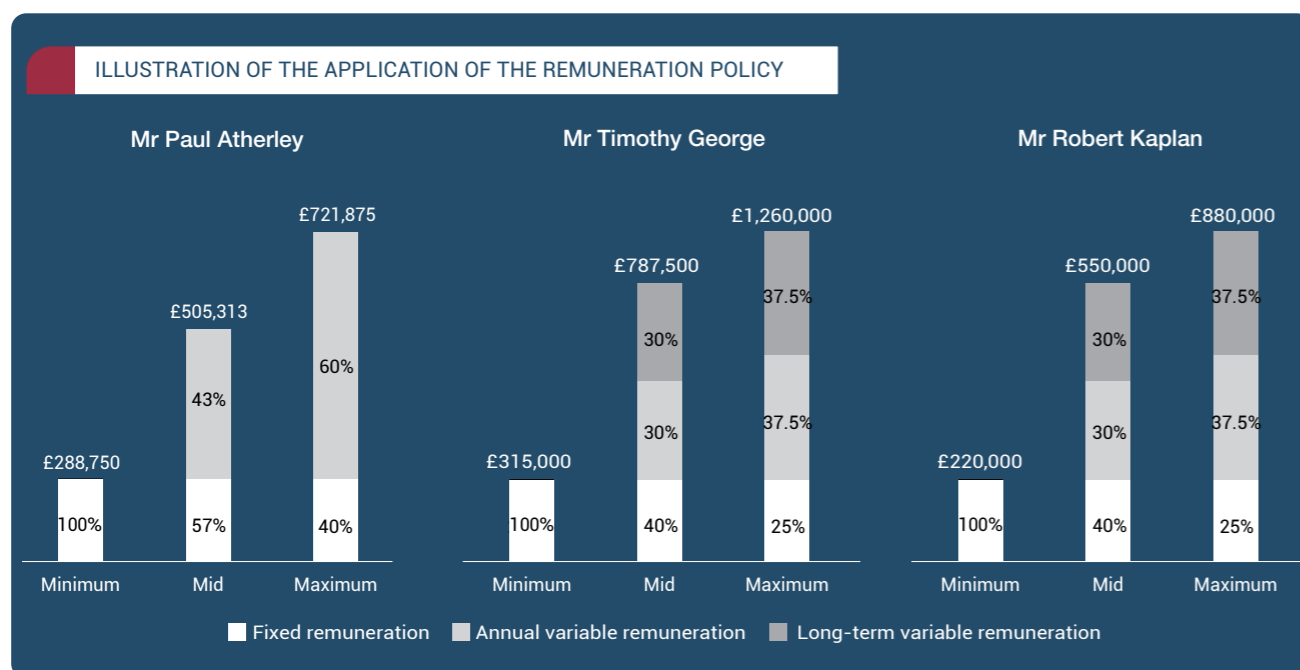
¹ The options and rights represent the legacy shares that vested during the year. No performance shares vested during the year.

² Appointed on 29 September 2021.

³ Resigned on 29 September 2021.

⁴ Served as executive chairman since 1 July 2021.

⁵ Appointed as an executive director on 31 March 2022.



The charts above have been compiled using the following assumptions:

Fixed remuneration	Salary as at 1 July 2023
Variable remuneration	<ul style="list-style-type: none"> Annual bonus: maximum award of 150% of base salary; and LTI plan: maximum award of 150% of base salary.

PERFORMANCE SCENARIOS

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

ADDITIONAL NOTES TO THE TOTAL REMUNERATION TABLE

For FY2024, the committee has determined that the base salaries (per annum) for the executive directors should be as set out below.

	Base salary from 1 July 2022 £	Base salary from 1 July 2023 £
Executive directors		
T George	315,000	315,000
P Atherley ¹	288,750	288,750
R Kaplan ²	220,000	220,000

¹ Served as executive chairman, effective 1 July 2021.

² Appointed as an executive director on 31 March 2022.

SHARE-BASED PAYMENTS

Performance rights

2023

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

2022

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

Share-based options

2023

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

2022

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

Share-based option holdings of key management personnel as at 30 June 2023

Name	Balance as at 1 July 2022 Number	Granted Number	Vested in shares Number ¹	Balance as at 30 June 2023 (beneficial interest) Number
T George	833,333	–	(416,667)	416,666
R Kaplan	666,667	–	(333,333)	333,334

¹ Vested, but not issued as at 30 June 2023.

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

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

LTI PLAN SHARE AWARDS

2023

No new awards were granted during 2023.

The company is actively investigating the feasibility of implementing a new share incentive plan that aligns with our company's strategic objectives and new project milestones aligned to the staged development of the projects.

2022

The company established an employee incentive plan and share awards were issued to executive directors and key management personnel during FY2022 for the first time as follows.

These awards are subject to six performance conditions, namely:

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

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

Due to the delay in securing the main financing on the Saltend and Longonjo Projects, certain share incentive performance conditions relating to the FY2022 LTI share plan awards have not been met or are unlikely to be met. These specifically related to financing of the Longonjo Project (12.5% of award), financing of the Saltend Project (12.5% of award), construction completion of the RESF (12.5% of award) and first production at the RESF (12.5% of award). As a result of the lapsing of these awards, the directors will not receive the shares or related benefits outlined in the original plan agreements. The share-based charges recognised in prior periods relating to these awards were reversed during FY2023.

Share awards issued to executive directors and key management personnel

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

¹ The FY2021 allocation was added to the FY2022 allocation due to the expanded scope around the FEED study and the associated timing delays. As the KPIs could not be finalised, management agreed to defer the allotment and have it included in the FY2022 share award. The value of these shares is estimated at US\$516,395.

Shareholdings of key management personnel in the company

The interests of key management personnel in the shares of the company, held directly or indirectly, as at 30 June 2023 were as follows. The company does not have a minimum requirement or guideline for director shareholdings.

Name	Balance as at 1 July 2022 Number	Received on vesting of performance rights (issued) Number	Received on vesting (not issued) Number	Purchases during the period Number	Balance as at 30 June 2023 Number
P Atherley	13,427,898 ²	–	–	–	13,427,898
J Beeton	–	–	–	–	–
L Northover	–	–	–	–	–
S Sharpe	–	–	–	–	–
A Saxby	–	–	–	–	–
T George	1,250,000	–	416,667 ¹	–	1,250,000
R Kaplan	1,000,000	–	333,333 ¹	–	1,000,000

¹ Vested as at 31 December 2022 but unissued as at 30 June 2023 and therefore excluded from the total balance. Legacy performance rights reclassified during FY2021. Refer to the share-based option holding table on page 67.

² These include historical share purchases prior to the group's listing on the LSE (9,069,861), share purchases on the LSE during FY2021 (500,000) and vested and issued share options of 3,858,037.

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

Name	Balance as at 1 July 2021 Number	Received on vesting of performance rights (issued) Number	Received on vesting of performance rights Number	Purchases during the period Number	Balance as at 30 June 2022 Number
P Atherley	13,427,898	–	–	–	13,427,898
J Beeton	–	–	–	–	–
L Northover	–	–	–	–	–
S Sharpe	–	–	–	–	–
A Saxby	–	–	–	–	–
T George	1,250,000	–	416,667 ¹	–	1,250,000
R Kaplan	1,000,000	–	333,333 ¹	–	1,000,000

¹ Vested as at 31 December 2021 but unissued as at 30 June 2022 and therefore excluded from the total balance. Legacy performance rights reclassified during FY2021. Refer to the share-based option holding table on page 67.

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

Payments to past directors

No payments were made to past directors in the year ended 30 June 2023 (2022: US\$nil).

Payments for loss of office

No payments for loss of office were made in the year ended 30 June 2023 (2022: US\$nil).

THE FOLLOWING SECTION IS UNAUDITED:

Relative importance of spend on pay

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

	2023 US\$	2022 US\$	Change %
Payments to shareholders	–	–	n/a
Group employment costs	1,701,642	5,439,626	(69)

Pay ratios

During FY2023 and FY2022, the company fell below the 250 UK employee limit. As a result thereof, using the two-year rule, the company was exempt from reporting pay ratios for this financial year.

Annual percentage change in single-figure remuneration for the year ended 30 June 2023

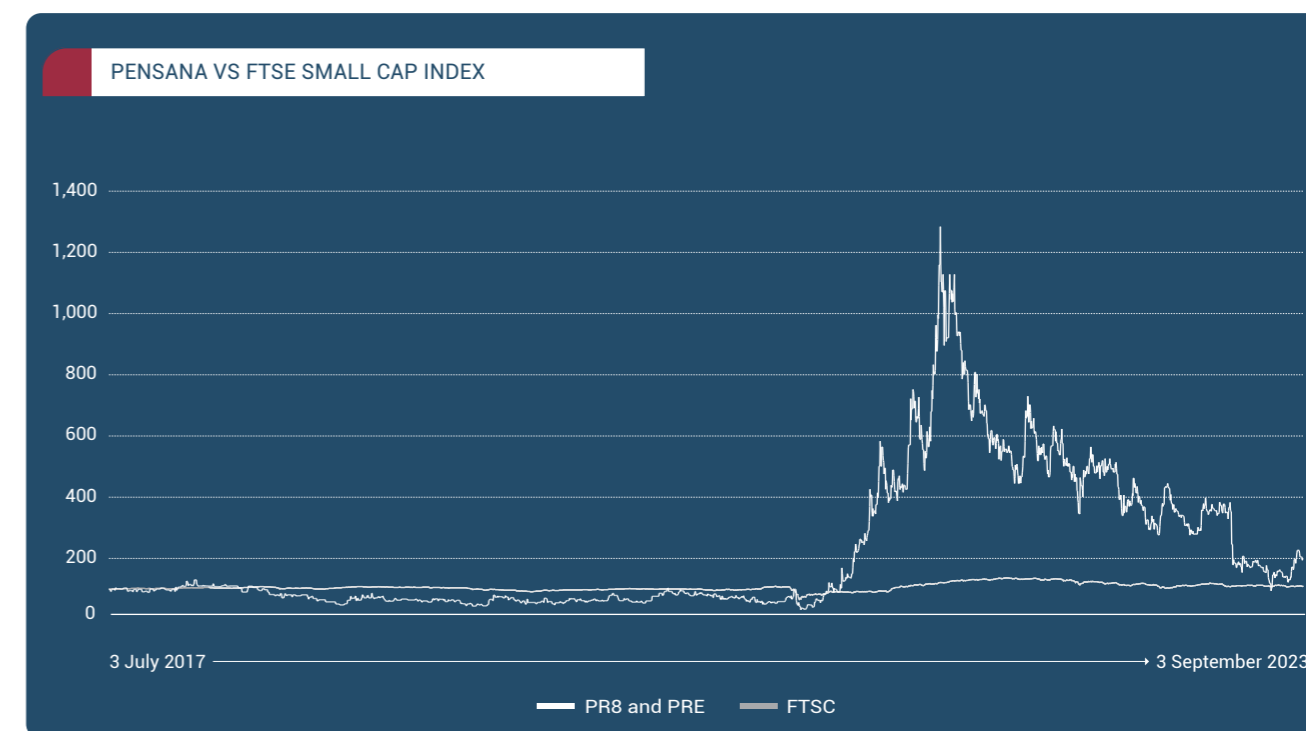
	Year	Salaries and fees US\$	Bonuses ¹ US\$	Other US\$	Benefits US\$	Options and rights US\$	Total US\$	% change year-on-year
Non-executive directors								
S Sharpe ²	2023	159,693	–	–	–	–	159,693	218
	2022	50,183	–	–	–	–	50,183	n/a
S Bates ³	2023	–	–	–	–	–	–	(100)
	2022	16,558	–	–	–	–	16,558	(66)
L Northover	2023	63,275	–	–	–	–	63,275	(4)
	2022	66,232	–	–	–	–	66,232	46
J Beeton	2023	63,275	–	–	–	–	63,275	(4)
	2022	66,232	–	–	–	–	66,232	196
A Saxby	2023	55,893	–	–	–	–	55,893	n/a
	2022	–	–	–	–	–	–	n/a
Executive directors								
P Atherley	2023	348,010	–	–	–	–	348,010	(42)
	2022	364,273	236,778	–	–	–	601,051	n/a
T George	2023	330,975	–	–	–	224,384	555,359	(53)
	2022	364,531	258,303	–	–	558,634	1,181,468	(53)
R Kaplan	2023	265,151	–	–	–	179,507	444,658	106
	2022	62,920	40,898	–	–	111,726	215,544	n/a

¹ Bonus payments are subject to additional conditionality.

² At the request of the board, Mr Sharpe assumed significant additional duties for the period January 2023 to May 2023 relating to the proposed strategic investment by a third party. In compensation for these duties, he received US\$48,209 in addition to the director fee of US\$56,420.

³ Ms Bates resigned on 29 September 2021.

The following graph illustrates the company's performance over the past five years relative to the FTSE Developed Small Cap Index. For purposes of comparison, the share price has been retranslated into a British pound equivalent at the daily AUD/GBP exchange rate for the period that the company was listed on the ASX prior to its listing on the LSE on 6 July 2020. The directors believe this comparison is appropriate as it compares the company to an index comprising small cap stocks below the US\$150 million free float-adjusted market cap.



Consideration by the directors of matters relating to directors' remuneration

The remuneration committee considered executive directors' remuneration and the board considered the non-executive directors' remuneration for the year ended 30 June 2023.

Shareholder voting

At the AGM on 9 December 2021, there was an advisory vote to adopt the remuneration report for the prior period. Of the 71,909,111 proxy votes validly appointed, 71,558,022 (99.51%) voted in favour. Due to 98.88% votes in favour of the policy, the policy is deemed satisfactory from a shareholder perspective.

Refer to **page 44** of the corporate governance report for details of the total number of votes cast, votes for and against, as well as votes withheld during the AGM for each resolution passed.

Service contracts

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

The termination provisions are as follows:

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

Key terms of employment contracts

Contracts for services of key management personnel and relevant executives

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

Mr Paul Atherley – Executive chairman

(effective 1 July 2021)

(previously non-executive chairman – effective 13 May 2018)

Mr Atherley has entered into a letter of appointment with the company in respect of his appointment as executive director/ chairman.

Base terms:

- Letter of appointment as executive director/chairman, agreement effective from 1 July 2021 and has no set term;
- Base remuneration which is a monthly salary and will be reviewed annually (£288,750 per annum); and
- An STI of up to 150% of base salary will be reviewed annually and will be paid on achievement of near-term milestones (KPIs) in accordance with the bonus scorecard for the period in question.

Mr Timothy George – Chief executive officer

(appointed 22 April 2019)

Base terms:

- Base remuneration which is a monthly salary and will be reviewed annually (£315,000 per annum).

Incentive package:

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

Mr Robert Kaplan – Finance director

(effective 31 March 2022)

(previously chief financial officer, appointed 1 January 2020)

Base terms:

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

Incentive package:

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

Non-executive directors

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

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

Payments to past directors

No payments were made to past directors in the year ended 30 June 2023 (2022: nil).

Directors' remuneration policy report

The following section sets out the group's remuneration policy (the policy report). It is intended that this policy report will be put forward to shareholders for approval at the 2023 AGM and will thereafter come into immediate effect following the AGM.

Remuneration principles

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

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

Review process and changes to the policy report

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

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



Humber bridge, Hull, UK

ANNUAL REMUNERATION REPORT continued

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

Salary Purpose and link to strategy	<ul style="list-style-type: none"> To attract and retain executive directors of the calibre required by the business. This is a core element of the remuneration package.
Operation	<ul style="list-style-type: none"> The base salaries for executive directors are determined by the committee taking into account a range of factors including: <ul style="list-style-type: none"> the scope of the role; the individual's performance and experience; and positioning against comparable roles in other mining companies of similar size and complexity. Base salaries are normally reviewed annually with changes effective from the start of the financial year on 1 July.
Maximum opportunity	<ul style="list-style-type: none"> In determining salary increases, the committee is mindful of general economic conditions and salary increases for the broader company employee population. More significant increases may be made at the discretion of the committee in certain circumstances, including (but not limited to): <ul style="list-style-type: none"> where an individual's scope of responsibilities has increased; where, in the case of a new executive director who is positioned initially on a lower starting salary, an individual has gained appropriate experience in the role; and where the positioning is out of step with salaries for comparable roles in the market.
Benefits Purpose and link to strategy	To provide market-competitive benefits.
Operation	<ul style="list-style-type: none"> The benefit policy is to provide an appropriate level of benefit for the role taking into account relevant market practice. Under the current arrangements, executive directors do not receive any benefits, however, consideration is being given to: <ul style="list-style-type: none"> a benefits allowance of 10% of salary in respect of both benefits and pension; and group life, disability and critical illness insurance. The committee retains the discretion to provide reasonable additional benefits based on individual circumstances (for example, travel allowance and relocation expenses for new hires or pension arrangements).
Maximum opportunity	The benefit provision will be set at an appropriate level taking into account the cost to the company and the individual's circumstances.
Annual bonus Purpose and link to strategy	To motivate and reward performance measured against annual key financial and operational strategic goals of the company, which reflect critical factors of success.
Operation	Short-term annual incentive based on performance during the financial year. Awards will be subject to malus and clawback provisions.
Maximum opportunity	Maximum award of up to 150% of base salary.
Performance measures	<ul style="list-style-type: none"> The amount of bonus earned is based on performance against financial, operational, strategic and personal measures. The committee reviews the performance measures annually and sets targets to ensure that they are linked to corporate priorities and are appropriately stretching in the context of the business plan. Prior to determining bonus outcomes, the committee considers performance in the round to ensure that actual bonuses are appropriate. The committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants.
LTI plan Purpose and link to strategy	<ul style="list-style-type: none"> To motivate and reward for the delivery of long-term objectives in line with the business strategy. To create alignment with the shareholder experience and motivate long-term objectives.

Operation	<ul style="list-style-type: none"> Awards of conditional shares (or equivalent) which would normally vest based on performance over a period of three years. Awards granted from FY2021 will be subject to a post-vesting holding period. Awards may accrue dividend equivalents. Awards will be subject to malus and clawback provisions.
Maximum opportunity	Maximum award of up to 200% of salary and a normal award of 150% of salary.
Performance measures	<ul style="list-style-type: none"> Vesting is normally based on performance against financial, operational and strategic measures. The committee determines targets each year to ensure that targets are stretching and represent value creation for shareholders, while remaining motivational for management. The committee retains the discretion to amend the formulaic outcome if considered appropriate and to ensure fairness to both shareholders and participants. The committee has additional discretion to make downward adjustments in the event that a significant increase in the share price leads to potentially excessive rewards.
Shareholding guidelines	It is the company's policy that each of the executive directors holds a meaningful number of Pensana shares. The guideline is to build and maintain a minimum of two years' basic salary for the applicable director. Newly appointed executive directors will normally have five years from the date of appointment to reach this guideline.
Malus and clawback provisions	<p>In line with best practice, the vesting of LTI awards is subject to malus and clawback provisions. The malus provision enables the committee to exercise discretion to reduce, cancel or impose further conditions on an award prior to vesting or exercise (as the case may be). The clawback provision enables the committee to require participants to return some or all of an award after payment or vesting. Both provisions may be applied in circumstances including:</p> <ul style="list-style-type: none"> a serious misstatement of the company's audited results; gross misconduct; payments based on erroneous data; or a serious failure of risk management.

For and on behalf of the board:



Steven Sharpe
Chairman of the remuneration committee

30 October 2023

ANNUAL FINANCIAL STATEMENTS

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DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with United Kingdom (UK)-adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the consolidated financial statements and have elected to prepare the company financial statements in accordance with UK-adopted international accounting standards. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and for ensuring that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

WEBSITE PUBLICATION

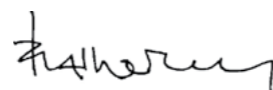
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may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

DIRECTORS' RESPONSIBILITIES PURSUANT TO DISCLOSURE GUIDANCE AND TRANSPARENCY RULES REQUIREMENTS 4

The directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with the UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the group and company, together with a description of the principal risks and uncertainties that they face.

This responsibility statement and the directors' report were approved by the board of directors on 30 October 2023 and are signed on its behalf by:



Paul Atherley
Executive chairman

DIRECTORS' REPORT

The directors of Pensana Plc (the company) submit herewith the annual financial report of Pensana Plc (consolidated entity) for the year ended 30 June 2023.

DIRECTORS AND DIRECTORS' DETAILS

The names and particulars of the directors of the company during or since the end of the financial year are stipulated on **pages 6 to 8**.

DIVIDENDS

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

FINANCIAL INSTRUMENTS

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

PRICE RISK, CREDIT RISK, LIQUIDITY RISK AND CASH FLOW RISK

The principal risks and uncertainties section on **pages 29 to 35** sets out the company's exposure and mitigation relating to price risk, credit risk, liquidity risk and cash flow risk.

POLITICAL CONTRIBUTIONS AND CHARITABLE DONATIONS

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

RESEARCH AND DEVELOPMENT (R&D)

During the year, Pensana continued R&D efforts in relation to the optimisation of production of high-purity rare earth products from Longonjo and Saltend.

BRANCHES OUTSIDE OF THE UK

The company has no branches outside the UK.

ACQUISITION OF OWN SHARES

The company did not acquire any of its own shares during the financial year ended 30 June 2023.

EMPLOYEE ENGAGEMENT

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

BUSINESS RELATIONSHIPS

Details of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others and the effect of that regard, including on the principal decisions taken by the company during the financial year, are included in the section 172 statement contained within the strategic report.

FUTURE DEVELOPMENTS

In addition to the mine development at Longonjo, the directors intend to continue to explore and develop the company's existing projects with key focus on the exploration project at Coola and ongoing consideration of moving further downstream into metal/alloy production.

BOARD APPOINTMENTS

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

BOARD DIVERSITY DISCLOSURE¹

As of 30 June 2023, Pensana assessed its board diversity in accordance with the requirements outlined in the UK corporate governance code. The following are the results of our evaluation:

Gender diversity

At the chosen reference date, Pensana's board of directors consisted of seven individuals, of which two were women. This represents 29% of the total board composition, under the minimum recommended requirement of at least 40% of individuals on the board being women. Pensana has therefore not met this target.

¹ Human resources records were used as the method of collecting data.

Senior positions held by women

As of the chosen reference date, Pensana's board of directors includes the following senior positions:

- Executive chairman: Mr Paul Atherley
- Chief executive officer: Mr Timothy George
- Finance director: Mr Robert Kaplan
- Independent non-executive director: Baroness Lindsey Northover
- Independent non-executive director: Dr Jeremy Beeton
- Independent non-executive director: Ms Alison Saxby
- Independent non-executive director: Mr Steven Sharpe

Of these positions, two are held by women, indicating that Pensana has met the requirement of having at least one of the specified senior positions on its board held by a woman.

Minority ethnic background

As of the chosen reference date, Pensana's board of directors includes no individuals from minority ethnic backgrounds, and has therefore not met the requirement of having at least one person from a minority ethnic background on the board.

Non-met targets and reasons

Pensana is committed to promoting diversity and inclusion at all levels of the organisation. However, we regret to report that we have not met the diversity targets in this reporting period as stated above.

With Pensana focusing on establishing an independent supply chain of rare earths, the processes with regard to adherence to diversity targets, recruitment and succession planning with the board of directors are in the process of being formalised. We recognise the importance of addressing these gaps and are actively implementing measures to improve board diversity. As part of the envisaged independent board evaluation planned for FY2024, the board composition and diversity will be evaluated and an action plan will be put together to address board diversity including recruitment strategies.

Pensana remains committed to achieving greater diversity and inclusivity within our board and will provide regular updates on our progress in future reports. By making these disclosures, Pensana demonstrates its commitment to transparency and accountability regarding board diversity, as required by UK company disclosure requirements.

POST BALANCE SHEET EVENTS

On 27 June 2023 Fundo Soberano de Angola (FSDEA) provided a US\$15million loan facility (subject to due diligence and the finalisation of investment terms) to the group as part of a broader US\$80 million investment to facilitate the development of the Longonjo Project. The loan facility was formally executed on 7 August 2023.

HEALTH AND SAFETY POLICY

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

ENVIRONMENT POLICY

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

ANTI-SLAVERY AND HUMAN TRAFFICKING

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

ANNUAL GENERAL MEETING

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

AUDITOR

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

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

As at the date of this report, the serving directors confirm that:

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

As at the date of this report, there are 750,000 unissued shares or interests under option (30 June 2022: 1,500,000).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

During the financial year, the company paid a premium of US\$21,968 in respect of a contract insuring the directors of the company, the company secretary and all executive officers of the company and any related body corporate against a liability incurred by such a director, secretary or executive officer. The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the company or of any related body corporate against a liability incurred by an officer.

DIRECTORS' COMMITTEES

The following sets out the composition of the directors' committees.

Audit and risk committee

- P Atherley¹
- L Northover
- S Sharpe
- A Saxby²

¹ Resigned from the audit and risk committee on 9 December 2022.

² Appointed on 17 August 2022.

DIRECTORS' MEETINGS

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

	Board meetings		Audit and risk committee		Remuneration committee		Nomination committee		ESG committee	
	Number eligible to attend	Attended	Number eligible to attend	Attended	Number eligible to attend	Attended	Number eligible to attend	Attended	Number eligible to attend	Attended
P Atherley ¹	10	10	1	1	–	–	–	–	–	–
T George	10	10	–	–	–	–	–	–	3	3
J Beeton	10	10	–	–	3	3	3	3	–	–
L Northover	10	10	3	3	3	3	3	3	3	3
S Sharpe ²	10	10	3	3	3	3	3	3	2	2
R Kaplan	10	10	–	–	–	–	–	–	–	–
A Saxby ³	9	9	2	2	3	3	3	3	2	2

¹ Resigned from the audit and risk committee on 9 December 2022.

² Resigned from the ESG committee on 9 December 2022.

³ Appointed on 17 August 2022.

Remuneration committee

- J Beeton
- L Northover
- S Sharpe
- A Saxby¹

¹ Appointed on 17 August 2022.

Nomination committee

- J Beeton
- L Northover
- S Sharpe
- A Saxby¹

¹ Appointed on 17 August 2022.

ESG committee

- T George
- L Northover
- S Sharpe¹
- A Saxby²

¹ Resigned from the ESG committee on 9 December 2022.

² Appointed on 17 August 2022.

DIRECTORS' INTERESTS IN THE COMPANY

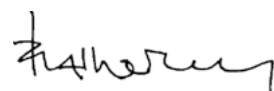
The following table sets out each director's relevant interest in fully paid ordinary shares, performance rights and options in the company at the date of this report:

Directors	Fully paid ordinary shares	Share plan awards ¹	Share option awards
P Atherley	14,444,116	–	–
T George	1,250,000	708,333	1,250,000
R Kaplan	1,000,000	487,500	1,000,000
J Beeton	–	–	–
L Northover	–	–	–
A Saxby	–	–	–
S Sharpe	–	–	–

¹ FY2022 long-term incentive (LTI) share awards.

Refer to the share awards issued table and to the shareholdings table on **page 68** for more details.

Approval by and signature on behalf of the board:



Paul Atherley
Executive chairman

30 October 2023

AUDIT AND RISK COMMITTEE REPORT

Dear shareholder,

As the chairman of the committee, I am pleased to have this opportunity to summarise some of the key developments during the year, as well as our ongoing responsibilities and objectives.

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

FINANCIAL REPORTING

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

GOING CONCERN

In line with the board's strategy to maintain momentum on both the Longonjo and Saltend Projects, regular meetings were held by the committee with management throughout the period so as to assess the technical teams' progress during the potential strategic equity investor due diligence process through December 2022 to March 2023, finalisation of front-end engineering and design and the subsequent re-engineered staged development approach at Longonjo, in preparation for early-stage project development and the need for financing.

The two most recent equity raises in January 2023 and April/May 2023, coupled with the US\$15 million loan facility from FSDEA (ring-fenced to Longonjo) ensured the ability to progress the re-engineered Longonjo Project workstreams, continuation of on-site early works and the conclusion of key design workstreams at Saltend.

The directors have prepared a cash flow forecast for the period ending 31 March 2025.

On the Saltend Project, the UK Department for Business and Trade (UK DBT) has offered Pensana a conditional grant of up to £4,000,000 towards the funding which is anticipated to be received in Q4 FY2024 and forms part of the forecast.

In Angola, the group has secured a US\$15 million loan facility secured over the indirect shareholding in the group's Angolan subsidiary which matures in February 2024 from FSDEA which is available to meet operating cash flow requirements and progress the Longonjo Project in the near term.

The forecast indicates that funding is required to settle existing project-related contractor balances in the UK and to also provide working capital. Continuing support of these contractors will be required until the group has secured this required funding and then remain as the group subsequently moves towards main financing in the normal course of project development.

The board notes that, in addition to the funding requirement for the UK operations, additional funding will also be required during the period to maintain liquidity in the event that the grant funding is delayed or the conditions are not met. Additionally, the group would need to refinance the FSDEA facility in the event the main financing is not complete by the maturity date of the FSDEA loan. Given the support provided by the Angolan government for the Longonjo Project, the directors anticipate such a refinancing being made available to the group.

As disclosed in **note 3** to the financial statements, a material uncertainty in respect of going concern is considered to exist and the committee evaluated this conclusion and disclosures.

The committee reviewed the cash flow forecasts and strategic plans covering among others offtake, financing, strategic collaborations and exploration prepared by management, including the assumptions made. Having considered the cash flow forecast, risks and sensitivity analysis, the committee was satisfied with management's forecast and judgement that the going concern basis of preparation remained appropriate.

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

IMPAIRMENT ASSESSMENT OF LONGONJO AND SALTEND

Judgement was exercised in assessing the extent to which impairment existed as at 30 June 2023 in respect of the Longonjo and Saltend Projects. In forming this assessment, internal and external factors were evaluated, including those that applied last year. Management determined that no impairment existed having considered the company's market capitalisation relative to the group's net asset value, the progression of the Longonjo and Saltend Projects and the financial life of mine plan, feasibility study equivalent assessments and the associated Ore Reserve Statement and the competent person's report covering the Longonjo and Saltend Projects. The underlying financial life of mine plan involves estimates regarding commodity prices, production and reserves, operating costs and capital development together with discount rates and demonstrates significant headroom.

Based on management's assessment, we are satisfied that no impairment was required. As the committee, we reviewed and evaluated both the internal and external factors, considered the broader rare earth market and the disclosures in the financial statements and ensured that the critical judgements associated with the impairment assessment, required under International Financial Reporting Standards (IFRS), were incorporated.

AUDIT AND RISK COMMITTEE REPORT continued

for the financial year ended 30 June 2023

AUDIT TENDERING AND AUDIT EFFECTIVENESS

BDO was first appointed as the external auditor of the group in 2020, when a formal tender was conducted to appoint the new external auditor. Mr Ryan Ferguson has been the BDO lead partner since 2020. Another audit tender must be concluded on or before the 2025 audit and the audit and risk committee will continue to review the appropriate timing of such tender.

In accordance with the guidance set out in the Financial Reporting Council's 'Practice Aid for audit committees', the assessment of the external audit has not been a separate compliance exercise, or an annual once-off exercise, but rather it has formed an integral part of the audit and risk committee's activities. This has allowed the audit and risk committee to form its own view on audit quality and on the effectiveness of the external audit process, based on the evidence it has obtained during the year.

TERMS OF REFERENCE

The committee's terms of reference have been approved by the board and follow published guidelines which are available from the company secretary. The audit and risk committee currently comprises three directors: Mr Steven Sharpe (chairman) (senior independent non-executive director), Baroness Lindsay Northover (senior independent non-executive director) and Ms Alison Saxby.

The qualifications of the audit and risk committee members are summarised as follows:

- Mr Steven Sharpe – BA(Hons);
- Baroness Lindsay Northover – D(Phil); and
- Ms Alison Saxby – BEng(Hons).

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

- review the scope of the external audit, to receive regular reports from the auditor and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgement and estimation;
- monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
- assess key risks and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the group's risk management control and processes;
- act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;
- consider each year the need for an internal audit function;
- advise the board on the appointment of the external auditor and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
- participate in the selection of a new external auditor and agree the appointment when required;
- undertake a formal assessment of the auditor's independence each year which includes:

- pre-approval and a review of non-audit services provided to the group and related fees;
- discussion with the auditor of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
- a review of the auditor's own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
- obtaining written confirmation from the auditor that, in their professional judgement, they are independent.

MEETINGS

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

	Audit and risk committee	
	Number eligible to attend	Attended
P Atherley ¹	1	1
L Northover	3	3
S Sharpe	3	3
A Saxby ²	2	2

¹ Resigned from the audit and risk committee on 9 December 2022.

² Appointed on 17 August 2022.

During the past year, the committee:

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

EXTERNAL AUDITOR

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



Steven Sharpe

Chairman of the audit and risk committee

30 October 2023

INDEPENDENT AUDITOR'S REPORT

to the members of Pensana Plc

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pensana Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

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

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by The Directors on 21 February 2020 to audit the financial statements for the year ended 30 June 2020 and subsequent financial periods.

The period of total uninterrupted engagement including retenders and reappointments is 4 years, covering the years 30 June 2020 to 30 June 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Material uncertainty related to going concern

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

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

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- obtaining the Board's paper and associated cash flow forecasts in respect of the Directors' assessment of going concern and challenging the key underlying judgments and assumptions. In doing so we compared forecast operating and capital expenditures to recent actuals and approved budgets and evaluated the extent to which forecast cash receipts are committed. We evaluated the licence obligations and commitments to confirm that they had been appropriately included in the forecast;
- reviewing the FSDEA loan agreement and confirming the terms of the agreement are appropriately reflected in the forecasts;

INDEPENDENT AUDITOR'S REPORT continued

to the members of Pensana Plc

- obtaining an analysis of current cash balances and creditor positions and agreeing a sample to underlying bank statements and accounts payable ledgers, while confirming the extent to which restrictions exist on the use of liquid funds across different group entities. Given the dependence on continued support by suppliers, we obtained written representations by internal legal counsel and the Board confirming that no legal proceedings had been initiated against the Group and obtained correspondence with key suppliers to search for contradictory evidence;
- obtaining the Board's written assessment regarding the status of planned fundraising and evaluating the Board's analysis of requirements to be completed and assessment of risks and uncertainties regarding a successful fundraise;
- making inquiries of the Directors regarding potential funding options related to the wider Longonjo and Saltend projects, inspecting correspondence with potential investors and proposals, and obtaining written representation regarding discussions held with potential investors and the Board's conclusion that funds can be accessed to meet the Group's

liquidity requirements under the forecasts and reasonable sensitivity scenarios;

- evaluating sensitivity analysis and stress tests on the forecasts;
- discussing any potential risks to going concern with the Directors and the Audit and Risk Committee including their assessment of risks and uncertainties associated with the development of the operations in both Angola and the UK. This included challenging the basis of delays to date in securing the project funding. We formed our own assessment of risks and uncertainties based on our understanding of the business and the mining sector; and
- reviewing the financial statement disclosures regarding going concern to satisfy ourselves that the disclosures are appropriate and consistent with the Directors' going concern assessment.

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

OVERVIEW

Coverage	85% (2022: 98%) of Group loss before tax 94% (2022: 89%) of Group total assets		
Key audit matters (Elevated Risks)		2023	2022
	1. Material uncertainty related to going concern	Yes	Yes
	2. Carrying value of the Longonjo development asset	Yes	Yes
	3. Carrying value of the Saltend Project	Yes	Yes
Materiality	Group financial statements as a whole US\$720k (2022:US\$430k) based on 1% (2022: 1%) of total assets.		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

Pensana Plc is a Company registered in the UK and listed on the Standard Segment of the London Stock Exchange in the UK. The Group's principal operations are located in Angola and the UK. In approaching the audit we considered how the Group is organised and managed. We assessed the business as being principally two projects comprising the Longonjo development project and the Saltend development project.

Our Group audit scope focused on the Group's significant components which comprised the Angolan operating subsidiary, the Australian operating subsidiary and the UK parent company. The significant components were subject to full scope audits conducted by the group engagement team using a team with experience of auditing in the mining industry, in Africa and with publicly listed entities. The remaining non-significant components were principally subject to analytical review procedures, performed by the Group engagement team, with specific procedures performed on any significant balances impacting the Group results.

CLIMATE CHANGE

Our work on the assessment of potential impacts of climate-related risks on the Company's operations and financial statements included:

- Making enquiries of Management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Performing a qualitative risk assessment which took into consideration the sector in which the Group operates and how climate change affects this particular sector;
- Reviewing climate-related disclosures in the Annual Report for consistency with disclosures made in the financial statements;
- Completing a TCFD disclosure review in respect of governance, strategy, risk management, metrics and targets and comparing this to FCA reporting guidance for listed entities; and
- Reviewing minutes of Board and Audit & Risk Committee meetings and other papers related to climate change and performing a risk assessment as to how the Group's commitments may impact the Group's financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in Management's going concern assessment.

We also assessed the consistency of Managements disclosures included as Environmental, social and governance report on **page 45** with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Pensana Plc

KEY AUDIT MATTERS

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

In addition to the matter described in the "material uncertainty related to going concern" section above, we have determined the matters below to be key audit matters to be communicated in our report.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of the Longonjo development asset.</p> <p>At 30 June 2023, the Group held a development asset on the consolidated statement of financial position as detailed in note 12, totalling US\$41.1 million relating to the Longonjo Project.</p> <p>See note 3 and note 4 for details of the accounting policy and critical accounting estimate and judgments relating to this key audit matter</p> <p>As detailed in note 4, there are judgements and inherent uncertainties around the recoverability of development assets. Management and the Board are required to assess whether there are any potential impairment indicators which would indicate that the carrying value of the asset at 30 June 2023 may not be recoverable. Management are required to include appropriate disclosure in the financial statements, specifically in relation to key estimates and judgements.</p> <p>Given the materiality of the development asset in the context of the Group's statement of financial position and the judgements involved by management in making the assessment of whether any indicators of impairment exist, we considered this to be a focus area for our audit and a key audit matter.</p>	<p>We evaluated Management's impairment indicator assessment against the requirements of IAS 36 <i>Impairment of Assets</i> and performed our own assessment to determine whether there were any indicators of impairment. In doing so, we:</p> <ul style="list-style-type: none"> Reviewed the licences to confirm the Group held legal title to the Longonjo Project and evaluated legal advice obtained by the Group; We considered publicly available information and other information obtained during the course of our work and assessed whether there were any other potential indicators of impairment that had not been identified by Management; Reviewed the license commitments and the entity's compliance with these commitments; Compared the Group's market capitalisation to its net asset value to confirm a premium existed; Reviewed reports in respect of development activity in the year and public announcements regarding future development proposals to assess whether there was any evidence from activity to date which would indicate a potential impairment; Obtained and reviewed Board approved budgets, made inquiries of Management and inspected minutes of Board meetings to confirm that further development expenditure was planned for the assets; Made inquiries regarding the unsuccessful strategic investment by a third party in the year to evaluate the background and confirm that it did not impact on the underlying feasibility of the project; Obtained and reviewed the Life of Mine plan to evaluate the level of headroom demonstrated by the financial model for the Longonjo Project to confirm it represented a significant premium to the carrying value. We performed sensitivity analysis for key assumptions, including pricing, to identify indicators of potential impairment; Obtained and reviewed the Ore Reserve Estimate prepared by an external Competent Person and confirmed its consistency with the Life of Mine plan in respect of applicable inputs; and Assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of the relevant accounting standards. <p>Key observations</p> <p>We found Management's conclusion that there are no impairment indicators at 30 June 2023 relating to the development asset to be acceptable and appropriately disclosed.</p>

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of the Saltend Project.</p> <p>See note 3 and note 4 for details of the accounting policy and critical accounting estimate and judgments relating to this key audit matter</p>	<p>At 30 June 2023, the Group held an asset under construction on the statement of financial position as detailed in note 12, totalling \$4.3m and intangibles of \$13.6m relating to the Saltend Project.</p> <p>As detailed in note 4, there are judgements and inherent uncertainties around the recoverability of assets under construction and intangibles. Management and the Board are required to evaluate the assets for potential impairment. Management are required to include appropriate disclosures in the financial statements, specifically in relation to key estimates and judgements.</p> <p>Given the materiality of the asset under construction and intangible assets in the context of the Group's statement of financial position and the judgements involved by management in making the assessment of evaluating whether potential impairment exists, we considered this to be a focus area for our audit and a key audit matter.</p>

We evaluated Management's impairment assessment against the requirements of IAS 36 *Impairment of Assets* and performed our own assessment to determine whether impairment was required. In doing so, we:

- Reviewed the planning permission to confirm the Group held permission to develop the Saltend site and evaluated the status of the Agreement for Lease in relation to the site;
- Considered publicly available information and other information obtained during the course of our work and assessed whether relevant information had been considered in the impairment assessment;
- Obtained and reviewed Management's strategic financial model and evaluated the headroom indicated by the forecasts. We also performed sensitivity analysis for key assumptions, including pricing;
- Obtained Board approved budgets, made inquiries of Management and inspected minutes of Board meetings to confirm that further expenditure was planned for the Saltend site;
- Considered the market capitalisation of the Parent Company to confirm it represented a premium to net asset value; and
- We assessed the appropriateness of the disclosures included in the financial statements with regards to the requirements of relevant accounting standards.

Key observations

We found Management's conclusion that there are no impairment at 30 June 2023 relating to the asset under construction and intangibles to be acceptable and appropriately disclosed.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Pensana Plc

OUR APPLICATION OF MATERIALITY

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

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

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

	Group financial statements		Parent company financial statements	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
Materiality	US\$720,000	US\$430,000	US\$410,000	US\$320,000
Basis for determining materiality	1% of total assets	1% of total assets	1.5% of total assets (excluding inter-company)	0.5% of total assets
Rationale for the benchmark applied	Materiality has been based on total assets as the Group (excluding inter-company) and the Parent Company are in the development phase of their operations and are not generating revenue or making profits. We consider total assets to be one of the principal considerations for users of the financial statements. Parent company materiality was revised from 0.5% of total assets to 1.5% of total assets (excluding inter-company) given the increased development activity in the UK component while ensuring the materiality remained below Group materiality.			
Performance materiality	US\$470,000	US\$280,000	US\$267,000	US\$208,000
Basis for determining performance materiality	65% (2022: 65%) of materiality considering factors such as the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's internal controls and Management's attitude towards proposed adjustments.		65% (2022: 65%) of materiality considering factors such as the expected total value of known and likely misstatements (based on past experience), our knowledge of the Parent Company's internal controls and Management's attitude towards proposed adjustments.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 25% and 60% (2022: 30% and 55%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from \$180,000 to \$430,000 (2022: \$132,000 to \$240,000). In the audit of each component, we further applied performance materiality levels of 65% (2022: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$14,600 (2022: \$7,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 2023 Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

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

Strategic report and directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT continued

to the members of Pensana Plc

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Inquiries of Management and those charged with governance, including the Audit and Risk Committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be UK-adopted international accounting standards, the Listing Rules of the Financial Conduct Authority, the Companies Act 2006, tax legislation in the UK, Australia and Angola, mining legislation, environmental legislation and the QCA corporate governance code.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation, employment laws and the UK Bribery Act 2010.

Our procedures in respect of the above included:

- Reviewing minutes of meetings of those charged with governance and holding discussions with Management regarding their knowledge of any known or suspected instances of fraud;
- Involvement of tax specialists to support our planning phase risk assessment and involvement of tax specialists in relation to R&D credits;
- Reviewing correspondence with regulatory and tax authorities, where applicable, for any instances of non-compliance with laws and regulations; and
- Enquiring with management and those charged with governance if there are aware of any actual or suspected non-compliance with laws and regulations.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Reviewing minutes of meetings of those charged with governance and holding discussions with Management regarding their knowledge of any known or suspected instances of fraud;
- Obtaining an understanding of the Group's internal controls and how they detect, prevent, and mitigate risks related to fraud;
- Discussing amongst the engagement team how and where fraud might occur in the financial statements; and
- Involving our specialist forensics audit support team to support the engagement team in the assessment of potential fraud risks.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls via posting inappropriate journal entries and management bias regarding key accounting estimates and judgments.

Our procedures in respect of the above included:

- Testing the appropriateness of journal entries made throughout the year which met specific risk-based criteria to supporting documentation;
- Evaluating cash calls provided to the Angolan operating subsidiary for unusual characteristics;
- Selecting certain immaterial accounts for tests of detail to introduce unpredictability in to our audit;
- Assessing the judgements made by Management when making key accounting estimates and judgements, and challenging Management on the appropriateness of these estimates and judgements, specifically around key audit matters as discussed above;
- Performing detailed reviews of the Group's year end adjusting entries and investigating any that appear unusual as to their nature or amount to supporting documentation; and
- Performing a detailed review of the Group's consolidation entries and investigating any that appear unusual with regards to their nature or amount to corroborative evidence.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

USE OF OUR REPORT

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



Ryan Ferguson
Senior statutory auditor

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom
30 October 2023

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2023

	Note	30 June 2023 US\$	Restated ¹ 30 June 2022 US\$
Administration expenses	7	(5,375,576)	(8,787,109)
Impairment of financial assets	10	(308,260)	(669,470)
Foreign currency exchange gain/(loss)		1,381,041	(2,255,471)
Loss from operations		(4,302,795)	(11,712,050)
Finance income		–	28
Finance costs		(28)	–
Loss before income tax		(4,302,823)	(11,712,022)
Income tax	8	–	–
Total loss for the year		(4,302,823)	(11,712,022)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation ²		(886,297)	265,581
Total comprehensive loss for the year		(5,189,120)	(11,446,441)
Net loss for the period is attributable to:			
Owners of Pensana Plc		(4,302,823)	(11,712,022)
Total comprehensive loss is attributable to:			
Owners of Pensana Plc		(5,189,120)	(11,446,441)
Loss per share attributable to owners of Pensana Plc			
Basic (cents per share)	16	(1.69)	(5.11)
Diluted (cents per share)	16	(1.69)	(5.11)

¹ Refer to **note 5** for details of the restatement of prior year results.

² Exchange differences arising on translation of foreign operations will be reclassified to profit or loss if specific future conditions are met.

Notes to the financial statements are included on **pages 99 to 129**.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

	Note	30 June 2023 US\$	Restated ¹ 30 June 2022 US\$	1 July 2021 US\$
ASSETS				
Non-current assets				
Property, plant and equipment	12	45,594,650	31,277,770	18,507,768
Intangible assets	11	13,820,318	5,417,432	132,040
Total non-current assets		59,414,968	36,695,202	18,639,808
Current assets				
Cash and cash equivalents	9	9,695,491	2,930,162	16,787,591
Trade and other receivables	10	2,515,234	2,400,011	5,370,007
Total current assets		12,210,725	5,330,173	22,157,598
Total assets		71,625,693	42,025,375	40,797,406
LIABILITIES				
Current liabilities				
Trade and other payables	13	14,865,091	3,646,386	4,628,772
Total current liabilities		14,865,091	3,646,386	4,628,772
Total liabilities		14,865,091	3,646,386	4,628,772
Net assets		56,760,602	38,378,989	36,168,634
Equity				
Issued capital	14	356,898	295,425	279,398
Share premium	15	70,826,007	47,043,782	34,195,957
Reserves	15	46,522,193	47,681,455	51,534,520
Accumulated losses	15	(60,944,496)	(56,641,673)	(49,841,241)
Total equity		56,760,602	38,378,989	39,168,634

¹ Refer to **note 5** for details of the restatement of prior year results.

The notes on **pages 99 to 129** form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 30 October 2023 and are signed on its behalf by:



Steven Sharpe
Chairman of the audit and risk committee

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2023

	Fully paid ordinary shares US\$	Share premium US\$	Accumulated losses US\$	Merger reserve US\$	Foreign currency reserve US\$	Share-based payments reserve US\$	Equity reserve US\$	Total US\$
Balance as at 1 July 2021	279,398	34,195,957	(49,841,241)	45,748,045	422,678	5,863,797	(500,000)	36,168,634
Loss for the year (as restated) ¹	–	–	(11,712,022)	–	–	–	–	(11,712,022)
Other comprehensive income (as restated) ¹	–	–	–	–	265,581	–	–	265,581
Total comprehensive loss for the year (as restated) ¹	–	–	(11,712,022)	–	265,581	–	–	(11,446,441)
Vesting and lapses of historical performance rights and options	–	–	4,911,590	–	–	(4,911,590)	–	–
Issue of shares (note 14)	15,012	13,176,014	–	–	–	–	–	13,191,026
Capital raising costs	–	(410,887)	–	–	–	–	–	(410,887)
Issue of shares – conversion of performance rights (note 14)	1,015	82,698	–	–	–	(83,713)	–	–
Share-based payments	–	–	–	–	–	876,657	–	876,657
Balance as at 30 June 2022	295,425	47,043,782	(56,641,673)	45,748,045	688,259	1,745,151	(500,000)	38,378,989
Balance as at 1 July 2022	295,425	47,043,782	(56,641,673)	45,748,045	688,259	1,745,151	(500,000)	38,378,989
Loss for the year	–	–	(4,302,823)	–	–	–	–	(4,302,823)
Other comprehensive income	–	–	–	–	(886,297)	–	–	(886,297)
Total comprehensive loss for the year	–	–	(4,302,823)	–	(886,297)	–	–	(5,189,120)
Issue of shares (note 14)	61,473	24,143,839	–	–	–	–	–	24,205,312
Capital raising costs	–	(361,614)	–	–	–	–	–	(361,614)
Share-based payments	–	–	–	–	–	(272,965)	–	(272,965)
Balance as at 30 June 2023	356,898	70,826,007	(60,944,496)	45,748,045	(198,038)	1,472,186	(500,000)	56,760,602

¹ Refer to note 5 for details of the restatement of prior year results.

Notes to the financial statements are included on pages 99 to 129.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2023

	Note	30 June 2023 US\$	30 June 2022 US\$
Cash flows from operating activities			
Operating cash flows	21	(5,753,905)	(7,948,231)
Net cash used in operating activities		(5,753,905)	(7,948,231)
Cash flows from investing activities			
Interest received		–	28
R&D tax credit		2,411,677	–
Payments for property, plant and equipment and intangibles	21	(13,990,532)	(20,846,747)
Net cash used in investing activities		(11,578,855)	(20,846,719)
Cash flows from financing activities			
Interest paid		28	–
Proceeds from issues of equity securities		24,265,820	16,780,204
Share issue costs		(361,614)	(410,887)
Net cash provided by financing activities		23,904,234	16,369,317
Net increase/(decrease) in cash and cash equivalents		6,571,474	(12,425,633)
Cash and cash equivalents at the beginning of the year		2,930,162	16,787,591
Effects of exchange rate changes on the balance of cash held in foreign currencies		193,855	(1,431,796)
Cash and cash equivalents at the end of the year	9	9,695,491	2,930,162

The proceeds from equity issues do not agree through to the statement of changes in equity due to the timing of cash receipts and outstanding debtors as detailed in **note 10**.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2023

1. GENERAL INFORMATION

The consolidated financial statements present the financial information of Pensana Plc and its subsidiaries (collectively, the group) for the year ended 30 June 2023 in United States dollars (US\$). Pensana Plc (the company or the parent) is a public company limited by shares listed on the Main Market of the London Stock Exchange (LSE) and incorporated in England and Wales on 13 September 2019. The registered office is located at 107 Cheapside, Second Floor, London, EC2V 6DN, United Kingdom.

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

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

The board of Pensana resolved to restructure the group to remove redundant holding companies and streamline the group structure. As part of this restructuring process, the shares in the wholly owned subsidiaries, Sable Minerals GmbH and Sable Rare Earths GmbH, were acquired directly by Pensana Rare Earths Plc and it is anticipated that additional dormant entities in Tanzania and Australia will be liquidated in due course.

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policies and disclosures

From 1 July 2022, the group has adopted the following standards and interpretations, mandatory for annual periods beginning on or after 1 January 2022:

Standard	Description	Effective date
Improvements to IFRS	Annual Improvements to IFRS: 2018 – 2020 Cycle	1 January 2022
Amendments to IFRS 3	Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	1 January 2022
Amendments to IAS 37	Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
Amendments to IAS 16	Amendments to IAS 16 <i>Property, Plant and Equipment</i> (Amendment – Proceeds before Intended Use)	1 January 2022

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

2. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS continued

Accounting standards and interpretations issued but not yet effective

The group has elected not to early adopt the following revised and amended standards:

Standard	Description	Effective date
Amendment to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Amendment to IAS 8	<i>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</i> (Amendment – Definition of Accounting Estimates)	1 January 2023
Amendment to IAS 12	<i>IAS 12 Income Taxes</i> (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023
IFRS 17 ¹	<i>IFRS 17 Insurance Contracts</i>	1 January 2023
Amendments to IAS 12 ¹	International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12	1 January 2023 (subject to UK endorsement)
Amendments to IAS 1 ¹	Non-current liabilities with covenants – Amendments to IAS 1	1 January 2024
Amendments to IFRS 16 ¹	Lease liability in sale and leaseback – Amendments to IFRS 16	1 January 2024

¹ Not yet endorsed by the European Union.

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

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

The shares issued to the former shareholders of Pensana Metals Limited comprised 50,000,000 shares with a nominal value of £0.001 per share subscribed for incorporation of the company by Pensana Metals Limited which were transferred to CHESSE Depository Nominees Proprietary Limited (a subsidiary of the Australian Securities Exchange (ASX)) for use in the scheme of

arrangement and 102,973,314 shares with a nominal value of £0.001 per share additionally issued by the company to CHESSE Depository Nominees Proprietary Limited for use in the scheme of arrangement. CHESSE Depository Nominees Proprietary Limited subsequently issued CHESSE Depository Instruments in proportion to the interests the former shareholders of Pensana Metals held in that company for trading on the ASX with 152,973,315 CHESSE Depository Instruments issued for trading. The transaction represented a group reconstruction and common control transaction.

The accounting for common control transactions is scoped out of IFRS 3 and, accordingly, the group has developed an accounting policy with reference to methods applied in alternative generally accepted accounting principles (GAAPs). Consequently, the consolidated financial statements are presented as if the company has always been the holding company for the group, and the group has elected to apply merger accounting principles. Under this policy, the company and its subsidiaries are treated as if they had always been a group.

The results are included from the date the subsidiaries joined the group and the comparatives reflect the results of the company and its subsidiaries. No fair value adjustments were made as a result of the transaction, and the assets and liabilities are incorporated at their predecessor carrying values.

The principal accounting policies adopted by the group in the preparation of the financial statements are set out below.

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

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

Basis of measurement

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

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

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

Going concern

The group financial statements and parent company financial statements have been prepared on a going concern basis with the directors of the opinion that the group and parent company will be able to meet their obligations as and when they fall due.

As at 30 June 2023, the group has a net asset position of US\$56,760,601 (2022: US\$38,378,989), net current liabilities of US\$2,654,366 (2022: US\$1,683,787 net current assets), had incurred a net loss after income tax of US\$4,302,823 (2022: US\$11,712,022) and experienced cumulative net cash outflows from operating and investing activities of US\$17,332,760 (2022: US\$28,794,950). Cash and cash equivalents totalled US\$9,695,491 (2022: US\$2,930,162) at the year-end.

The directors have prepared a cash flow forecast for the period ending 31 March 2025.

On the Saltend Project, the UK DBT has offered Pensana a conditional grant of up to £4,000,000 towards the funding which is anticipated to be received in Q4 FY2024 and forms part of the forecast.

In Angola, the group has secured a US\$15 million loan facility secured over the indirect shareholding in the group's Angolan subsidiary which matures in February 2024 from FSDEA which is available to meet operating cash flow requirements and progress the Longonjo Project in the near term. The parent company is well advanced in its main financing workstreams on the Longonjo Project and is aiming to complete the main financing in Q1 2024 which would enable settlement of the FSDEA facility and provide funds for the wider project development.

The forecast indicates that funding is required to settle existing project-related contractor balances in the UK and to also provide working capital. Continuing support of these contractors will be required until the group has secured this required funding and then remain as the group subsequently moves towards main financing in the normal course of project development.

The board notes that, in addition to the funding requirement for the UK operations, additional funding will also be required during the period to maintain liquidity in the event that the grant funding is delayed, or the conditions are not met. Additionally, the group would need to refinance the FSDEA facility in the event the main financing is not complete by the maturity date of the FSDEA loan. Given the support provided by the Angolan Government for the Longonjo Project, the directors anticipate such a refinancing being made available to the group.

In assessing the going concern basis of preparation, the directors have also considered supply chain challenges, inflation, the availability of funding and its impact on the progression of the Longonjo Project in Angola and the Saltend Project in the UK. Similarly, the directors have also considered the impact of the ongoing Russia-Ukraine and Israel-Gaza wars as it relates to costs and the potential volatility in the debt and equity markets.

The directors have continued to actively engage with institutional investors and financing institutions in the UK, Europe and Africa to discuss opportunities around potential future financing in anticipation of a final investment decision being taken to initiate main project development. Such additional funding will be required to meet the group's committed and planned development expenditure across the forthcoming year. The ability of the parent company and group to continue as a going concern is dependent on securing such additional funding.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

Going concern continued

As noted earlier, on the Saltend Project, the UK DBT has offered Pensana a conditional grant of up to £4,000,000 towards the funding; engagement continues at the highest level within the UK government and the UK Infrastructure Bank and bond financiers, which is coupled with strategic engagement with offtake partners. Despite the current turbulence in the world's financial markets, the directors have received positive interest from several key sectors across the rare earth supply chain and are confident of unlocking the Saltend main financing by mid-2024 in collaboration with these key industry players.

Despite the ongoing engagements, the directors note that the required funding outlined above has not been secured at the date of approval of these financial statements and the availability of such funding on terms that would be acceptable is not guaranteed. Similarly, the grant from the UK DBT remains conditional and is dependent on progression of the main financing, while settlement of the FSDEA loan is similarly dependent on the main financing. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the group's and parent company's ability to continue as a going concern and therefore the group and parent company may be unable to realise their assets and discharge their liabilities in the normal course of business. The group and parent company financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Principles of consolidation

The consolidated financial information comprises the financial statements of Pensana Plc and its subsidiaries as at 30 June 2023.

Subsidiaries are all those entities controlled by the company. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is shown in **note 20**. Specifically, the group controls an investee if and only if the group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all

relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

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

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity. All controlled entities have a June financial year-end.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. For the period under consideration, no non-controlling interest is applicable and the minorities have a free-carry on the Longonjo Project up until such point as main construction starts which is subject to main financing.

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

Group reconstruction and merger accounting principles

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

The shares issued to the former shareholders of Pensana Metals Limited comprised 50,000,000 shares with a nominal value of £0.001 per share subscribed for incorporation of the company by Pensana Metals Limited which were transferred to CHESS Depositary Nominees Proprietary Limited (a subsidiary of the ASX) for use in the

scheme of arrangement and 102,973,314 shares with a nominal value of £0.001 per share additionally issued by the company to CHESS Depositary Nominees Proprietary Limited for use in the scheme of arrangement. CHESS Depositary Nominees Proprietary Limited 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. 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 occurred as a result of the transaction and the assets and liabilities are incorporated at their predecessor carrying values.

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

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

Segment information

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

of a line manager and the level of segment information presented to the board of directors.

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

Foreign currency translation

Functional and presentation currency

The functional currency of each of the group's operations is measured using the currency of the primary economic environment in which that entity operates.

The functional currency of the company is British pounds. The functional currency of its Australian subsidiaries is Australian dollars. The functional currency of its Angolan subsidiaries is United States dollars and the functional currency of the Portuguese entities is Euro. The presentational currency of the group and parent company is US Dollars.

Transactions and balances

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

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
- All resulting exchange differences shall be recognised in other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

Foreign currency translation continued

Transactions and balances continued

Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are not expected to be repaid in the foreseeable future are treated as part of the net investment in foreign operations. The unrealised foreign exchange gains and losses attributable to foreign operations are taken directly to the consolidated statement of other comprehensive income and reflected in the foreign currency translation reserve. Such unrealised gains and losses are recycled through the consolidated income statement on disposal of the group's shares in the entity. Unrealised gains and losses arising on the translation of loans to subsidiaries into the currency in which they are denominated and that are expected to be repaid in the foreseeable future are recognised in the consolidated income statement.

Cash and cash equivalents

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

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. The group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are

recognised on the trade date i.e., the date that the group commits to purchase or sell the asset.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

The group measures financial assets at amortised cost if both of the following conditions are met:

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

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

Impairment of financial assets

The group recognises an allowance for expected credit losses (ECLs) for other receivables, as well as for inter-company receivables at company level. 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 effective interest rate. 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.

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 and company become obligated to make future payments in respect of the purchase of goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Exploration and evaluation expenditure

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

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

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

Once a development decision has been taken based on finalisation of a definitive feasibility study or a bankable feasibility study (or equivalent), all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development within property, plant and equipment. Capitalised development costs have not been depreciated to date; depreciation will commence upon commissioning of the assets. Prior to reclassification, capitalised exploration and evaluation expenditure is not depreciated but is assessed for impairment yearly.

R&D tax credits¹

R&D tax credits are recognised when reliable estimates of the future benefits have been made and when it is reasonably certain that the tax credit will be received. R&D tax credits related to capital expenditure are deferred on the balance sheet and netted off against the development asset associated with the grant deferral.

Impairment

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

Where an indicator of impairment is identified, and an impairment test is performed, and if the recoverable amount is lower than the carrying amount, an impairment is recorded. The recoverable amount 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.

¹ Refer to **note 5** for details of the restatement of prior year results.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

Exploration and evaluation expenditure continued

Impairment continued

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

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Costs are capitalised during construction until commercial levels of production are achieved after which the relevant costs are depreciated. The accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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

Property, plant and equipment

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

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

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

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

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

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

Disposal

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

Intangible assets

Recognition and measurement

Intangible assets are recognised at cost and capitalised when the costs can be measured reliably and it is probable that there will be future economic benefits. Intangible assets that are deemed to have indefinite lives and intangible assets that are not yet ready for use are not amortised; they are reviewed annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

Employee benefits

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

Share-based payment transactions

Equity-settled transactions

The company provides benefits to certain key management personnel in the form of share-based payments and/or options. The group currently has a share incentive plan, which may be used to provide benefits to directors and senior executives.

The cost of such equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted using an appropriate

valuation model. The cost of equity-settled transactions is recognised together with a corresponding increase in equity over the vesting period of the equity instruments.

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

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

Contributed equity

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

Other income

Interest income

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

Disposal of assets

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

Income tax

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

Deferred income tax 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.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

3. SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN continued

Income tax continued

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

Goods and services tax (GST) and value added tax (VAT)

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

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

Loss per share

Basic loss per share

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

Diluted earnings per share

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

Provisions

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

A provision for restoration and rehabilitation will be recognised when there is a present obligation as a result

of exploration and development activities undertaken, it is probable that an outflow of benefits will be required to settle the obligation and the provision can be measured reliably. The estimated future obligations will include the costs of restoring the affected exploration and evaluation areas contained in the group's tenements.

The provision for future restoration will be the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to development 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 2023, the group has not recognised any provision for restoration and rehabilitation. The group does not have any obligation due to the limited disturbances to date as the group is still in the early stages of developing the projects.

Leases

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

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

Right-of-use asset

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

Short-term and low-value leases

A practical expedient offered by IFRS 16 has been applied to not recognise a lease liability and right-of-use asset for such leases but to recognise payments on a

straight-line basis over the lease term. 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.

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

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

Lease liability

A lease liability is measured at amortised cost using the effective interest method. The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the incremental discount rate relevant to each lease as mandated under the modified retrospective approach. The lease payments include fixed payments, including in-substance 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 remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the group's accounting policies, management continually evaluates judgements, estimates and

assumptions based on experience and other factors, including expectations of future events that may have an impact on the group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Significant accounting judgements

Impairment assessment of development assets, assets under construction and Saltend intangibles

Impairment indicator assessment of development assets (**notes 11** and **12**), as well as impairment assessment of assets under construction and Saltend intangibles (**notes 11** and **12**).

The ultimate recovery of the value of the group's development assets, assets under construction and Saltend intangibles as at 30 June 2023 is dependent on the successful development and commercial exploitation, or alternatively, the sale of the Longonjo Project, as well as the successful development and commercial exploitation of the Saltend facility or the sale thereof.

Judgement was exercised in assessing the extent to which impairment existed as at 30 June 2023 in respect of the Longonjo and Saltend Projects and associated balances. In forming this assessment, internal and external factors were evaluated, including those that applied last year. Management determined that no impairment existed having considered the company's market capitalisation relative to the group's net asset value, the progression of the Longonjo and Saltend Projects and the financial life of mine plan, feasibility study equivalent assessments and the associated Ore Reserve Statement and the competent person's report covering the Longonjo and Saltend Projects. The underlying financial life of mine plan involves estimates regarding commodity prices, production and reserves, operating costs and capital development together with discount rates and demonstrates significant headroom.

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

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

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

Significant accounting judgements continued

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

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

Recoverability of equity receivable (note 10)

Management have taken legal advice from their external counsel and have issued a letter of demand to the debtor. The company's broker has maintained full security over the shares originally issued for trading and an ECL provision of US\$308,260 has been recognised in the year (30 June 2022: US\$669,470). To date, and in an attempt to avoid the costs associated with litigation, the company has attempted to recover the amount due through a settlement and payment plan that was agreed with the debtor. This payment plan has, however, been reneged upon by the debtor. In the first instance, the company will now seek to exercise all the rights at its disposal in order to recover the outstanding debt due by the debtor, reserving all rights in that regard.

Refer to **note 10** for further details.

Recognition of R&D tax credits (note 5)

R&D tax credits are recognised when reliable estimates of the future benefits have been made and when it is reasonably certain that the tax credit will be received. Management have considered the nature of the tax claims, the limited history of successful tax claims and receipt thereof. Management also do not recognise any tax credits before submissions have been made to the relevant tax authority.

Significant accounting estimates and assumptions

Share-based payment transactions (note 24)

The group measures the cost of equity-settled transactions with directors and others by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined

using a stochastic model to value awards with market-based conditions and a Black-Scholes valuation model for awards that are not subject to market-based performance conditions. These models require estimates for inputs such as share price volatility and total shareholder return. The share-based payment arrangements are expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. At each reporting date, vesting assumptions are reviewed to ensure they reflect current expectations and immediately recognise any impact of the revision to original estimates. Judgement is required as to the likelihood of the vesting conditions being met, such as the progress of financing of various projects, the lost time injury frequency rate, progress of construction of the projects, etc. If fully vested share options are not exercised and expire, then the accumulated expense in respect of these is reclassified to accumulated losses.

Climate change

Management has considered the impact of climate change in preparing these consolidated financial statements. These considerations, which are integral to the group's strategy and operations, were considered in the following areas:

- The judgements involved in the evaluation of indicators of impairment for the group's development assets and assets under construction (**note 4**);
- The judgements used in the evaluation of the group's exploration and evaluation assets for impairment (**note 4**); and
- The evaluation of the residual values and economic useful lives of property, plant, and equipment (**note 12**).

The effects of climate-related strategic decisions are incorporated into management's judgements and estimates, as it relates to the future cash flow projections underpinning the recoverable amounts of mining interests, when the decisions have been approved by the board, and the implementation of these is likely to occur. The considerations with respect to climate change did not have a material impact on the key accounting judgements and estimates noted above in the current year, however, the emphasis on climate-related strategic decisions, such as a focus on decarbonisation, further electrification and sourcing of renewable power may have a significant impact in future periods.

5. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The company undertook a review of the classification of costs capitalised in respect of the Saltend Project during the year. Previously, such costs were wholly classified as property, plant and equipment. Based on evaluation of the underlying costs, it has been determined that US\$5.2 million (30 June 2022) of the costs should have been classified as intangible assets given their nature. As such, the comparative periods have been restated to reclassify such amounts from property, plant and equipment to intangible assets. The restatement had no impact on net assets or loss for the periods. Refer to **notes 11** and **12**.

During the course of preparing the results for the year ended 30 June 2023, an error was identified in the prior period results. In the year ended 30 June 2022, the R&D tax credit related to capital expenditure incurred was recorded in the consolidated income statement within income tax. The associated costs to which the R&D tax credit related were capitalised in line with the group's policy on development assets and the credits are receivable in cash in the absence of corporate tax liabilities such that they are judged to represent a form of government grant. Based on IFRS requirements, the R&D tax credit should therefore, in line with government grant accounting, have been deferred on the balance sheet and netted off against the development asset to be released to the income statement as the asset is depreciated in future periods. As such, the total loss for the year was understated by US\$1,329,553 and the capitalised costs relating to the development at Saltend (previously recognised in property, plant and equipment) were overstated by US\$1,256,296. The results for the year ended 30 June 2022 have been restated to reflect the grant deferral in development assets. No other previous financial years are materially impacted by this restatement.

	30 June 2022 (Previously reported) US\$	Restatement 1 US\$	Restatement 2 US\$	30 June 2022 (Restated) US\$
2022				
Income tax (credit)	(1,329,553)	1,329,553	–	–
Property, plant and equipment	37,770,292	(1,256,296)	(5,236,226)	31,277,770
Intangibles	181,206	–	5,236,226	5,417,432
Other comprehensive loss				
Foreign currency translation	192,324	73,257	–	265,581
Total comprehensive loss for the year	(10,190,145)	(1,256,296)	–	(11,446,441)
Foreign currency reserve	(615,002)	(73,257)	–	(688,259)
Basic loss per share	(4.53)	(0.58)	–	(5.11)
Diluted loss per share	(4.53)	(0.58)	–	(5.11)

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

6. OPERATING SEGMENTS

Description of segments

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

The group has identified that it has two operating segments, related to the activities in Angola and Saltend (UK), on the basis that the assets in Tanzania are fully impaired as at 30 June 2023 and at 30 June 2022. Unallocated relates to operations in Australia and Portugal which consist of corporate and head office-related costs.

	Angola US\$	UK US\$	Unallocated US\$	Total US\$
2023				
Non-current assets – opening balance ¹	30,228,932	6,466,270	–	36,695,202
Non-current assets – additions	11,243,252	11,476,514	–	22,719,766
Non-current assets – closing balance	41,472,184	17,942,784	–	59,414,968
Current and non-current liabilities	1,830,614	12,298,921	735,559	14,865,091
Cash and cash equivalents	30,594	8,883,904	780,993	9,695,491
Administration expenses	(1,795,341)	(3,495,167)	(85,068)	(5,375,576)
Operating profit/(loss)	(689,624)	(3,178,374)	(434,797)	(4,302,795)
Depreciation	51,607	6,417	133	58,157
Profit/(loss) before tax	(689,624)	(3,178,403)	(434,796)	(4,302,823)
Profit/(loss) for the year	(689,624)	(3,178,403)	(434,796)	(4,302,823)
2022				
Non-current assets – opening balance	18,473,893	162,330	3,585	18,639,808
Non-current assets – additions ¹	11,755,039	6,303,940	(3,585)	18,055,394
Non-current assets – closing balance ¹	30,228,932	6,466,270	–	36,695,202
Current and non-current liabilities	151,250	2,027,511	1,467,625	3,646,386
Cash and cash equivalents	296,966	2,550,436	82,760	2,930,162
Administration expenses	(6,777,309)	(2,088,553)	78,753	(8,787,109)
Operating loss ¹	(2,380,118)	(7,520,376)	(1,811,556)	(11,712,050)
Depreciation	17,103	3,911	3,494	24,508
Income tax credit ¹	–	–	–	–
Loss before tax	(2,380,118)	(7,520,376)	(1,811,528)	(11,712,022)
Loss for the year	(2,380,118)	(7,520,376)	(1,811,528)	(11,712,022)

¹ Refer to **note 5** for details of the restatement of prior year results.

Non-current assets consist mainly of development assets and assets under construction. Additions and depreciation of non-current assets are disclosed in **note 12**.

7. OTHER EXPENSES

	CONSOLIDATED	
	2023 US\$	2022 US\$
Administration expenses		
General administration costs	1,953,918	1,796,217
Audit fees	193,854	200,481
Consultant fees	480,133	699,680
Travel expenses	388,593	318,283
Legal fees	451,380	210,670
Operating lease rental expenses		
Lease payments (short-life leases)	147,899	117,307
Depreciation on non-current assets		
Property, plant and equipment	58,157	24,508
Employee benefits^{1,2}		
Performance rights and options granted to directors, officers and employees	(272,965)	876,657
Directors' fees and employee benefits	1,794,683	4,409,611
Social security costs	179,924	133,695
Total administration expenses	5,375,576	8,787,109

¹ Key management personnel remuneration, disclosed in **note 23**, includes amounts in employee benefits disclosed above. Information in respect of the highest-paid director is provided in the remuneration report.

² The average number of persons employed by the group during 2023 was 56 (2022: 48).

Foreign currency exchange gains/losses

The foreign currency exchange gain of US\$1,381,041 (2022: US\$2,255,471 loss) comprises realised foreign exchange movements on retranslation of monetary balances and unrealised foreign exchange movements on inter-company loans which are considered repayable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

8. INCOME TAXES

	CONSOLIDATED	
	2023 US\$	Restated ¹ 2022 US\$
Current taxation		
Current tax charge/(credit)	-	-

No liability to corporation tax arose in the ordinary activities for the year ended 30 June 2023 or 30 June 2022.

The tax assessed for the year utilised the standard rate of tax in the UK of 25% (2022: 19%). The change in tax rates is the result of the increased rate enacted.

The differences are explained as follows:

	CONSOLIDATED	
	2023 US\$	Restated ¹ 2022 US\$
Loss from continuing operations before tax	(4,302,823)	(11,712,022)
Loss on continuing activities multiplied by the rate of corporation tax in the UK of 25% (2022: 19%)	(1,075,706)	(2,225,284)
Tax effects of:		
Different tax rates in overseas jurisdictions	(1,704)	(260,970)
Permanent differences	(39,083)	285,949
Deferred tax assets not recognised	1,116,493	2,200,305
Total tax credit¹	-	-

¹ Refer to **note 5** for details of the restatement of prior year results.

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

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

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

Longonjo benefits from a six-year tax holiday in Angola from the commencement of production until the exoneration period expires.

No deferred tax asset has been recognised in respect of the tax losses carried forward as the recoverability is dependent on the future profitability of the individual entities within the group, the timing of which is considered uncertain. The unrecognised potential deferred tax asset created during the year was US\$1,116,493 (30 June 2022: US\$2,189,458). The total unrecognised potential deferred tax asset in respect of losses carried forward is US\$15,561,711 (30 June 2022: US\$14,296,507). These unused tax losses do not expire.

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2023 US\$	2022 US\$
Cash at bank and on hand	9,695,491	2,930,162
	9,695,491	2,930,162

10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2023 US\$	2022 US\$
Trade receivables	34,756	43,425
Prepayments	184,744	328,794
R&D tax receivables	1,037,336	1,256,295
VAT receivables	934,641	130,478
Other receivables	323,757	641,019
	2,515,234	2,400,011
Opening balance	2,400,011	5,370,007
Movement in trade receivables, other receivables and prepayments	483,991	1,288,652
Funds received	(60,508)	(3,589,178)
Provision for impairment	(308,260)	(669,470)
Closing balance	2,515,234	2,400,011

Of the other receivables as at 30 June 2023, US\$1,239,059 (gross) (30 June 2022: US\$1,299,567) relates to payment pending as part of the equity raise completed on 25 June 2021. The net amount included in the closing balance as at 30 June 2023 was US\$280,893 (30 June 2022: US\$630,097).

Management have taken legal advice from their external counsel and have issued a letter of demand to the debtor. The company's broker has maintained full security over the shares originally issued for trading and an ECL provision of US\$308,260 has been recognised in the year (30 June 2022: US\$669,470).

11. INTANGIBLE ASSETS

Saltend intangible assets

	CONSOLIDATED	
	2023 US\$	Restated ¹ 2022 US\$
Carrying value		
Balance at the beginning of the year	5,236,226	-
Additions	9,452,299	5,236,226
R&D government grant deferred	(1,037,336)	-
Adjustment on currency translation	(74,120)	-
Balance at the end of the year	13,577,069	5,236,226

¹ Refer to **note 5** for details of the restatement of prior year results.

These costs were capitalised in respect of the Saltend Project and have been classified as intangible assets given their nature, being consulting fees relating to process design and testwork. Previously, such costs were wholly classified as property, plant and equipment. Refer to **note 5** for details of the restatement of prior year results.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

11. INTANGIBLE ASSETS continued

Coola exploration and evaluation expenditure

	CONSOLIDATED	
	2023 US\$	2022 US\$
Carrying value		
Balance at the beginning of the year	181,206	132,040
Additions	62,043	49,166
Balance at the end of the year	243,249	181,206
Total intangibles	13,820,318	5,417,432

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

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$	Plant and equipment US\$	Restated ¹ Develop- ment asset US\$	Restated ¹ Assets under construc- tion ² US\$	Motor vehicles US\$	Office equipment US\$	Computer equipment US\$	Restated ¹ Total US\$
2023								
Cost								
Balance as at 1 July 2022	28,310	17,675	29,969,013	1,217,581	83,384	7,325	21,281	31,344,569
Adjustment on currency translation	-	-	(599,055)	(20,244)	-	-	(602)	(619,901)
R&D government grant deferred	-	-	(1,155,382)	-	-	-	-	(1,155,382)
Additions	-	15,346	12,914,832	3,075,630	130,855	-	13,413	16,150,076
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 June 2023	28,310	33,021	41,129,408	4,272,967	214,239	7,325	34,092	45,719,362
Depreciation								
Balance as at 1 July 2022	3,828	5,344	-	-	48,923	2,590	6,114	66,799
Charge for the year	2,632	5,015	-	-	39,615	1,038	9,857	58,157
Adjustment on currency translation	-	-	-	-	-	-	(244)	(244)
Disposals	-	-	-	-	-	-	-	-
Balance as at 30 June 2023	6,460	10,359	-	-	88,538	3,628	15,727	124,712
Net book value								
As at 30 June 2022	24,482	12,331	29,969,013	1,217,581	34,461	4,735	15,167	31,277,770
As at 30 June 2023	21,849	22,662	41,129,408	4,272,967	125,701	3,697	18,366	45,594,650

¹ Refer to **note 5** for details of the restatement of prior year results.

² Assets under construction relate to Saltend.

12. PROPERTY, PLANT AND EQUIPMENT continued

	Buildings US\$	Plant and equipment US\$	Restated ¹ Develop- ment asset US\$	Restated ¹ Assets under construc- tion ² US\$	Motor vehicles US\$	Office equipment US\$	Computer equipment US\$	Restated ¹ Total US\$
2022								
Cost								
Balance as at 1 July 2021	6,199	10,204	18,400,076	65,728	54,507	6,080	30,611	18,573,405
R&D government grant deferred	-	-	(1,256,295)	-	-	-	-	(1,256,295)
Additions	22,111	7,471	12,825,232	1,151,853	28,877	1,245	14,017	14,050,806
Disposals	-	-	-	-	-	-	(23,347)	(23,347)
Balance as at 30 June 2022	28,310	17,675	29,969,013	1,217,581	83,384	7,325	21,281	31,344,569
Depreciation								
Balance as at 1 July 2021	1,807	1,407	-	-	40,653	1,400	20,370	65,637
Charge for the year	2,021	3,937	-	-	8,270	1,190	9,090	24,508
Disposals	-	-	-	-	-	-	(23,346)	(23,346)
Balance as at 30 June 2022	3,828	5,344	-	-	48,923	2,590	6,114	66,799
Net book value								
As at 30 June 2021	4,392	8,797	18,400,076	65,728	13,854	4,680	10,241	18,507,768
As at 30 June 2022	24,482	12,331	29,969,013	1,217,581	34,461	4,735	15,167	31,277,770

¹ Refer to **note 5** for details of the restatement of prior year results.

² Assets under construction relate to Saltend.

13. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2023 US\$	2022 US\$
Trade and other payables ¹	13,003,570	1,526,310
Accrued expenses	1,811,853	2,060,866
Statutory liabilities	49,668	59,210
	14,865,091	3,646,386

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

14. ISSUED CAPITAL

	CONSOLIDATED			
	2023 Number	2023 US\$	2022 Number	2022 US\$
Fully paid ordinary shares				
Balance at the beginning of the period	235,599,539	295,425	216,145,822	279,398
Share placement	12,331,334	14,993	–	–
Shares issued conversion of performance rights	–	–	7,108,037	1,015
Share placement	7,250,000	8,626	12,345,680	15,012
Share placement	15,000,000	18,927	–	–
Share placement	15,000,000	18,927	–	–
Balance at the end of the financial year	285,180,873	356,898	235,599,539	295,425
COMPANY				
Fully paid ordinary shares				
Balance at the beginning of the period/incorporation	235,599,539	295,425	216,145,822	279,398
Share placement	12,331,334	14,993	–	–
Shares issued conversion of performance rights	–	–	7,108,037	1,015
Share placement	7,250,000	8,626	12,345,680	15,012
Share placement	15,000,000	18,927	–	–
Share placement	15,000,000	18,927	–	–
Balance at the end of the financial year	285,180,873	356,898	235,599,539	295,425

Placements during 2023

On 5 August 2022, the company issued 12,331,334 fully paid ordinary shares to the FSDEA at a price of £0.67 per share and raised US\$10 million.

On 5 January 2023, the company issued 7,250,000 fully paid ordinary shares to M&G Investment Management at a price of £0.44 per share and raised US\$3.8 million.

On 9 May 2023, the company issued 15,000,000 fully paid ordinary shares to M&G Investment Management at a price of £0.28 per share and raised US\$5.2 million.

On 9 May 2023, the company issued 15,000,000 fully paid ordinary shares to FSDEA at a price of £0.28 per share and raised US\$5.2 million. The issue was done in two tranches, where the balance of the shares was issued on 27 June 2023.

Placements during 2022

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

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

15. RESERVES

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

Reserve	Description and purpose
Fully paid ordinary shares	Represents fully paid ordinary shares in the company of £0.001 par value. The company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interest in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the board.
Share premium	Represents the difference between the par value of the shares issued and the subscription or issue price less share issue costs.
Foreign currency reserve	Represents foreign exchange differences arising from the translation of the financial statements of entities in the group denominated in a currency other than United States dollars.
Share-based payments reserve	The reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options, share awards or performance rights are converted to equity or lapse. Further information about share-based payments can be found in note 24 to the financial statements.
Equity reserve	This relates to the company's purchase of an additional 14% equity in its Angolan subsidiary company, Ozango Minerais SA (Ozango), for US\$500,000 from non-controlling interests in the 2019 financial year. Ozango holds the title to the Longonjo NdPr Project.
Accumulated losses	Cumulative net losses recognised in the statement of comprehensive income.
Merger reserve	The company issued shares at par value as part of a group reorganisation to acquire 100% of the share capital of Pensana Metals. The difference arising in the group at the date of the group reorganisation is recorded in the non-distributable merger reserve as part of the transaction. The company-level merger reserve represents the difference between the investment and nominal value of shares issued in the scheme of arrangement.

16. LOSS PER SHARE

	2023 cents per share	Restated ¹ 2022 cents per share
Basic loss per share		
From continuing operations	1.69	5.11
Total basic loss per share	1.69	5.11
Diluted loss per share		
From continuing operations	1.69	5.11
Total diluted loss per share	1.69	5.11

¹ Refer to **note 5** for details of the restatement of prior year results.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

16. LOSS PER SHARE continued

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:

	2023 US\$	Restated' 2022 US\$
Net loss	(4,302,823)	(11,712,022)
Losses used in the calculation of basic loss per share from continuing operations	(4,302,823)	(11,712,022)
Losses used in the calculation of diluted loss per share attributable to ordinary shareholders	(4,302,823)	(11,712,022)

¹ Refer to note 5 for details of the restatement of prior year results.

	2023 Number	2022 Number
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	254,074,694	229,019,699
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	254,074,694	229,019,699

The weighted average is calculated by adjusting the number of shares outstanding at the beginning of the period by the number of shares issued during the period, multiplied by a time-weighting factor to reflect the proportion of the period for which those shares were outstanding. Diluted loss per share equals basic loss per share as no anti-dilutive factors exist.

As at year-end, there are 750,000 share options in issue (2022: 1,500,000).

17. DIVIDENDS

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

18. COMMITMENTS FOR EXPENDITURE

The consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

No provision is required in the accounts for minimum expenditure requirements in respect of tenements.

No provision has been made in the accounts for the possibility of a native title claim application which is deemed appropriate due to the stage of development on the Angolan projects and the positive interaction with the local community on the Longonjo Project as regards the relocation management aspects of the development. Any potential substantial claim may have an effect on the value of the relevant tenement and may vary from time to time. Furthermore, based on continued interaction with local communities and the development of a stakeholder engagement plan, the board considers any such potential claim occurring as less than probable but possible.

Operating leases

The group has entered into leases with Regus Serviced Offices and Parkway Business Centre Limited in the UK, as well as with Workspace in South Africa. The leases are currently operating on a short-term basis. As the group is expanding, lease commitments have been kept to a minimum as it is likely that bigger premises will be required in the near future, hence the reason for the leases not being extended or are not anticipated to be extended beyond a 12-month period at inception.

18. COMMITMENTS FOR EXPENDITURE continued

Operating leases continued

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

	CONSOLIDATED		COMPANY	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
Operating lease expenditure				
Less than one year ¹	79,722	87,575	74,515	81,762
	79,722	87,575	74,515	81,762

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

Exploration commitments

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

	CONSOLIDATED	
	2023 US\$	2022 US\$
Exploration and evaluation expenditure		
No longer than one year	5,718	11,915
Longer than one year and not longer than five years	–	15,756
Longer than five years	–	–
	5,718	27,671

Capital commitments

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

	CONSOLIDATED		COMPANY	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
Capital expenditure	3,784,108	3,298,647	–	–

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

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors are not aware of any other contingent liabilities or contingent assets that are likely to have a material effect on the results of the group as disclosed in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

20. INTERESTS IN CONTROLLED ENTITIES

Name of entity	Country of incorporation	Principal activity	OWNERSHIP INTEREST	
			2023 % ³	2022 % ³
Parent entity				
Pensana Plc ²	United Kingdom			
Controlled entities				
Saltend Magnet Metals Limited	United Kingdom	Manufacturing	100	100
Pensana Metals Limited	Australia	Mining	100	100
Carlton Resources Proprietary Limited	Australia	Holding company	100	100
Carlton Miyabi Tanzania Limited	Tanzania	Holding company	100	100
Carlton Kitongo Tanzania Limited	Tanzania	Holding company	100	100
Bright Star Tanzania Limited	Tanzania	Holding company	100	100
Rift Valley Resources (Africa) Proprietary Limited	Australia	Holding company	100	100
Rift Valley Resources Tanzania Limited	Tanzania	Holding company	100	100
Tasman Goldfields Australia Operations Proprietary Limited	Australia	Holding company	100	100
Sable Minerals Proprietary Limited	Australia	Holding company	100	100
Sable Min Unipessoal Lda (previously Sable Minerals GmbH)	Portugal	Holding company	100	100
SBLRTHS Unipessoal Lda (previously Sable Rare Earths GmbH)	Portugal	Holding company	100	100
Ozango Minerais S.A. ¹	Angola	Mining	84	84
Coola Mining LDA ¹	Angola	Exploration	90	90
Mtemi G (Tanzania) Limited	Tanzania	Holding company	100	100
Mtemi O (Tanzania) Limited	Tanzania	Holding company	100	100
Mtemi U (Tanzania) Limited	Tanzania	Holding company	100	100

¹ Pensana Plc is the immediate and ultimate controlling party of the group as at 30 June 2023. 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.

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

³ All shareholdings are held via ordinary shares.

21. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement are reconciled to the related items in the statement of financial position as follows:

	CONSOLIDATED	
	2023 US\$	2022 US\$
Cash and cash equivalents	9,695,491	2,930,162

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

	CONSOLIDATED	
	2023 US\$	Restated ¹ 2022 US\$
Net loss	(4,302,823)	(11,712,022)
<i>Add/less non-cash items</i>		
Depreciation	58,157	24,508
Share-based payments	(272,965)	876,657
Unrealised foreign exchange (gains)/losses	(1,381,041)	2,255,471
Impairment of financial assets	308,260	669,470
<i>Decrease/(increase) in assets</i>		
Trade and other receivables	(702,950)	(32,356)
<i>Increase/(decrease) in liabilities</i>		
Trade and other payables	539,457	(29,959)
Net cash used in operating activities	(5,753,905)	(7,948,231)

Reconciliation of additions to property, plant and equipment and intangibles to payments for property, plant and equipment and intangibles used in investing activities

	Note	CONSOLIDATED	
		2023 US\$	Restated ¹ 2022 US\$
Additions to property, plant and equipment	12	(16,150,076)	(14,050,806)
Additions to Saltend intangible assets	11	(9,452,299)	(5,236,226)
Additions to exploration and evaluation	11	(62,043)	(49,166)
Total additions		(25,664,418)	(19,336,198)
Capital items included in working capital		11,673,885	(1,510,549)
Payments for property, plant and equipment and intangibles (cash flow investing activities)		(13,990,532)	(20,846,747)

¹ Refer to **note 5** for details of the restatement of prior year results.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

22. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

Significant accounting policies

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

Capital risk management

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

Market price risk

The group and company are involved in the exploration and development of mining tenements for rare earths. Revenue from any future mining associated with metal sales, the acquisition and disposal consideration for mining tenements and the ability to raise funds through equity and debt will be largely dependent on the commodity price for resources at the time of the transaction. The group and company actively monitor factors that could impact market prices including market demand, customer needs and potential new entrants into the rare earth industry.

Interest rate risk

The group and company's cash flow interest rate risk for assets primarily arises from cash at bank and deposits which are subject to market bank rates. Cash deposits with banks and financial institutions are managed by senior management and the board in accordance with the group and company's internal policy. There is no interest receivable or payable on the group's trade and other receivables or payables.

A 1% change in interest rates on interest-bearing assets will increase or decrease net loss and accumulated losses by US\$96,952 (2022: US\$29,302).

A 1% change in interest rates on interest-bearing assets for the company will increase or decrease net loss and accumulated losses by US\$86,621 (2022: US\$25,504).

Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date, to recognised financial assets is the carrying amount of those assets, net of any provisions for estimated credit losses, as disclosed in the statement of financial position and notes to the financial statements. The group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments or customer contracts entered into by the group, other than cash deposits and the outstanding proceeds due from the June 2021 equity placing as disclosed in **note 10**. The group's internal policy requires deposits to be held with financial institutions holding a benchmark credit rating. At the balance sheet date, the majority of cash and deposits was held with Barclays Bank which has a Fitch rating of A+ as at period-end.

22. FINANCIAL INSTRUMENTS continued

Credit risk management continued

Financial instruments and cash deposits

Cash deposits with banks and financial institutions are managed by senior management and the board in accordance with the group and company's internal policy. We are exposed to credit risk from our investing activities that include balances with banks and financial institutions of US\$9,695,491 (30 June 2022: US\$2,930,162). The balance with banks and financial institutions for the company was US\$8,662,086 (30 June 2022: US\$2,550,436).

Trade and other receivables

As at 30 June 2023, the group was exposed to trade and other receivables of US\$1,293,155 (2022: US\$814,921). The company was exposed to trade and other receivables of US\$349,352 (2022: US\$642,202). An impairment analysis is performed at each reporting date by senior management on all trade and other receivable balances. The maximum exposure to credit risk for trade and other receivables at the reporting date is the carrying value of each class of financial asset. In respect of other receivables that were past due by more than 90 days, an estimated credit loss allowance has been recognised based on the estimated lifetime credit loss. Refer to **note 10** for further details.

Foreign currency risk

The group and company are exposed to fluctuations in foreign currencies arising from the purchase of goods and services and the holding of assets and liabilities in currencies that are not the functional currency of the relevant group entity. In general, the group does not enter into any material derivatives to manage these currency risks and no significant positions were held in 2023 and 2022.

As at 30 June 2023, the group had exposure to other foreign currencies; primarily the following exposure to Australian dollar, British pound and the Angolan kwanza that is not designated in cash flow hedges:

	CONSOLIDATED		COMPANY	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
Level of exposure of foreign currency risk				
Carrying value of foreign currency balances				
<i>Cash and cash equivalents include balances denominated in:</i>				
Australian dollar	740,443	15,580	653	743
British pound	4,579,577	2,539,160	4,357,759	2,539,160
Angolan kwanza	30,589	269,454	–	–
Tanzanian shilling	–	566	–	–
Euro	381	64,493	–	–
Trade and other payables include balances denominated in:				
Australian dollar	23,618	819,612	1,332	25,342
British pound	11,750,719	414,918	11,088,348	414,918
Angolan kwanza	1,086,278	16,933	–	–
South African rand	52,559	3,085	48,210	640

A 5% change in the Australian dollar/British pound exchange rate will increase or decrease net loss and accumulated losses by US\$267,550 (2022: US\$144,463).

A 5% change in the Australian dollar/British pound exchange rate will increase or decrease net loss and accumulated losses for the company by US\$217,921 (2022: US\$126,995).

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

22. FINANCIAL INSTRUMENTS continued

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 and company's short-, medium- and long-term funding and liquidity management requirements. With reference to the current going concern commentary (**note 3**), the group will look to manage 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 2023 and 30 June 2022.

	Less than 1 year US\$	1 to 5 years US\$	5+ years US\$	Total
2023				
Group and company				
Financial assets				
Amortised cost	261,329	–	–	261,329
Group				
Financial liabilities				
Non-interest-bearing	14,815,424	–	–	14,815,424
Company				
Financial liabilities				
Non-interest-bearing	11,587,582	–	–	11,587,582
	Less than 1 year US\$	1 to 5 years US\$	5+ years US\$	Total
2022				
Group and company				
Financial assets				
Amortised cost	630,097	–	–	630,097
Group				
Financial liabilities				
Non-interest-bearing	3,587,177	–	–	3,587,177
Company				
Financial liabilities				
Non-interest-bearing	1,974,219	–	–	1,974,219

23. KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED	
	2023 US\$	2022 US\$
Short-term employee benefits	1,974,607	2,240,592
Post-employment benefits	–	–
Share-based payment	(272,965)	605,388
	1,701,642	2,845,980

This includes compensation for two executive directors (2022: three), five non-executive directors (2022: four) and one executive (2022: one). Further details of the key management personnel compensation can be found in the remuneration report section of the directors' report.

24. SHARE-BASED PAYMENTS

Performance rights

2023

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

2022

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

The use of performance rights was a legacy arrangement under the previous ASX listing of the then parent Pensana Metals Limited.

2021 – amendment to historical performance rights

Director/key management personnel	Number of rights	Fair value ¹ per right	Original vesting conditions	Original grant date	Original expiry date	Vesting status
P Atherley	3,858,037	n/a	Completion of the definitive feasibility study (DFS) and commencement of construction by 13 May 2023	13 May 2018	13 May 2023	Fully vested
D Hammond	1,000,000	n/a	Completion of the DFS and commencement of construction by 13 May 2023	17 September 2018	17 September 2023	Fully vested
T George	1,250,000	n/a	Commencement of construction of the concentrator by end December 2020	22 April 2019	22 April 2019	Fully vested
T George ¹	1,250,000	US\$0.014 (£0.0108)	Commencement of concentrate sales by end December 2021	22 April 2019	22 April 2019	Vesting extended. Vesting subject to time-weighted pro rata 1/3 basis on 31 December 2021/2022/2023
R Kaplan ¹	1,000,000	n/a	Commencement of construction of the concentrator by end December 2020	1 January 2020	31 December 2020	Fully vested
R Kaplan ¹	1,000,000	US\$0.15 (£0.11)	Commencement of sales by end December 2021	1 January 2020	31 December 2021	Vesting extended. Vesting subject to time-weighted pro rata 1/3 basis on 31 December 2021/2022/2023

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

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

Options

2023

During 2023, no share-based options were issued.

2022

During 2022, no share-based options were issued.

NOTES TO THE FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

24. SHARE-BASED PAYMENTS continued

Reconciliation of options outstanding

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

	Number of options 2023	Weighted average exercise price 2023	Number of options 2022	Weighted average exercise price 2022
Balance at the beginning of the financial year	1,500,000	–	2,750,000	–
Issued or to be issued during the financial year	–	–	–	–
Vested during the financial year	(750,000)	US\$0.103	(750,000)	US\$0.103
Expired during the financial year	–	–	(500,000)	US\$0.175
Balance at the end of the financial year	750,000	US\$0.103	1,500,000	US\$0.103
Exercisable at the end of the financial year	750,000	–	1,500,000	–

¹ During 2021, 2,750,000 legacy performance rights were reclassified as share-based awards with the migration from the ASX to the LSE. During the prior year, performance rights awarded to Mr T George and Mr R Kaplan, that were originally subject to commencement of concentrate sales by the end of 31 December 2021, were restructured to realign to the amended project scopes and the planned addition of an mixed rare earth recovery plant and solvent extraction refinery alongside the concentrator plant. As a result thereof, the timeline for vesting was amended to 31 December 2021 – 2023 with vesting to take place on a one-third time-weighted basis.

Share awards

2023

During the year, no new share awards were issued to executive management or to employees.

2022

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

Share awards issued to executive management

No share awards were issued to executives during the current year.

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

Refer to the remuneration committee report on **page 63** of this annual report for more detail.

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

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

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

Due to the delay in securing the main financing on the Saltend and Longonjo Projects, certain share incentive performance conditions relating to the FY2022 LTI share plan awards have not been met or are unlikely to be met. These specifically related to financing of the Longonjo Project (12.5% of award) and financing of the Saltend Project (12.5% of award), construction completion of the RESF (12.5% of award) and first production at the RESF (12.5% of award). As a result of the lapsing of these awards, the directors will not receive the shares or related benefits outlined in the original plan agreements. The share-based charges recognised in prior periods relating to these awards were reversed during FY2023.

24. SHARE-BASED PAYMENTS continued

Share awards issued to employees

No share awards were issued to employees during the current year.

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

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

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

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

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

Due to the delay in securing the main financing on the Saltend Project, the share incentive performance conditions relating to the FY2022 LTI share plan awards have not been met or are unlikely to be met. These specifically related to an award on 33% construction completion of the RESF (25% of award), an award on 100% construction completion of the RESF (25% of award) and an award on first production at the RESF (50% of the award). As a result of the lapsing of these awards, the employees will not receive the shares or related benefits outlined in the original plan agreements. The share-based charges recognised in prior periods relating to these awards were reversed during FY2023.

25. RELATED PARTY TRANSACTIONS

Parent entity

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

Equity interests in related parties

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

Transactions with key management personnel and related parties

The aggregate compensation made to key management personnel is disclosed in **note 23** to the financial statements, and details of the compensation have been provided in the remuneration report which forms part of the directors' report.

26. REMUNERATION OF THE AUDITOR

	CONSOLIDATED	
	2023 US\$	2022 US\$
Fee payable to BDO LLP as the company's external auditor for the audit of the company's annual financial statements	150,654	156,574
Fee payable to BDO LLP as the company's external auditor for non-audit services to the group ¹	43,200	43,907

¹ During the period, there were non-audit service fees of US\$43,200 (2022: US\$43,907) incurred by BDO LLP with respect to the half-year interim review.

27. SUBSEQUENT EVENTS

On 27 June 2023 FSDEA provided a US\$15million loan facility to the group as part of a broader US\$80 million investment (subject to due diligence and the finalisation of investment terms) to facilitate the development of the Longonjo Project. The loan facility was formally executed on 7 August 2023.

COMPANY STATEMENT OF FINANCIAL POSITION

for the financial year ended 30 June 2023

	Note	30 June 2023 US\$	Restated' 30 June 2022 US\$
ASSETS			
Non-current assets			
Investment in subsidiaries	C3	13,627,499	13,362,139
Trade and other receivables	C2	50,621,963	39,617,189
Property, plant and equipment	C5	3,353,594	1,320,202
Intangible assets	C6	13,577,069	5,236,226
Total non-current assets		81,180,125	59,535,756
Current assets			
Cash and cash equivalents	C1	8,662,086	2,550,436
Trade and other receivables	C2	2,417,360	946,840
Total current assets		11,079,446	3,497,276
Total assets		92,259,571	63,033,032
LIABILITIES			
Current liabilities			
Trade and other payables	C4	25,198,149	16,753,382
Total current liabilities		25,198,149	16,753,382
Total liabilities		25,198,149	16,753,382
Net assets		67,061,422	46,279,650
Equity			
Issued capital	14	356,898	295,425
Share premium	15	70,826,007	47,043,782
Reserves	15	13,300,904	13,551,117
Accumulated losses	15	(17,422,387)	(14,610,674)
Total equity		67,061,422	46,279,650

¹ Refer to **note C8** for details of the restatement of prior year results.

The notes to the financial statements, included on **pages 99 to 129**, form an integral part of these financial statements.

The company's loss for the financial year was US\$2.8 million (2022: US\$7.5 million). The company has taken advantage of the section 408 exemption in the Companies Act 2006 not to present a separate statement of comprehensive income.

The financial statements were approved by the board of directors and authorised for issue on 30 October 2023 and are signed on its behalf by:



Steven Sharpe
Chairman of the audit and risk committee

Registered number: 12206525. Pensana Plc (the company) is incorporated in the United Kingdom, registered in England and Wales and domiciled in the United Kingdom.

COMPANY STATEMENT OF CASH FLOWS

for the financial year ended 30 June 2023

	Note	30 June 2023 US\$	30 June 2022 US\$
Cash flows from operating activities			
Operating cash flows	C7	(5,329,653)	(5,278,812)
Net cash used in operating activities		(5,329,653)	(5,278,812)
Cash flows from investing activities			
Funding of group companies		(11,004,774)	(17,282,121)
Payments for property, plant and equipment and intangibles	C7	(1,683,586)	(6,168,699)
Net cash used in investing activities		(12,688,360)	(23,450,820)
Cash flows from financing activities			
Interest paid		28	–
Proceeds from issues of equity securities		24,265,820	16,780,204
Share issue costs		(361,614)	(410,887)
Net cash provided by financing activities		23,904,234	16,369,317
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		2,550,436	16,383,163
Effects of exchange rate changes on the balance of cash held in foreign currencies		225,429	(1,472,412)
Cash and cash equivalents at the end of the year	C1	8,662,086	2,550,436

The notes to the financial statements, included on **pages 99 to 129**, form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2023

	Issued share capital US\$	Share premium US\$	Shares to be issued US\$	Accumulated losses US\$	Merger reserve US\$	Foreign currency reserve US\$	Share-based payments reserve US\$	Total US\$
Opening balance as at 1 July 2021	279,398	34,195,957	–	(7,090,298)	11,557,230	1,203,611	767,178	40,913,076
Loss for the year	–	–	–	(7,520,376)	–	–	–	(7,520,376)
Other comprehensive income	–	–	–	–	–	(816,868)	–	(816,868)
Total comprehensive income for the year	–	–	–	(7,520,376)	–	(816,868)	–	(8,337,244)
Issue of shares (note 14)	15,012	13,176,014	–	–	–	–	–	13,191,026
Capital raising costs	–	(410,887)	–	–	–	–	–	(410,887)
Issue of shares – conversion of performance rights	1,015	82,698	–	–	–	–	(83,713)	–
Share-based payments	–	–	–	–	–	–	923,679	923,679
Balance as at 30 June 2022	295,425	47,043,782	–	(14,610,674)	11,557,230	386,743	1,607,144	46,279,650
Opening balance as at 1 July 2022	295,425	47,043,782	–	(14,610,674)	11,557,230	386,743	1,607,144	46,279,650
Loss for the year	–	–	–	(2,811,713)	–	–	–	(2,811,713)
Other comprehensive income	–	–	–	–	–	22,752	–	22,752
Total comprehensive income for the year	–	–	–	(2,811,713)	–	22,752	–	(2,788,961)
Issue of shares (note 14)	61,473	24,143,839	–	–	–	–	–	24,205,312
Capital raising costs	–	(361,614)	–	–	–	–	–	(361,614)
Share-based payments	–	–	–	–	–	–	(272,965)	(272,965)
Balance as at 30 June 2023	356,898	70,826,007	–	(17,422,387)	11,557,230	409,495	1,334,179	67,061,422

The notes to the financial statements, included on **pages 99 to 129**, form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the financial year ended 30 June 2023

BASIS OF PREPARATION

The basis of preparation for the Pensana Plc company financial statements is set out within the consolidated financial statements.

The company's results are presented in US dollars, the presentation currency of the group, and are rounded to the nearest dollar.

Significant accounting policies, new accounting pronouncements and going concern

The accounting policies applied, new accounting pronouncements and going concern are consistent with those adopted and disclosed in the group financial statements for the year ended 30 June 2023.

Information included in the notes to the consolidated financial statements

The following information has also been included in the notes to the consolidated financial statements as disclosed above:

Note 14 – Issued capital

Note 15 – Reserves

Note 18 – Commitments for expenditure

Note 19 – Contingent liabilities and contingent assets

Note 22 – Financial instruments

Note 23 – Key management personnel

Note 24 – Share-based payments

Note 26 – Auditor's remuneration

Note 27 – Subsequent events

C1. CASH AND CASH EQUIVALENTS

	30 June 2023 US\$	30 June 2022 US\$
Cash at bank and on hand	8,662,086	2,550,436
	8,662,086	2,550,436

C2. TRADE AND OTHER RECEIVABLES

	Prepayments US\$	R&D receivables US\$	VAT receivables US\$	Other debtors US\$	Amounts owed by group undertakings US\$	Total US\$
Current						
As at 30 June 2022	316,743	–	–	630,097	–	946,840
Movement in the period	(213,226)	1,037,336	927,155	(280,745)	–	1,470,520
As at 30 June 2023	103,517	1,037,336	927,155	349,352	–	2,417,360
Non-current						
As at 30 June 2022	–	–	–	–	39,617,189	39,617,189
Movement in the period	–	–	–	–	11,004,774	11,004,774
As at 30 June 2023	–	–	–	–	50,621,963	50,621,963

¹ Refer to **note 10** for details of the equity receivable.

C2. TRADE AND OTHER RECEIVABLES continued

	Prepayments US\$	Other debtors US\$	Amounts owed by group undertakings US\$	Total US\$
Current				
As at 30 June 2021	21,976	4,888,745	–	4,910,721
Movement in the period	294,767	(4,258,648)	–	(3,963,881)
As at 30 June 2022	316,743	630,097¹	–	946,840
Non-current				
As at 30 June 2021	–	–	22,335,068	22,335,068
Movement in the period	–	–	17,282,121	17,282,121
As at 30 June 2022	–	–	39,617,189	39,617,189

¹ Refer to **note 10** for details of the equity receivable.

Balances with subsidiaries at the period-end were:

	30 June 2023 US\$	30 June 2022 US\$
Pensana Metals Limited	15,927,182	15,546,231
Ozango Minerais SA	9,330,288	8,912,615
Coola Mining Lda	49,667	45,018
SBLRTHS Unipessoal Lda	2,446,635	2,505,168
Sable Min Unipessoal Lda	21,912,122	12,608,157
Saltend Magnet Metals Limited	956,069	–
Total	50,621,963	39,617,189

Amounts owed by group undertakings are unrestricted and payable on demand, but the directors do not anticipate that they will be paid within 12 months and therefore have classified them as non-current. The directors have assessed the ECLs, the viability of the project considered alongside the macro environment reviewed and evidenced no need for adjusting the carrying value of the company's loan receivables.

Pensana Plc is the immediate and ultimate controlling party of the group as at 30 June 2023. Refer to **note 20** to the consolidated financial statements.

C3. INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

	30 June 2023 US\$	30 June 2022 US\$
Pensana Metals Limited	12,124,374	11,756,018
Sable Min Unipessoal Lda	1,503,125	1,606,121
Total	13,627,499	13,362,139

Refer to **note 20** for details of interests held in subsidiaries.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the financial year ended 30 June 2023

C4. TRADE AND OTHER PAYABLES

	30 June 2023 US\$	30 June 2022 US\$
Inter-company loan payable to Pensana Metals Limited	13,567,544	14,725,658
Trade payables	11,185,722	477,038
Statutory liabilities	42,809	53,292
Accrued expense	402,074	1,497,394
Total	25,198,149	16,753,382

C5. PROPERTY, PLANT AND EQUIPMENT

	Development asset US\$	Assets under construction ¹ US\$	Computer equipment US\$	Restated ² Total US\$
2023				
Cost				
Balance as at 1 July 2022	89,945	1,217,795	16,706	1,324,446
Additions	–	2,064,099	3,466	2,067,565
Adjustment on currency translation	(7,154)	(20,244)	(602)	(28,000)
Balance as at 30 June 2023	82,791	3,261,650	19,570	3,364,011
Depreciation				
Balance as at 1 July 2022	–	–	4,244	4,244
Charge for the year	–	–	6,418	6,418
Adjustment on currency translation	–	–	(245)	(245)
Balance as at 30 June 2023	–	–	10,417	10,417
Net book value				
As at 30 June 2022	89,945	1,217,795	12,462	1,320,202
As at 30 June 2023	82,791	3,261,650	9,153	3,353,594
2022				
Cost				
Balance as at 1 July 2021	89,945	65,728	6,990	162,663
Additions	–	1,152,067	9,716	1,161,783
Balance as at 30 June 2022	89,945	1,217,795	16,706	1,324,446
Depreciation				
Balance as at 1 July 2021	–	–	333	333
Charge for the year	–	–	3,911	3,911
Balance as at 30 June 2022	–	–	4,244	4,244
Net book value				
As at 30 June 2021	89,945	65,728	6,657	162,330
As at 30 June 2022	89,945	1,217,795	12,462	1,320,202

¹ Assets under construction relate to Saltend.

² Refer to **note C8** for details of the restatement of prior year results.

C6. INTANGIBLE ASSETS

	2023 US\$	Restated ¹ 2022 US\$
Carrying value		
Balance at the beginning of the year	5,236,226	–
Additions	9,452,299	5,236,226
R&D government grant deferred	(1,037,336)	–
Adjustment on currency translation	(74,120)	–
Balance at the end of the year	13,577,069	5,236,226

¹ Refer to **note C8** for details of the restatement of prior year results.

These costs were capitalised in respect of the Saltend Project and have been classified as intangible assets given their nature, being consulting fees relating to process design and testwork. Previously, such costs were wholly classified as property, plant and equipment.

C7. NOTES TO THE STATEMENT OF CASH FLOWS

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

	30 June 2023 US\$	30 June 2022 US\$
Net loss before tax	(2,811,713)	(7,520,376)
<i>Add/less non-cash items</i>		
Depreciation	6,418	3,911
Share-based payments	(272,965)	923,679
Impairment of financial assets	308,260	669,470
(Increase)/decrease foreign exchange losses	(582,236)	743,067
<i>Increase in assets</i>		
Trade and other receivables	(801,951)	(294,767)
<i>(Decrease)/increase in liabilities</i>		
Trade and other payables	(1,175,466)	196,204
Net cash used in operating activities	(5,329,653)	(5,278,812)

Reconciliation of property, plant and equipment and intangibles additions for the period to net cash flows from investing activities

	Note	CONSOLIDATED	
		2023 US\$	Restated ¹ 2022 US\$
Additions to property, plant and equipment	C5	(2,067,565)	(1,161,783)
Additions to intangible assets	C6	(9,452,299)	(5,236,226)
Total additions		(11,519,864)	(6,398,009)
Capital items included in working capital		9,836,278	229,310
Payments for property, plant and equipment and intangibles (cash flow investing activities)		(1,683,586)	(6,168,699)

¹ Refer to **note C8** for details of the restatement of prior year results.

C8. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The company has undertaken a review of the classification of costs capitalised in respect of the Saltend Project during the year. Previously, such costs were wholly classified as property, plant and equipment. Based on evaluation of the underlying costs, it has been determined that US\$5.2 million (30 June 2022) of the costs should have been classified as intangible assets given their nature. As such, the comparative periods have been restated to reclassify such amounts from property, plant and equipment to intangible assets. The restatement had no impact on net assets or loss for the periods. Refer to **notes C5** and **C6** for further details.

ABBREVIATIONS

µm	Micrometre	km ²	Square kilometre
3D	Three-dimensional	KPI	Key performance indicator
ADP	ADP Group	kW	Kilowatt
AGM	Annual general meeting	kWh	Kilowatt hour
AIM	Alternative Investment Market of the London Stock Exchange	La	Lanthanum
ASX	Australian Securities Exchange	LRP	Livelihood Restoration Plan
AUD	Australian dollar	LSE	London Stock Exchange
°C	Degrees Centigrade	LIFE	Lost time injury frequency rate
Ce	Cerium	m	Metre
CEO	Chief executive officer	m ²	Square metre
CICERO	Centre for International Climate Research Shades of Green, formerly part of CICERO, now part of S&P Global, provides independent research-based evaluations of green bond and sustainability financing frameworks to determine their environmental robustness. In December 2022, S&P Global acquired the Shares of Green business from CICERO.	m ³	Cubic metre
CO ₂	Carbon dioxide	mg/l	Milligrams per litre
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)	mm	Millimetre
DFS	Definitive feasibility study	MREC	Mixed rare earth carbonate
DRC	Democratic Republic of the Congo	Mn	Manganese
ECL	Expected credit loss/es	MnO	Manganese Oxide
ESG	Environmental, social and governance	Mt	Million tonnes
ESIA	Environmental and Social Impact Assessment	MW	Megawatt
Fe	Iron	Nb	Niobium
FEED	Front-end engineering design	Nd	Neodymium
FRC	Financial Reporting Council	NdFeB	Neodymium Iron Boron
FSDEA	Fundo Soberano de Angola	NdPr	Neodymium and Praseodymium
ft	Foot	NdPrO	Neodymium and Praseodymium oxide
FTSC	FTSE Small cap	NGO	Non-governmental organisation
FTSE	Financial Times Stock Exchange	OEM	Original equipment manufacturer
FY	Financial year	PAH	Project-affected households
GAAPs	Generally accepted accounting principles	ppm	Parts per million
GBP	British pound	QCA	Quoted Companies Alliance
GHG	Greenhouse gas	R&D	Research and development
GST	Goods and services tax	RAP	Resettlement Action Plan
GW	Gigawatt	REE	Rare earth element
ha	Hectare	REO	Rare earth oxide
HREOs	Heavy rare earth oxides	RESF	Rare earth separation facility
IAS	International Accounting Standards	SRK	SRK Consulting Group
ICMM	International Council on Mining and Metals	STEM	Science, technology, engineering and mathematics
IEA	International Energy Agency	STI	Short-term incentive
IFC	International Finance Corporation	SX	Solvent extraction
IFRS	International Financial Reporting Standards	t	Tonne
in	Inch	TCFD	Task Force on Climate-related Financial Disclosures
ISAs (UK)	International Standards on Auditing (UK)	tCO ₂ e	Tonnes (t) of carbon dioxide (CO ₂) equivalent
ISO	International Organisation for Standardisation	TREO	Total rare earth oxide
JORC	2012 Australasian Code for Reporting of Mineral Resources and Ore Reserves	TSF	Tailings storage facility
km	Kilometre	TSR	Total shareholder return
		U	Uranium
		UK	United Kingdom
		UK DBT	UK Department for Business and Trade
		UNICEF	United Nations Children's Fund
		US	United States
		US\$	United States dollar
		VAT	Value added tax
		Zr	Zirconium

CORPORATE DIRECTORY

Directors	Mr Paul Atherley – Executive chairman Mr Timothy George – Executive director/chief executive officer Mr Robert Kaplan – Finance director Dr Jeremy Beeton – Non-executive director Baroness Lindsay Northover – Non-executive director Ms Alison Saxby – Non-executive director Mr Steven Sharpe – Non-executive director
Chief executive officer	Mr Timothy George
Chief operating officer	Mr Rocky Smith
Company secretary	St James's Corporate Services Limited
Registered office	107 Cheapside Second Floor London EC2V 6DN, United Kingdom
Share registry UK	Computershare The Pavilions, Bridgwater Road Bristol BS13 8AE, United Kingdom
Auditor	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Lawyers UK	Simmons and Simmons City Point, 1 Ropemaker Street London EC2Y 9SS United Kingdom
LSE code	PRE
Website	www.pensana.co.uk
Pensana Plc	Company registration number: 12206525