

Pensana metals



**Annual Report
for the financial year ended 30 June 2019**

**Pensana Metals Ltd
and Controlled Entities**

ABN 86 121 985 395

Corporate directory

Directors	<p>Paul Atherley - Chairman David Hammond - Executive Director / Chief Operating Officer Neil MacLachlan - Non-Executive Director Mark Hohnen - Non-Executive Director</p>
Chief Executive Officer	Mr Tim George
Company Secretary	Mr Scott Mison
Registered Office	<p>Ground Floor 10 Outram Street West Perth WA 6000</p> <p>www.pensanametals.com info@pensanametals.com</p>
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Auditors	<p>Ernst & Young 11 Mounts Bay Road PERTH WA 6000</p>
Lawyers	<p>DLA Piper Australia Level 31, Central Park 152-158 St Georges Terrace Perth WA 6000 PO Box Z5470 Perth WA 6831 Australia</p>
ASX Code	PM8 (formerly RVY)

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CHAIRMAN'S LETTER

It is with great pleasure that I can report on a year of considerable progress for your Company in our efforts to establish the Longonjo project in Angola as the next major mine in the permanent magnet supply chain.

We are on the verge of the greatest energy transformation in history.

The electrification of motive power will see the replacement of fossil fuels in a wide range of major industries from air, sea and land transportation; to clean power generation through high-tech goods, domestic and medical appliances and a range of military applications.

Whilst the transformation is largely policy driven it is being facilitated by the development of small, high-powered electric motors and generators.

These motors and generators are increasingly being made from high strength, long life and heat resistant Neodymium Praseodymium (NdPr) permanent magnets

It has been forecast that within a decade nearly half of us will drive an electric vehicle. However, it is not just about EVs. Adamas intelligence has recently reported that "*in 10-15 years two-thirds of wind turbines installed globally will incorporate rare earth permanent magnet generators*".

During the year the importance of rare earths has taken centre stage.

In May of this year the visit by President Xi Jinping to China's Jiangxi rare earth factories in the middle of the ongoing US China trade war highlighted Chinese dominance of the sector in which it supplies over 87% of the world's permanent magnets.

In March of this year Wesfarmers A\$1.5bn bid for ASX listed Lynas Corporation brought attention to the fact that Lynas is currently the only major mine in the permanent magnet supply chain located outside China.

The next major rare earth mine

We are optimistic that the Longonjo project will become the world's next major mine in the permanent magnet supply chain.

At the time of writing Wood Group is well advanced in its execution of a pre-feasibility study which is expected to highlight that the large resource of 240 million tonnes at 1.60% REO including 0.35% NdPr for 3,850,000 tonnes of REO including 840,000 tonnes of NdPr can be readily developed by producing a NdPr rich concentrate for export via the adjacent US\$1.8 billion Benguela rail line which links to the recently upgraded US\$2 billion Atlantic port of Lobito.

The available world class transport infrastructure is complimented by access to the national hydro-electric grid which will provide clean low-cost electricity.

The mine design is expected to highlight that it can produce rare earths in a sustainable manner with clean power generation, strong community engagement and the technical and professional development of the local workforce.

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

Good grades make good mine managers

There is an old expression in the industry which says that good grades make good mine managers.

In our case we have in my view one of the world's best rare earth mines located in a country with exceptional infrastructure and a supportive government. We also have one of the best management teams in Africa.

Tim George who joined us in May as Chief Executive Officer is an experienced mine developer with extensive experience in Africa with Anglo American including previous experience in Angola. Tim has joined us to develop the mine and has hit the ground running.

Chief Operating Officer Dave Hammond and his team have done a sterling job in bringing the project through the challenging early stages of resource definition. Spending many months in country and along the way encountering challenges that would test the best of us his efforts are noted and very much appreciated.

Together with the rest of the team in Angola and Australia and with further additions in the pipeline we are building an exceptional team which will develop an exceptional African mine.

Strong interest in financing

For all junior mining companies funding a major mine is a challenge and on the face of it funding a rare earth mine in Angola could be considered amongst the more difficult of these challenges.

Our view is that mines get developed on their merits. By this we mean that there currently appears to be a lot of focus on the NPV of projects - rather than on the project's ability to be financed and turned into a mine.

In our case we are designing the mine to be financed with a view to constructing it for cashflow. Put simply we are aiming to reduce the upfront capital cost to a size which we know will be of interest to financiers and to generate strong early cashflow to service the funding.

Based on previous experience and initial discussions with financiers we believe that this approach will be well received.

London Main Board listing

We are pleased to welcome Fidelity from London as the Company's largest institutional shareholder.

Significant interest has been expressed by other major UK institutional investors and as previously announced the Company is well advanced on a dual listing on the LSE's Main Board later in the year.

The recently well supported ten for one share consolidation was part of the preparations for the listing.

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

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

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

Angola is also now the top African foreign investment destination for the UK with investments backed by UK export finance initiatives.

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

I am grateful to the efforts by Graeme Clatworthy, General Manager for Angola, who over the past 5 years has established the Company's good relations with the various government ministries.

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

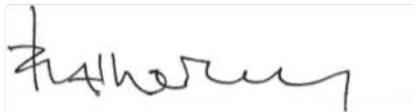
I would also like to take this opportunity to thank our partner Ferrangol under the direction of João Diniz dos Santos and Dr Andrea Buta Neto at the Ministry of Mines for their considerable support and encouragement.

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

Highest standards of sustainability and community engagement

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

We have many challenges ahead but with your continued support we believe that the Company is well positioned to rapidly progress the financing and development of the Longonjo project as the next major mine in the permanent magnet supply chain at a time when the demand for permanent magnets is set to take off.

A handwritten signature in black ink, appearing to read "Paul Atherley".

Paul Atherley
Chairman

CEO LETTER

I am delighted to have joined the Pensana team as it starts the transition of the Longonjo NdPr project from exploration into the pre-development phase. The proximity to existing, enviable infrastructure is one of the most attractive assets alongside the actual resource results. This is a key driver in the ability for the project to be both financed and rapidly developed and is an aspect rarely present in African resource initiatives.

Alongside this, is the positive government drive in Angola to diversify the economy from reliance on the petroleum sector. It is encouraging to experience the support of the country's ministries in this respect. The visit to the Longonjo site in April by over 60 members of mining, geology, environment disciplines, led by the Secretary of State for Geology and Mines, Dr Jânio da Rosa Corrêa Victor, and national press to understand the project provided further testament to this policy.

Technical discussions with port, rail and power authorities in Angola are underway with all having confirmed ample infrastructure capacity for the eventual mine and product export along with their support for the project.

Other than the excellent road, rail and air transport links, the interconnection in May of the nearby provincial capital, Huambo, to the national grid supplied by the new hydro-electric dams is a significant step forward to unlocking both this project and regional development. The prospect of affordable 'green' power for a mine geared to produce the raw materials required to support electrification of motive power energy transformation is an added benefit.

Overall, the work achieved during the year has been commendable with outstanding results from the 6,700m drilled. The initial campaign completed in September yielded a greatly expanded Mineral Resource estimate completed by industry experts SRK. This provided a solid basis for the in-fill campaign completed in the latter part of the year and enabled the commencement of pre-feasibility studies by the Wood Group (drawing on their RE projects experience).

Of note is that the opportunity for low cost soft rock mining of the weathered 'blanket' of ore has been confirmed and, due to the proximity to surface, the reserve per metre drilled ratio has kept costs of the exploration programs pleasantly low. The mineralised blanket extends over 1.5 km and, although 30m thick, the discriminating factor here is that a high proportion of the high grade material is at, or close, to surface.

Significant progress has been made on the environmental studies following the appointment of South African based HCV, supported by Angolan based Grupo Simples. These studies, geared to satisfy both local and international standards, are scheduled for completion concurrently with the technical and financial viability studies at the end of this year.

Staff development was pleasing with the recruitment and training of Angolan geologists, field assistants and camp workforce to support the exploration campaign, resulting in over 80% of the company employees being Angolan nationals. No lost time incidents occurred during the year.

All of the above, coupled with cash on hand, bodes well for an exciting and busy year ahead with the intention to progress seamlessly into engineering design following the pre-feasibility studies and a construction decision mid 2020.

Tim George
CEO

Directors' Report

The Directors of Pensana Metals Ltd ("the Company") submit herewith the annual financial report of Pensana Metals Limited and its controlled entities ("Consolidated Entity") for the year ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors and Directors' Details

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

Paul Atherley Non-Executive Chairman Appointed 13 May 2018	<p>Mr Atherley is a highly experienced senior resources executive with wide ranging international and capital markets experience. He graduated as mining engineer from Imperial College London and held a number of mine management, senior executive and board positions during his career.</p> <p>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.</p> <p>Mr Atherley was based in Beijing from 2005 to 2015 and developed strong connections within Chinese business, industry bodies and senior government officials, including the most senior levels of the state owned energy companies. He was the Chairman of the British Chamber of Commerce in China, Vice Chairman of the China Britain Business Council in London and served on the European Union Energy Working Group in Beijing.</p> <p>He has been a regular business commentator on China and the resources sector, hosting events in Beijing and appearing on CCTV News and China Radio International as well as BBC, CNBC and other major news channels.</p> <p>Mr Atherley is a strong supporter of Women in STEM and has established a scholarship which provides funding for young women to further their education in science and engineering.</p> <p><i>Other Current Directorships of Listed Companies</i></p> <p>Leyshon Energy Limited (January 2014 – present).</p> <p><i>Former Directorships of Listed Companies in last three years</i></p> <p>Berkeley Energia Limited (ASX/AIM) Leyshon Resources Limited (May 2004 – May 2019)</p>
David Hammond Executive Director / Chief Operation Officer Appointed 14 November 2017	<p>Mr Hammond has over 28 years' technical, resource definition and project development experience in Africa, Australia and South America. He was most recently the Technical Director with Peak Resources Ltd for seven years where he led all exploration, resource definition and technical study teams, from the second drill hole of the deposit through resource, reserve, scoping study, prefeasibility.</p> <p>David holds a Master of Science (M.Sc.) and a Diploma of Imperial College (DIC) from the Royal School of Mines Imperial College London. He is a member of AUSIMM and a competent person for JORC reporting.</p> <p><i>Other Current Directorships of Listed Companies</i></p> <p>None</p> <p><i>Former Directorships of Listed Companies in last three years</i></p> <p>Peak Resources Limited</p>

Mark Hohnen Non-Executive Director Appointed: 25 August 2017	<p>Mr. Hohnen has experience in the Japanese, Chinese and Korean markets, all of which play a significant role in the production of lithium ion batteries and the development of electric vehicle technology. Mr. Hohnen has been involved in the mineral resource sector since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as being on the board of oil and coal company Anglo Pacific Resources Plc. Mr. Hohnen was also a director of Kalahari Minerals and Extract Resources, having successfully negotiated the sale of both companies to Taurus (CGN). He is also chairman of ASX listed, Boss Resources Limited and director of Salt Lake Potash Limited.</p> <p><i>Other Current Directorships of Listed Companies</i> Boss Resources Limited (ASX) (26 April 2016 – present) Bacanora Minerals Limited (AIM / TSX listed) (27 April 2016 – Present)</p> <p><i>Former Directorships of Listed Companies in last three years</i> Salt Lake Potash Limited (ASX) (February 2010 – December 2017)</p>
Neil MacLachlan Non-Executive Director Appointed: 17 January 2018	<p>Mr. MacLachlan, has over 35 years' investment banking experience in Europe, South East Asia and Australia and has extensive experience in public company directorships. He currently serves as chairman and a major shareholder in Markham Associates, a private UK partnership, which undertakes financial consultancy and direct investment activities in the junior mining sector in Europe, Australia and South East Asia.</p> <p>Mr. MacLachlan was a director of Extract Resources Ltd and Kalahari Minerals Plc. Both Extract Resources and Kalahari Minerals were the subject of successful takeovers for \$2.1billion and £651million respectively.</p> <p>Mr MacLachlan has considerable public company experience in the mining sector having been on the boards of several companies listed on the ASX, AIM and TSX.</p> <p><i>Other Current Directorships of Listed Companies</i> None</p> <p><i>Former Directorships of Listed Companies in last three years</i> None</p>

Tim George - Chief Executive Officer – Appointed 22 April 2019

Tim is a Minerals Engineer with over 30 years of experience in the mining and engineering sectors, with a broad experience in mining project development throughout Sub-Saharan Africa.

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

Tim is based in Cape Town and has previous experience working in Angola as Chairman and CEO of Xceldiam an AIM listed diamond exploration company based in Angola which was bought out by Petra Diamonds in 2007.

Company Secretary – Mr. Scott Mison - B.Bus, CA, AGIA.

Scott holds a Bachelor of Business degree majoring in Accounting and is a Member of the Institute of Chartered Accountants in Australia and Governance Institute of Australia.

Scott has more than 23 years of corporate and operational experience across Australia, UK, Central Asia, Africa and the US. He is currently a Director of ASX-listed New World Cobalt. He is also a member of the Board of Rebound WA Inc. (formerly Wheelchair Sports WA Inc.).

Operating and Financial Review

The consolidated entity incurred an operating loss after income tax of \$5,833,896 (30 June 2018: \$1,824,990) for the year ended 30 June 2019.

2019 REPORT ON PROJECTS**Principal Activities**

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

The year saw significant progress with a series of technical programmes successfully completed and a Preliminary Feasibility Study on the project now nearing completion.

Technical programmes included two major drilling campaigns that lead to a significant expansion of the Longonjo Mineral Resource estimate, metallurgical flow sheet optimisation and, with the appointment of Wood Group as lead engineers, the commencement of a range of engineering studies that will culminate in a Preliminary Feasibility Study. Environmental and social baseline studies are also well advanced, with wet and dry season surveys completed and an application for an environmental permit for the project on track for completion by the end of calendar year 2019.

Pensana's NdPr strategy for Longonjo

The Company has a clear and focussed strategy to realise a valuable asset at Longonjo through a rapid and low cost development pathway.

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

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



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

Facilitating a green energy revolution

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



EV makers are investing US \$90 billion developing 200 new models



Each 3MW direct drive wind turbine uses 600kg of pure NdPr oxide

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

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

Infrastructure advantages

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



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

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



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

The location of the project close to established modern infrastructure is a major advantage to the practical and financial development of Longonjo

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

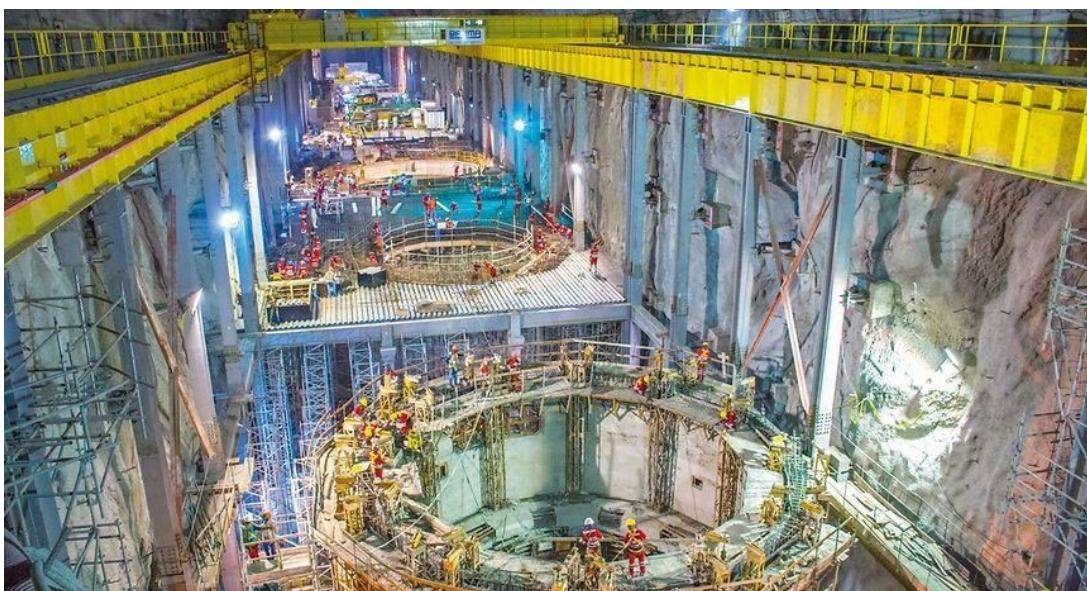
The Benguela Railway was reconstructed between 2006 and 2014 by the China Railway Construction Corporation at a cost of US\$1.83 billion employing 100,000 Angolans. The railway extends from the border with the Democratic Republic of Congo and services the ports of Benguela and Lobito on the Atlantic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

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



Lobito Port infrastructure directly connects to the Benguela rail line

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



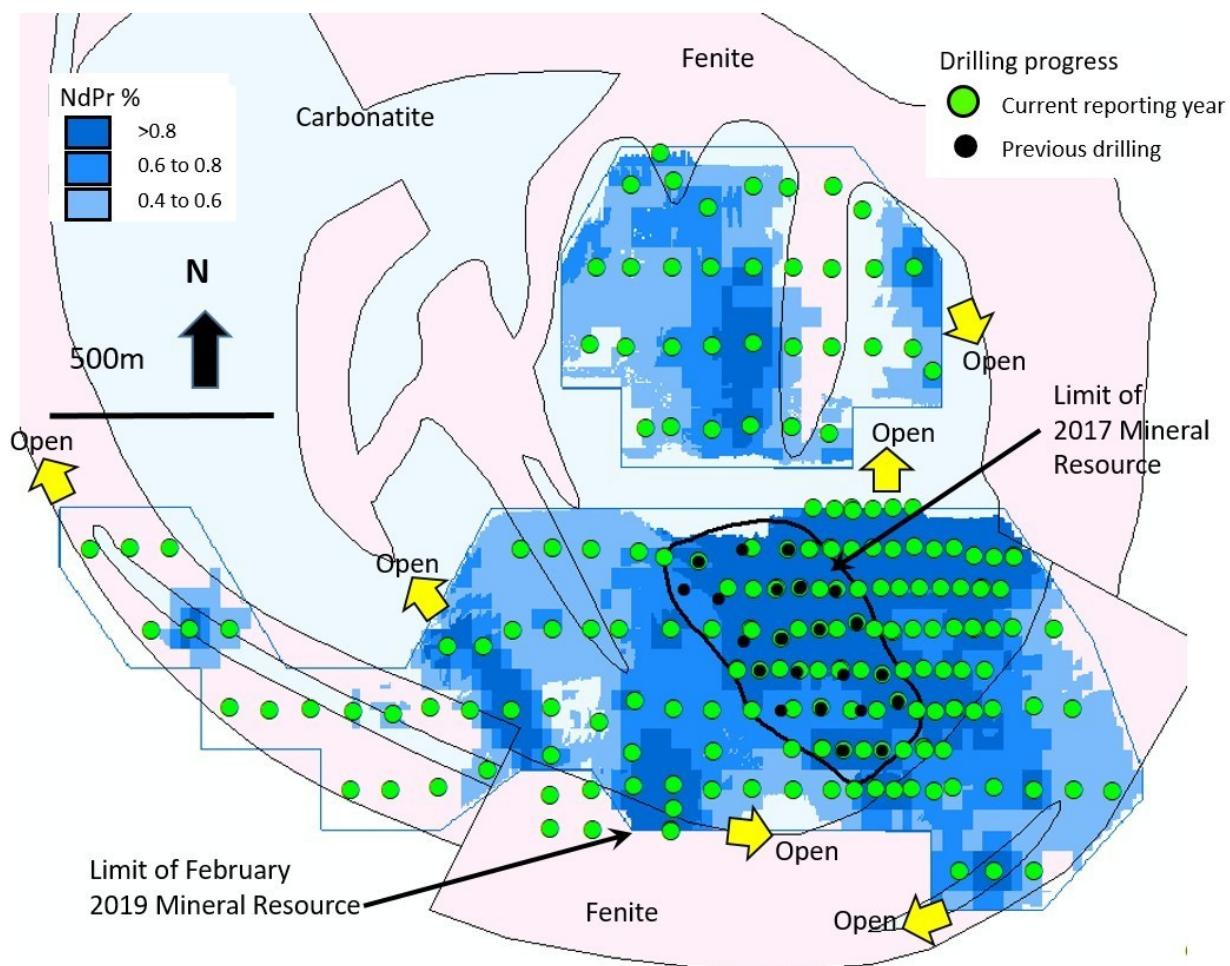
Construction works on the massive new Laúca hydro power plant are now complete. Low cost hydro power now extends to within 40 kilometres of the Longonjo Project and there is an excess of power in the region

Technical Development programmes

The 2018 – 2019 reporting year was an active one for the Company as it made rapid progress on the development programmes for Longonjo to become a long term strategic supplier of magnet metal raw materials.

The successful capital raising in July 2018 allowed the implementation of drilling programmes that successfully lead to a significant expansion of the Mineral Resource estimate for Longonjo, and which was completed by SRK Consulting in February 2018 (ASX announcement of 19 February 2019).

During the reporting year, 174 reverse circulation (RC) drill holes were completed for a total of 6,241 metres, together with 16 diamond core holes for 453 metres.



Above: Plan view of the Longonjo Carbonatite with the February 2019 Mineral Resource estimate block model for the weathered zone coloured by NdPr grade. Large areas of the prospective carbonatite structure remain untested and the numerous open positions with potential for immediate extensions to known mineralisation are indicated.

As well as providing information to support the expanded Mineral Resource estimates, the drilling was also completed to provide information for the Preliminary Feasibility Studies (PFS) now in progress including:

- samples for metallurgical optimisation testwork
- samples for density determinations of the range of rock types
- geotechnical information for mine engineering design
- twinning of RC drill holes for Mineral Resource estimation purposes
-

Some spectacular intersections were received from the near surface weathered zone, demonstrating the high grade NdPr mineralisation from surface, with highlights including:

Drill hole Intersections*

LRC135:14 metres at 5.20% REO including 1.06% NdPr from surface

LRC137:8 metres at 8.08% REO including 1.54% NdPr from surface

LRC150:14 metres at 8.54% REO including 1.79% NdPr from 8 metres

LRC159:8 metres at 7.66% REO including 1.39% NdPr from surface

LRC161:12 metres at 5.12% REO including 0.91% NdPr from 6 metres

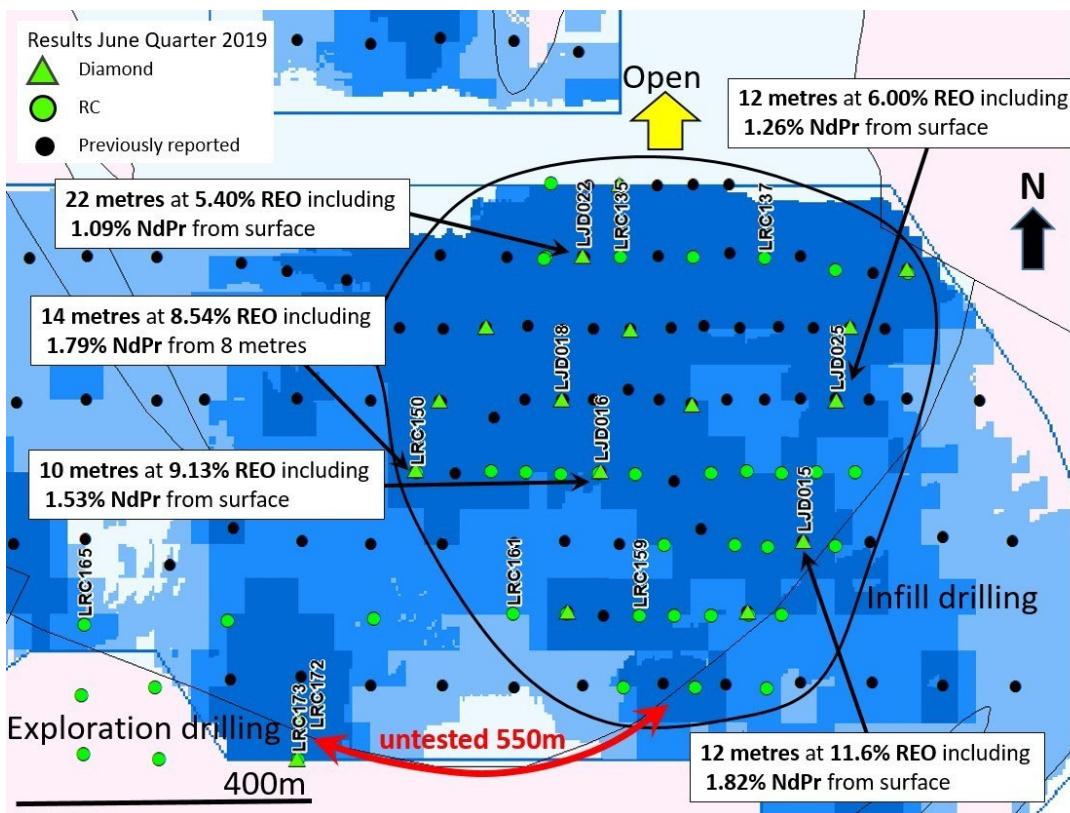
LJD015: 12 metres at 11.6% REO including 1.82% NdPr from surface

LJD016:10 metres at 9.13% REO including 1.53% NdPr from surface

LJD022:22 metres at 5.40% REO including 1.09% NdPr from surface

LJD025:12 metres at 6.00% REO including 1.26% NdPr from surface

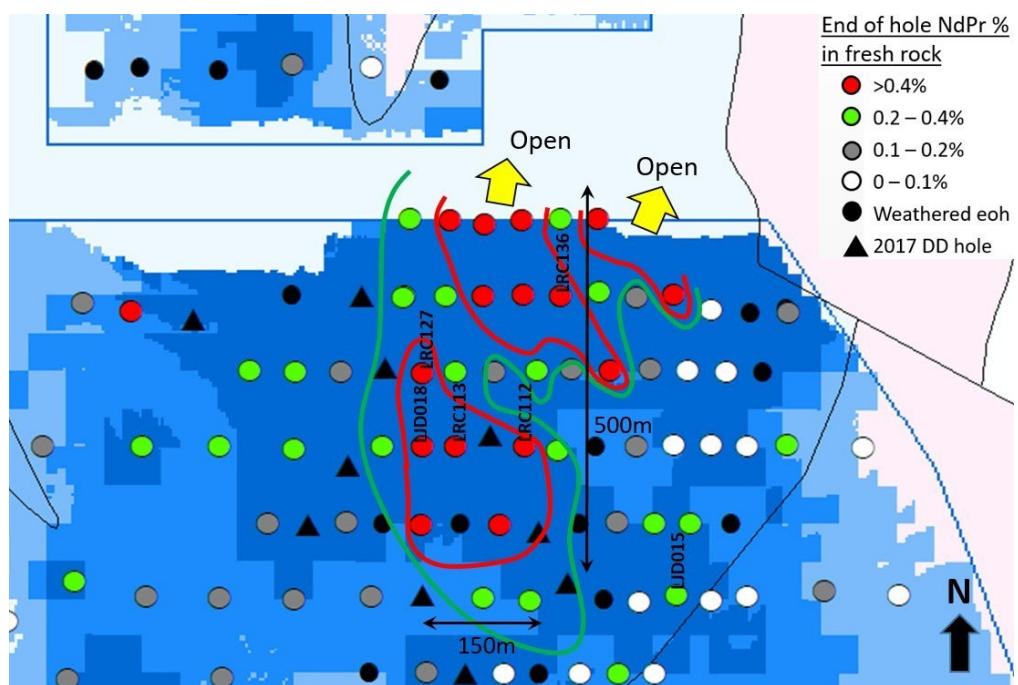
*Intersection highlights reported at $\geq 0.40\%$ NdPr lower grade cut off. NdPr = neodymium + praseodymium oxide: $Nd_2O_3+Pr_6O_{11}$. REO = total rare earth oxides, the sum of La_2O_3 , CeO_2 , Pr_6O_{11} , Nd_2O_3 , Sm_2O_3 , Eu_2O_3 , Gd_2O_3 , Tb_4O_7 , Dy_2O_3 , Ho_2O_3 , Er_2O_3 , Tm_2O_3 , Yb_2O_3 , Lu_2O_3 , Y_2O_3 . See ASX announcements 13 May, 24 June and 8 July 2019 for drill hole details.



Above: Plan showing location of RC (LRC) and diamond core (LJD) assay results and intersection highlights received during the June 2019 Quarter over February 2019 Mineral Resource block model for the weathered mineralisation (see previous figure for legend and location).

The drilling was preceded by field and satellite based surveys, geological mapping and the establishment of a new exploration base across the road from the project. Geological mapping extended the boundaries of the prospective Longonjo Carbonatite geological structure that is host to the NdPr mineralisation. Despite the drilling programmes completed in 2019, large areas of this prospective structure remain untested and mineralisation remains open in several directions.

The last phase of infill drilling in the area of high grade weathered mineralisation envisaged for first mining added a new dimension to the project with the identification of broad zones of high-grade fresh rock mineralisation identified immediately below the weathered zone. The Company will commence metallurgical testwork on this second style of mineralisation at Longonjo to evaluate the potential to further expand a future mining operation.



Above: Plan showing location of zone of high grade fresh rock mineralisation beneath the weathered zone defined by 2019 infill drilling. The zone has a strike length of 500m and remains open to the north

The Company appointed international engineering company Wood Group to execute Preliminary Feasibility Studies (PFS) for the expedited development of the Longonjo NdPr Project. Wood Group previously undertook the Scoping Study for Longonjo and have an experienced rare earth mining and development team.

The study will focus on the delivery of a low capital cost open pit mining operation and exporting flotation concentrates to customers in China via the recently upgraded Benguela rail line and the Atlantic Port of Lobito.

The Company is of the view that, given the work completed to date the adjacent available infrastructure and the relative simplicity of the operation, following the completion of the PFS, it should be possible to move immediately into Front End Engineering Design (FEED) and Engineering Procurement Construction (EPCM).

A range of technical work streams in support of the PFS progressed in 2019. Mineralogical evaluation and metallurgical optimisation testwork continued in 2019 on the flowsheet that has been successfully developed by the company to process Longonjo's weathered mineralisation to a high grade saleable concentrate. Associated studies include geotechnical engineering, hydrology, comminution and materials handling testwork, cost estimations and engineering design. A revised Mineral Resource estimate to be completed by SRK Consulting is in progress after the completion of a phase of infill drilling to update a portion of the current Inferred Mineral Resource estimate to the Indicated JORC category in support of the PFS.

On the permitting front, the Company also completed the registration of the project with the Angolan Ministry of Environment after appointing environmental consultants.. The registration is an important first step towards an application for an operating licence for Longonjo with the Environmental and Social Impact Assessment (ESIA) study being a major prerequisite for a mining permit. Baseline environmental and social studies are well advanced and the study is on track for completion by the end of calendar year 2019.

The Company expects continued strong news flow over the next twelve months and looks forward to providing regular updates on the progress of development programmes it continues to advance the Longonjo NdPr Project towards development.



Above: The Longonjo Project team on site, Longonjo Carbonatite in the background, April 2019

Corporate

Pensana Metals Ltd moves to 84% ownership of Angolan Project

During the period, the Company acquired an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US\$500,000, which holds title to the Longonjo NdPr project.

Appointment of experienced Anglo American veteran as CEO

The Company announced the appointment of Tim George as Chief Executive Officer on 23 April 2019. Tim is a Minerals Engineer with over 30 years of experience in the mining and engineering sectors, with a broad experience in mining project development throughout Sub-Saharan Africa.

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

Tim is based in Cape Town and has previous experience working in Angola as Chairman and CEO of Xceldiam an AIM listed diamond exploration company based in Angola, which was bought out by Petra Diamonds in 2007.

Placements

During the 2019 financial year the Company raised a total of \$10,500,000 through the issue of 2 placements, one in July 2018 and the other in June 2019.

The July 2018 issue was placed to sophisticated and institutional investors for with the issue of 366,666,667 fully paid ordinary shares at \$0.015 to raise \$5,500,000. The placement was completed in 2 tranches:

- 126,549,809 New Shares under Tranche 1 to raise approximately A\$1.898 million; and
- 240,116,858 New Shares under Tranche 2 to raise approximately A\$3.602 million.

The June 2019 placement was issued to institutional clients of RFC Ambrian and Ashanti Capital for the issue of 250,000,000 fully paid ordinary shares at \$0.020 to raise \$5,000,000.

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

The 250,000,000 fully paid ordinary shares were issued under the Company's placement capacity in accordance with ASX Listing Rule 7.1 (181,822,512 shares) and 7.1A (68,177,488 shares).

London Stock Exchange Listing

In April 2019, the Company announced its intentions to undertake a standard listing on the Main Board of the London Stock Exchange by the end of 2019.

The Company appointed RFC Ambrian as broker and agent to the Company in advance of a planned listing on the Standard List of the London Stock Exchange.

RFC Ambrian's role will be to provide on-going support, advice and guidance to the Company in respect of the marketing of the Company's shares in the UK and Europe.

Shareholder General Meeting

On 17 September 2018, the Company held a General Meeting for shareholders. At that meeting shareholders approved the following resolution:

- tranche 1 of the capital raising under both LR7.1 and 7.1A to issue 126,549,809 to raise A\$1.898 million;
- tranche 2 of the capital raising under LR7.1 to issue 240,116,858 to raise \$ A\$3.602 million;
- to give authority for Mr Paul Atherley and Mr Neil MacLachlan to participate in the placement;
- an Employee Incentive Plan;
- the issue of up to 115,741,113 Performance Rights to Mr Paul Atherley;
- the issue of up to 30,000,000 Performance Rights to Mr David Hammond;
- the issue of 5,000,000 unquoted options exercisable at \$0.04 per share and 5,000,000 unquoted options exercisable at \$0.06 per share to Ashanti Capital Pty Ltd (or its nominee), and expiring on the date that is 12 months following the date of issue;
- adopt Pensana Metals Limited as the new name of the Company;
- the Company adopt the Proposed Constitution tabled at the Meeting with effect from the close of the Meeting.

All resolutions were passed by show of hands.

On 18 September 2018 the company changed its name to Pensana Metals Ltd with ASIC.

Tanzanian Assets

Kitongo Gold Project - Sale agreement executed

The company executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US\$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, has deposited a non-refundable US\$50,000 commitment fee as per the agreement.

The Company has received a total of US\$364,000 to date.

All conditions on the sale have been met and the licence has been transferred to the purchaser. Therefore the remaining US\$186,000 is due and payable by the purchaser.

Canuck Prospecting Licence – Mineral prospecting rights agreement executed

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

The purchaser has transferred into Pensana's bank account US\$100,000 cash deposit. During the period the licence was transferred and US\$100,000 of the consideration prices has been received with the remaining US\$150,000 due and payable by the purchaser.

Miyabi Gold Project

The Company has recently received a proposal to for the acquisition of the company's 100% interests in the Miyabi Gold Project. The board is currently considering the proposal.

Significant Changes in the State of Affairs

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

Subsequent Events

Subsequent to the year end the following events occurred:

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

Future Developments

The Directors intend to continue to explore and develop the Company's key existing projects.

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.

Environmental Regulations

Angola

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

Tanzania

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

COMPETENT PERSON STATEMENT

The information in this statement that relates to the 2019 Mineral Resource estimates is based on work done by Rodney Brown of SRK Consulting (Australasia) Pty Ltd. Rodney Brown is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012 edition).

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

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

Future Developments

The Directors intend to continue to explore and develop the Company's key existing projects.

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.

Environmental Regulations

Angola

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

Tanzania

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

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.

Shares under option or issued on exercise of options

At the date of this report there are 2,200,000 unissued shares or interests under option.

Indemnification of Directors and Officers

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or of any related body corporate against a liability incurred by an officer.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Directors' Meetings

The following table sets out the number of Directors' meetings and committee meetings held during the financial year and the number of meetings attended by each Director while they were a Director:

Directors	Board meetings		Remuneration Committee	
	Number eligible to attend	Attended	Number eligible to attend	Attended
P Atherley	5	5	1	1
D Hammond	5	5	-	-
M Hohnen	5	5	1	1
N MacLachlan	5	5	1	1

During the year, there were also 4 circular resolutions approved by directors.

Directors' Interests in the Company

The following table sets out each Director's relevant interest in fully paid ordinary shares and options in the Company at the date of this report, post a share consolidation completed on 22 August 2019.

Directors	Fully paid ordinary shares	Performance Rights	Options
P Atherley	4,858,038	7,716,074	-
D Hammond	1,046,000	2,000,000	500,000
M Hohnen	4,318,691	-	-
N MacLachlan	2,417,384	-	182,770

Remuneration Report (Audited)

The remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, key management personnel (KMPs) of the Group are identified as those persons having the authority and responsibility for planning, directing and controlling major activities of the Company and the Group, directly or indirectly. The prescribed details for each person covered by this remuneration report are detailed below under the following headings:

- A. Key management personnel and relevant Group executives' details
- B. Remuneration policy for key management personnel
- C. Relationship between remuneration policy and Company performance
- D. Remuneration of the key management personnel and relevant Group executives
- E. Key terms of employment contracts

A. Key Management Personnel and Relevant Group Executives' Details

The following persons have been identified as acting as key management personnel and/or relevant Group executives of the Company and the Consolidated Entity during the financial year:

Paul Atherley	Chairman (appointed 13 May 2018)
David Hammond	Executive Director / Chief Operating Officer (appointed 14 November 2017)
Mark Hohnen	Non-Executive Director (appointed 25 August 2017)
Neil MacLachlan	Non-Executive Director (appointed 17 January 2018)
Tim George	CEO (appointed 22 April 2019)
Scott Mison	Company Secretary (appointed 27 September 2013)

B. Remuneration Policy for Key Management Personnel

The Board is responsible for determining and reviewing compensation arrangements for key management personnel. The Company may issue options or performance rights subject to shareholder approval, where required, as determined by the Board.

Executive Remuneration

To achieve its objectives of discovery of economic resources in a cost effective manner, the Company aims to attract and retain a senior management team focused upon contributing to that objective. The Board has established a principle of offering competitive remuneration packages. There are no guaranteed pay increases included in the senior executives' contracts and the executives are not entitled to any retirement benefits other than those provided under the superannuation guarantee legislation.

Non-Executive Directors

Non-Executive Directors' fees are reviewed on a regular basis against industry benchmarks. Other than compulsory payments made under the superannuation guarantee legislation or salary sacrifice agreements, there are no retirement benefits provided to Non-Executive Directors. Director's fees are currently set at \$50,000 per annum plus superannuation (if applicable). The Chairman of the Board receives a fee of \$75,000. The approved aggregate limit of fees that may be paid to Non-Executive Directors is \$400,000 per annum.

C. Relationship Between Remuneration Policy and Company Performance

The Key Management Personnel remuneration comprise of elements that are related to performance. The performance of the Company in the mining industry will be dependent upon the Company meeting the following corporate objectives:

- conducting successful exploration;
- seeking long term cash flow profitability through production or sale; and
- actively pursuing acquisition opportunities to enhance the Company's exploration discovery capacity.

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholders wealth for the five years to 30 June 2019:

Description	30 June 2019	30 June 2018	30 June 2017	30 June 2016	30 June 2015
Income	\$458,203	\$2,288	\$3,117	\$3,627	\$14,142
Net loss before tax	\$5,833,896	\$1,824,990	\$9,192,599	\$1,348,853	\$1,525,914
Net loss after tax	\$5,833,896	\$1,824,990	\$9,192,599	\$1,348,853	\$1,525,914
Share price at start of	1.7 cents	2.8 cents	2.8 cents	2.5 cents	1.8 cents
Share price at end of	2.3 cents	1.7 cents	2.8 cents	2.8 cents	2.5 cents
Market capitalisation	\$33.4m	\$13.5m	\$20.7m	\$16.6m	\$12.4m
Basic (loss) per share (post 10:1 consolidation)	(5.10) cents per share	(2.39) cents per share	(1.5) cents per share	(3.6) cents per share	(4.6) cents per share
Diluted (loss) per share (post 10:1 consolidation)	(5.10) cents per share	(2.39) cents per share	(1.5) cents per share	(3.6) cents per share	(4.6) cents per share

D. Remuneration of the Key Management Personnel and Relevant Group Executives

The following tables provide information about the remuneration of the Consolidated Entity's key management personnel for the current and previous financial year:

	Short-term employee benefits				Post- employment benefits	Other long- term employee benefits	Share- based payment	Total	% of remuneration performance related
	Salary & fees	Bonus	Non- monetary	Other (i)	Super- annuation		Options & rights		
	\$	\$	\$	\$	\$		\$		
2019									
Non-Executive Directors									
P Atherley	75,000	-	-	156,660	-	-	1,352,321	1,583,981	85
M Hohnen (iii)	50,000	-	-	-	-	-	-	50,000	-
N MacLachlan	50,000	-	-	-	-	-	-	50,000	-
Executive Directors									
D Hammond	250,000	-	-	-	23,750	-	366,445	640,195	57
Executives									
T George (ii)	58,717	39,389	-	-	-	-	45,398	143,504	59
S Mison	180,000	-	-	-	17,100	-	92,541	289,641	32

- (i) Other relates to fees for consulting services provided that are out of the scope of non-executive directors.
- (ii) The bonus amount for Mr George represents the service period expense for bonuses that are payable to Mr George in subsequent periods should all key performance indicators in Mr George's remuneration package are met. No bonus amounts were paid in the current year. The maximum about payable in subsequent periods is \$150,000 if all KPI are satisfied.
- (iii) Mr Hohnen is owed \$50,000 of director fees for the current year and \$41,667 for the prior year.

	Short-term employee benefits				Post- employment benefits	Other long- term employee benefits	Share- based payment	Total	% of remuneration performance related
	Salary & fees	Bonus	Non- monetary	Other (i)	Super- annuation		Options & rights		
	\$	\$	\$	\$	\$		\$		
2018									
Non-Executive Directors									
P Atherley (a)	6,250	-	-	7,524	-	-	142,104	155,878	-
M Hohnen	41,667	-	-	-	-	-	-	41,667	-
N MacLachlan	25,000	-	-	-	-	-	-	25,000	-
A Aziz	-	-	-	-	-	-	-	-	-
Executive Directors									
S Dobson	45,833	-	-	45,833	8,708	-	70,158	170,532	-
D Hammond	166,667	-	-	-	15,833	-	94,375	276,875	-
G Gilmour	6,667	-	-	70,000	633	-	6,250	83,550	-
G Cunnold	20,000	-	-	30,000	4,750	-	6,250	61,000	-
Executives									
S Mison	96,000	-	-	-	-	-	-	96,000	-

- (a) Performance rights issued to P Atherley as at 30 June 2018 were still subject to shareholder approval. The share based payment expense was determined based on service period completed, the number of performance rights expected to vest and the company's closing share price as at 30 June 2018.
- (i) Other relates to fees for consulting services provided that are out of the scope of non-executive directors.

Share-based Payments

Performance Rights

2019

During the year the following performance rights were issued to director and key management personnel (and are subject to/ amended by the 10:1 consolidation):

Director / KMP	Number of Rights	Fair value per Right	Vesting Conditions ¹	Grant date	Expiry date	Vesting date
David Hammond	10,000,000	\$0.018	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	17 September 2020	28 February 2019
David Hammond	10,000,000 ²	\$0.018	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	17 September 2018	17 September 2023	Upon vesting conditions being met
David Hammond	10,000,000 ³	\$0.018	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	17 September 2018	17 September 2023	Upon vesting conditions being met
Paul Atherley	38,580,371	\$0.018	Completion of a capital raising of at least an aggregate amount of A\$5.5m via the issue of new shares by no later than 13 November 2018.	13 May 2018	13 November 2018	25 September 2018
Paul Atherley	38,580,371	\$0.018	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	13 May 2018	13 May 2023	Upon vesting conditions being met
Paul Atherley	38,580,371	\$0.018	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	13 May 2018	13 May 2023	Upon vesting conditions being met
Tim George	12,500,000	\$0.020	Commencement of concentrate sales by end of December 2021	22 April 2019	31 December 2021	Upon vesting conditions being met
Tim George	12,500,000	\$0.020	Commencement of Construction by end of December 2020	22 April 2019	31 December 2021	Upon vesting conditions being met
Scott Mison	5,000,000	\$0.018	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	-	28 February 2019
Scott Mison	5,000,000	\$0.023	Listing on London Stock exchange	28 June 2019	31 December 2019	Upon vesting conditions being met
Scott Mison	5,000,000	\$0.023	Completion of sale of Tanzanian assets and closing subsidiaries	28 June 2019	31 December 2019	Upon vesting conditions being met

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

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

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

The fair value of performance rights granted to directors and KMP is estimated using the share price as at the grant date. During the year, there were 20,000,000 performance rights issued which replaced 5,000,000 performance rights issued in the prior year (as detailed above). This was accounted under AASB 2 as a modification. The incremental fair value between the original performance rights and the replacement performance rights, determined as at the date when the replacement rights were issued was \$450,000. The share price at the date that the replacement awards were issued was \$0.018.

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

2018

During the prior year the following performance rights were issued.

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	at a delivered Pre Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met
David Hammond	2,500,000	at a delivered Bankable Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met

The fair value of performance rights granted to directors and KMP is estimated as at the grant date using the share price on the date of granting. In 2019 these awards were replaced with new awards (refer above).

Options

2019

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

2018

During the prior year, the following options were issued to directors and key management personnel:

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	\$0.04	\$0.011	14 November 2017	14 November 2019	Vested at date of grant
David Hammond	2,500,000	\$0.06	\$0.008	14 November 2017	14 November 2019	Vested at date of grant

Shareholdings of KMP

Fully paid ordinary shares of Pensana Metals Limited held directly or indirectly by KMP as at 30 June 2019 are as follows:

	Balance at 1 July	Granted as compensation	Received on vesting of performance rights	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.
2019					
P Atherley	-	-	38,580,371	10,000,000	48,580,371
D Hammond	460,000	-	10,000,000	-	10,460,000
M Hohnen	43,186,913	-	-	-	43,186,913
N MacLachlan	12,173,842	-	-	16,666,667	28,840,509
T George	-	-	-	-	-
S Mison	5,066,090	-	5,000,000	-	10,066,090
2018					
P Atherley	-	-	-	-	-
D Hammond	-	-	-	460,000	460,000
M Hohnen	-	-	-	43,186,913	43,186,913
N MacLachlan	-	-	-	12,173,842	12,173,842
S Dobson	12,603,244	-	-	2,228,572	14,831,816*
G Gilmour	25,483,489	-	-	-	25,483,489*
G Cunnold	13,184,000	1,000,000	-	-	14,184,000*
A Aziz	14,266,173	-	-	-	14,266,173*

* Shareholding at time of resignation.

Option holdings of KMP as at 30 June 2019

Name	Balance at 1 July	Granted Compensation	Net other change	Bal at 30 June (beneficial interest)	Bal vested at 30 June	Vested but not exercis- able	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
2019								
P Atherley	-	-	-	-	-	-	-	-
D Hammond	5,000,000	-	-	5,000,000	5,000,000	5,000,000	-	-
M Hohnen	14,778,619	-	(14,778,619)	-	-	-	-	-
N MacLachlan	1,827,700	-	-	1,827,700	1,827,700	1,827,700	-	-
T George	-	-	-	-	-	-	-	-
S Mison	-	-	-	-	-	-	-	-
2018								
P Atherley	-	-	-	-	-	-	-	-
D Hammond	-	5,000,000	-	5,000,000	5,000,000	5,000,000	-	-
M Hohnen	-	-	14,778,619	14,778,619	14,778,619	14,778,619	-	-
N MacLachlan	-	-	1,827,700	1,827,700	1,827,700	1,827,700	-	-
S Dobson	12,500,000	-	-	12,500,000	12,500,000	12,500,000	-	-
G Gilmour	-	-	-	-	-	-	-	-
G Cunnold	-	-	-	-	-	-	-	-
A Aziz	-	-	-	-	-	-	-	-

Performance Rights holdings of KMP as at 30 June 2019

Name	Balance at 1 July	Granted Compensation	Net other change	Bal at 30 June (beneficial interest)	Bal vested at 30 June	Vested	Vested and exercisable	vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
2019								
P Atherley (a)	-	115,741,113	(38,580,371)	77,160,742	77,160,742	-	-	38,580,371
D Hammond	5,000,000	30,000,000	(15,000,000)	20,000,000	20,000,000	-	-	10,000,000
M Hohnen	-	-	-	-	-	-	-	-
N MacLachlan	-	-	-	-	-	-	-	-
T George	-	25,000,000	-	25,000,000	25,000,000	-	-	-
S Mison	-	15,000,000	(5,000,000)	10,000,000	10,000,000	-	-	5,000,000
2018								
P Atherley	-	-	-	-	-	-	-	-
D Hammond	-	5,000,000	-	5,000,000	5,000,000	-	-	-
M Hohnen	-	-	-	-	-	-	-	-
N MacLachlan	-	-	-	-	-	-	-	-
S Dobson	10,000,000	-	-	10,000,000	10,000,000	5,000,000	-	-
G Gilmour	1,000,000	-	(1,000,000)	-	-	-	-	-
G Cunnold	1,000,000	-	(1,000,000)	-	-	-	-	-
A Aziz	-	-	-	-	-	-	-	-

Key Terms of Employment Contracts

Contracts for services of key management personnel and relevant executives

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

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

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

Base Terms

- This agreement was effective from 13 May 2018 and has no set term.
- Base Salary of AUD\$75,000

The Company has also entered into an agreement with Selection Capital Ltd (of which Mr Atherley is a Director and controlling shareholder) for the provision of consultancy services at a rate of AUD\$1,500 per day.

Incentive package:

Tranche	Number	Performance Criteria	Performance Period
1	38,580,371	Completion of a capital raising of at least an aggregate amount of A\$5.5m, via the issue of new Shares by no later than 13 November 2018.	Vested during the current year
2	38,580,371	Delivery of a positive Pre-Feasibility Study and the Company making a decision to proceed to a Definitive Feasibility Study of the Project.	5 years from the date of grant
3	38,580,371	Delivery of a positive Definitive Feasibility Study and the Company making a decision to proceed with financing and development of the Project.	5 years from the date of grant

The termination provisions are as follows:

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

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

Base Terms:

- Base Salary of \$275,000 per annum, plus superannuation.

Incentive package:

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

Long Term Incentives:

Tranche	Number	Performance Criteria	Performance Period
2	10,000,000	Delivery of a positive Pre-Feasibility Study and the Company making a decision to proceed to a Definitive Feasibility Study of the Project.	5 years from the date of grant
3	10,000,000	Delivery of a positive Definitive Feasibility Study and the Company making a decision to proceed with financing and development of the Project.	5 years from the date of grant

The termination provisions are as follows:

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

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

Base Terms:

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

Incentive package:

- A Short Term Incentive of 50% of Base Salary which will be reviewed annually and will be paid on achievement of near term milestones (KPI's). The KPI's will be as follows from now until the end of June 2020:
 4. Delivery of PFS by end September 2019;
 5. Delivery of ETFS, Mining Permits and ESIA by end March 2020; and
 6. Delivery of EPCM contract by end June 2020;
- Long Term Incentive Performance Rights of two tranches of 12.5 million (total 25 million) which convert to ordinary shares in the Company. The Performance hurdles are as follows:
 1. Commencement of Construction by end December 2020; and
 2. Commencement of concentrate sales by end of 2021

The termination provisions are as follows:

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

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:

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

Non-Executive Directors

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

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

End of remuneration report

Non-audit services

During the year, no non-audit services were provided by the Company's auditor.

Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the period ended 30 June 2019, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

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

Introduction

Pensana Metals Limited 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.pensanametals.com, including:

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

ASX Corporate Governance Council Principles and Recommendations

In accordance with ASX Listing Rules, the Company hereby discloses the extent to which each of the ASX Corporate Council Governance Recommendations have been followed during the financial year. Where a departure from the recommendation has been identified, an explanation for this departure has been provided. Further details can be found on the Company's website at www.pensanametals.com

Principle 1: Lay solid foundations for management and oversight	Recommendation 1.1 A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Company complies with this recommendation. The board has set out the responsibilities of the Board in the Board Charter which can be accessed on the company website. Any functions not reserved for the Board and not expressly reserved by the Resources Act and ASX Listing Rules are reserved for senior executives.
	Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company complies with this recommendation.
	Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company complies with this recommendation.
	Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company complies with this recommendation. The company secretary is accountable directly to the board.
	Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company partly complies with this recommendation. A diversity policy was adopted on 14 August 2012 and a copy of the Company's Diversity policy is available on the Company's website. The policy does not contain measurable objectives for achieving gender diversity as the Company is not of a sufficient size or scale to justify application of such objectives. The Company currently employs no women and there are no women on the board of Directors.

	<p>Recommendation 1.6: A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company complies with this recommendation. The Chairman will undertake a periodic review in relation to the performance of each Director of the Company. The Board will also meet to discuss its performance as a whole.</p> <p>No review was undertaken during the year ended 30 June 2019.</p>
	<p>Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company complies with this recommendation. Arrangements put in place by the Board to monitor the performance of the Group's executives include:</p> <ul style="list-style-type: none"> • a review by the Board of the achievement of performance targets set based on the organisation's objectives in accordance with its strategy; • comparison of executive remuneration levels to industry benchmarks; and • annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company. <p>A review was undertaken during the year ended 30 June 2019.</p>
Principle 2: Structure the board to add value	<p>Recommendation 2.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> 1) has at least three members, a majority of whom are independent directors; and 2) is chaired by an independent director, and disclose: 3) the charter of the committee; 4) the members of the committee; and 5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively. 	<p>The Company complies with this recommendation.</p> <p>The board has established a separate remuneration and nomination committee during 2019.</p>
	<p>Recommendation 2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>The company complies with this recommendation</p>
	<p>Recommendation 2.3 A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	<p>The company complies with this recommendation.</p>
	<p>Recommendation 2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>The company complies with this recommendation.</p> <p>3 out of 4 directors are considered independent.</p>
	<p>Recommendation 2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>The Company complies with this recommendation.</p>
	<p>Recommendation 2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>The Company complies with this recommendation.</p>
Principle 3: Act ethically and responsibly	<p>Recommendation 3.1 A listed entity should:</p> <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	<p>The Company complies with this recommendation.</p> <p>The Company has a Code of Conduct which can be accessed on the company website.</p>

Principle 4: Safeguard integrity in corporate reporting	Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company complies with part b) of this recommendation. An audit committee has not been established. Given the composition of the Board and the size of the Company, it is felt that an audit committee is not yet warranted, however it is expected that as the Company's operations expand that an audit committee will be established. The current policy of the external auditor is to rotate the engagement partner every five years.
	Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Company complies with this recommendation. The Board receives assurance from the CEO and the chief financial officer in the form of a declaration, prior to approving the financial statements.
	Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company complies with this recommendation. The Company's external auditors attend the AGM each year.
Principle 5: Make timely and balanced disclosure	Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company complies with this recommendation. The Company has adopted a Continuous Disclosure Policy which is available on its website.
Principle 6: Respect the rights of security holders	Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	The Company complies with this recommendation. Information regarding the Company, its activities and its corporate governance is available on its website.
	Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company complies with this recommendation. The Company has adopted a Shareholder Communication Policy which is available on its website.
	Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company complies with this recommendation. The Company has adopted a Shareholder Communication Policy which is available on its website.
	Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company complies with this recommendation. Shareholders are able to receive communications from, and send communications to, the entity and its security registry electronically via email or by submitting queries via the Company's website.
Principle 7: Recognise and manage risk	Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Company complies with part b) of this recommendation. The Company has a Risk Management Policy outlining the processes it employs for overseeing the entity's risk management framework and is available on the website.

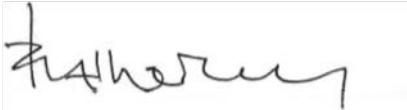
	<p>Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Company complies with this recommendation. A review was not completed in 2019.</p>
	<p>Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company complies with part b) of this recommendation. The Company does not have an internal audit function. Due to the size and scale of the Company, it was agreed that effectiveness of its risk management and internal control processes should be considered by the full Board.</p>
	<p>Recommendation 7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Company complies with this recommendation. Refer to the Directors Report.</p>
Principle 8: Remunerate fairly and responsibly	<p>Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Company complies with this Recommendation. The board has established a separate remuneration and nomination committee during 2019. A remuneration review for executive directors and senior executives was conducted during 2019.</p>
	<p>Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>The Company complies with this recommendation. The board remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive. The Board believes that the best way to achieve this objective is to provide Executive Directors and Executives with a remuneration package that may consist of: (i) fixed components that reflect the person's responsibilities, duties and personal performance; and (ii) share based payments in the form of performance rights and/or options as an incentive for performance that achieves medium term or longer term goals. The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry. The aggregate amount payable to the Company's Non-Executive Directors in respect of non-executive director fees must not exceed the maximum annual amount approved by the Company's shareholders, which is currently set at \$400,000 per annum.</p>
	<p>Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.</p>	<p>The Company complies with this Recommendation. The Company has established an Employee Incentive Plan, which is available on the Company's website.</p>

Auditor's independence declaration

The auditor's independence declaration is included on page 32 of the Annual Report.

Signed in accordance with a resolution of Directors made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors,



Mr. Paul Atherley
Non-Executive Chairman
Perth, 29 September 2019



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Auditor's Independence Declaration to the Directors of Pensana Metals Limited

As lead auditor for the audit of Pensana Metals Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pensana Metals Limited and the entities it controlled during the financial year.

Ernst & Young

Darryn Hall
Partner
Perth
29 September 2019



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Independent auditor's report to the members of Pensana Metals Limited Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pensana Metals Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 3 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.



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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of capitalised exploration and evaluation assets

Why significant

At 30 June 2019, as disclosed in Note 13, the Group held capitalised exploration and evaluation expenditure of \$9,170,349.

The carrying value of exploration and evaluation expenditure is assessed for impairment by the Group when facts and circumstances indicate that the exploration and evaluation expenditure may exceed its recoverable amount.

The determination as to whether there are any indicators to require an exploration and evaluation asset to be assessed for impairment, involves a number of judgments including whether the Group has tenure, will be able to fund ongoing expenditure requirements and whether there is sufficient information for a decision to be made as to the commerciality of the area of interest. The Group did not identify any impairment indicators.

Given the size of the balance and the judgmental nature of impairment indicator assessments associated with exploration and evaluation expenditure, we consider this a key audit matter.

How our audit addressed the key audit matter

In performing our procedures, we:

- ▶ Considered whether the Group's right to explore was current, which included obtaining and assessing supporting documentation such as license agreements.
- ▶ Considered the Group's intention to carry out significant ongoing exploration and evaluation activities in the relevant areas of interest which included reviewing the Group's Board approved cash-flow forecast and enquiring of senior management and Directors as to their intentions and the strategy of the Group.
- ▶ Considered the Group's assessment of whether the commercial viability of extracting mineral resources had been demonstrated and whether it was appropriate to continue to classify the capitalised expenditure for the area of interest as an exploration and evaluation asset.
- ▶ Assessed the adequacy of the disclosures in the financial report.

Share based payments

Why significant

In the current year, the Group awarded share based payments, in the form of performance rights, as disclosed in Note 26. The awards vest subject to the achievement of various vesting conditions.

Due to the complex and judgmental estimates used in determining the value of the share based payment awards, including share price volatility and probability factors that vesting conditions will be achieved, we considered the Group's calculation of the share based payment expense to be a key audit matter.

How our audit addressed the key audit matter

For awards granted during the year, we:

- ▶ Considered the appropriateness of the Group's valuation method for the performance rights issued during the year.
- ▶ Involved our valuation specialists, to assess the appropriateness of the assumptions used in determining the fair value of the performance rights, in particular the share price of the underlying equity, volatility, dividend yield, time to maturity (expected life) and grant date.
- ▶ Assessed the adequacy of the disclosure in the financial report.



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Assets held for sale

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2019, as disclosed in Note 10, the Group has Assets held for sale of \$3,556,840, representing the fair value of the Miyabi project.</p> <p>An asset is to be classified as held for sale where the carrying amount will be recovered principally through a sale transaction rather than through continuing use, is available for immediate sale in its present condition and the likelihood of a sale being completed within 12 months of the assets being classified as held for sale is highly probable.</p> <p>Assets classified as held for sale are to be measured at the lower of their carrying amount and fair value less costs to sell.</p> <p>Due to the judgement involved in determining whether it is highly probable the Miyabi project will be sold within a 12 month period and the significant estimation involved in determining the fair value less cost to sell of the asset, the classification and measurement of the Miyabi exploration and evaluation asset as a held for sale asset is considered to be a key audit matter.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none">▶ Considered the Group's assessment as to whether it was appropriate for the Miyabi exploration and evaluation asset to continue to be classified as an asset held for sale by reviewing offers received to acquire the asset, minutes of directors' meeting and enquiring of senior management and directors as to the status of the sale process.▶ Considered proposed offer amounts for sale of the Miyabi project to assess the appropriateness of the Group's measurement of fair value less costs to sell.▶ Assessed whether the carrying amount of the capitalised exploration and evaluation was stated at the lower of carrying amount and the Group's estimate of the fair value less costs to sell.▶ Assessed the adequacy of disclosure in the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Pensana Metals Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Darryn Hall
Partner
Perth
29 September 2019

Directors' declaration

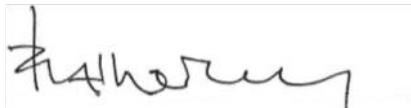
In accordance with a resolution of the directors of Pensana Metals Ltd, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 3; and
- (c) Subject to the matter set out in Note 3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Directors,



Mr. Paul Atherley
Non-Executive Chairman
Perth, 29 September 2019

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2019

**Consolidated Statement of Comprehensive Income
for the year ended 30 June 2019**

	Note	30 June 2019 A\$	30 June 2018 A\$
Other income	6	458,203	2,288
Administration expenses		(1,117,960)	(795,198)
Corporate expenses	6	(3,141,730)	(909,361)
Impairment of assets	10,13	(1,613,770)	(110,827)
Provisions for estimated credit losses on financial assets		(478,039)	-
Foreign currency exchange (loss)/gain		59,400	(11,892)
Loss from operations before finance costs		(5,833,896)	(1,824,990)
Finance costs		-	-
Loss before income tax		(5,833,896)	(1,824,990)
Income tax benefit/(expense)	7	-	-
Total loss for the period		(5,833,896)	(1,824,990)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		580,787	598,161
Total comprehensive (loss)/income for the period		(5,253,109)	(1,226,829)
Net (loss)/ income for the period is attributable to:			
Owners of Pensana Metals Limited		(5,833,896)	(1,824,990)
Total comprehensive (loss)/ income is attributable to:			
Owners of Pensana Metals Limited		(5,253,109)	(1,226,829)
(Loss)/ Gain per share attributable to owners of Pensana Metals Ltd:			
Basic (cents per share)	18	(5.10)	(2.39)
Diluted (cents per share)	18	(5.10)	(2.39)

Notes to the financial statements are included on pages 42 to 67.

**Consolidated Statement of Financial Position
as at 30 June 2019**

		30 June 2019	30 June 2018
	Note	A\$	A\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	4,712,730	242,769
Trade and other receivables	9	45,553	9,372
Deposits		-	32,185
Prepayments		31,923	74,648
Assets held for sale	10	3,556,840	5,645,553
Other financial assets		156	156
TOTAL CURRENT ASSETS		8,347,202	6,004,683
NON-CURRENT ASSETS			
Property, plant and equipment	12	8,195	5,922
Exploration and evaluation expenditure	13	9,170,349	5,596,961
TOTAL NON-CURRENT ASSETS		9,178,544	5,602,883
TOTAL ASSETS		17,525,746	11,607,566
LIABILITIES			
CURRENT LIABILITIES			
Liabilities associated with the held for sale assets	10	60,866	57,726
Trade and other payables	14	574,587	715,193
TOTAL CURRENT LIABILITIES		635,453	772,919
TOTAL LIABILITIES		635,453	772,919
NET ASSETS		16,890,293	10,834,647
EQUITY			
Issued capital	15	50,991,922	41,149,646
Reserves	16	6,847,360	4,800,094
Accumulated losses	17	(40,948,989)	(35,115,093)
TOTAL EQUITY		16,890,293	10,834,647

Notes to the financial statements are included on pages 42 to 67.

**Consolidated Statement of Changes in Equity
for the financial year ended 30 June 2019**

	Fully paid ordinary shares A\$	Accumulated Losses A\$	Foreign Currency Reserve A\$	Share Based Payments Reserve A\$	Equity Reserve A\$	Total A\$
Balance at 1 July 2017	39,734,149	(33,290,103)	973,891	3,044,785	-	10,462,722
Loss for the year	-	(1,824,990)	-	-	-	(1,824,990)
Other comprehensive income	-	-	598,161	-	-	598,161
Total comprehensive income for the year	-	(1,824,990)	598,161	-	-	(1,226,829)
Transactions with owners in their capacity as owners						
Issue of shares	1,510,500	-	-	-	-	1,510,500
Cost of issue	(95,003)	-	-	-	-	(95,003)
Share based payments	-	-	-	183,257	-	183,257
Balance at 30 June 2018	41,149,646	(35,115,093)	1,572,052	3,228,042	-	10,834,647
Balance at 1 July 2018	41,149,646	(35,115,093)	1,572,052	3,228,042	-	10,834,647
Loss for the year	-	(5,833,896)	-	-	-	(5,833,896)
Other comprehensive income	-	-	580,787	-	-	580,787
Total comprehensive income for the year	-	(5,833,896)	580,787	-	-	(5,253,109)
Transactions with owners in their capacity as owners						
Issue of shares	10,500,000	-	-	-	-	10,500,000
Cost of issue	(657,724)	-	-	-	-	(657,724)
Share based payments	-	-	-	2,149,739	-	2,149,739
Purchase of additional 14% interest in Ozango (refer Note 16)	-	-	-	-	(683,260)	(683,260)
Balance at 30 June 2019	50,991,922	(40,948,989)	2,152,839	5,377,781	(683,260)	16,890,293

Notes to the financial statements are included on pages 42 to 67.

**Consolidated Statement of Cash Flows
for the financial year ended 30 June 2019**

		30 June 2019	30 June 2018
	Note	A\$	A\$
Cash flows from operating activities			
Payments to suppliers and employees	24	(1,753,127)	(1,363,455)
Net cash used in operating activities		(1,753,127)	(1,363,455)
Cash flows from investing activities			
Interest received		5,628	2,288
Proceeds from deposits for Tanzanian assets		229,308	392,968
Payments for exploration expenditure		(3,203,624)	(2,059,214)
Payment for additional 14% interest in Ozango		(683,260)	-
Payment for property, plant & equipment		(11,523)	-
Net cash used in investing activities		(3,663,471)	(1,663,958)
Cash flows from financing activities			
Proceeds from issues of equity securities		10,500,000	1,510,500
Share issue costs		(623,224)	(95,003)
Net cash provided by financing activities		9,876,776	1,415,497
Net increase/(decrease) in cash and cash equivalents		4,460,178	(1,611,916)
Cash and cash equivalents at the beginning of the period		242,768	1,848,248
Effects of exchange rate changes on the balance of cash held in foreign currencies		9,784	6,437
Cash and cash equivalents at the end of the period	24	4,712,730	242,769

Notes to the financial statements are included on pages 42 to 67.

1. General information

Pensana Metals Ltd (formerly Rift Valley Resources Limited) (the Company) is a for profit public Company listed on the Australian Securities Exchange (trading under the code: PM8), incorporated in Australia and operating from Perth. The Company's registered office and principal place of business is at Ground Floor, 10 Outram Street, West Perth WA 6005.

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

2. New accounting standards and interpretations

(a) Changes in accounting policies and disclosures

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

From 1 July 2018, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on 1 July 2018.

- AASB 9 – Financial Instruments which replaces IAS 39 *Financial Instruments: Recognition and Measurement*
- AASB 15 – Revenue from Contracts with Customers
- AASB 2016-5 – Classification and Measurement of Share based Payment Transactions [Amendments to AABS 2]

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2019. These are outlined in the following table.

Other than the changes described below, the adoption of these standards and interpretations did not have any significant effect on the accounting policies to those of the previous financial year:

AASB 9 Financial Instruments ("AASB 9")

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement ("AASB 139"), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018 (see note 2A for details of the new accounting policy for receivables).

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 July 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New measurement category under AASB 9 (i.e. from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Deposits	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial liability at amortised cost	Financial liabilities at amortised cost
Interest bearing loans and borrowings	Financial liability at amortised cost	Financial liabilities at amortised cost

The change in classification has not resulted in any re-measurement adjustments at 1 July 2018.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the Group reviewed and assessed the existing financial assets for impairment using reasonable and supportable information to determine whether any ECL's need to be recognised under AASB 9. The assessment did not result in any additional credit losses being recognised.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases—Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.	1 July 2019

3. Significant accounting policies and Going Concern

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 29 September 2019.

Basis of preparation and Going Concern

The financial report has been prepared on an historical cost basis, except for financial assets measured at fair value through other comprehensive income. Cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian dollars, unless otherwise noted.

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

At 30 June 2019 the Group has a net current asset position of \$7.712 million, For the Group to undertake its planned development of the Longonjo NdPr Project in Angola and to fund ongoing working capital requirements beyond the 2020 financial year, additional capital will need to be secured.

The Group is current completing a Pre Feasibility Study for the Longonjo NdPr Project , which it is expected end October and working towards a dual listing on the London Stock Exchange (LSE) by the end of the year. The LSE listing will increase the attractiveness of the Group to an equity market with a historically stronger interest in African mining projects and has previously provided substantial equity financing for junior mining companies with developments projects in Africa.

The Directors are confident of being able to raise the required capital through either debt or equity financing, but note that the required capital has not been secured at the date of this report. Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

a) Principles of Consolidation

The consolidated financial information comprises the financial statements of Pensana Metals Ltd and its subsidiaries as at 30 June 2019.

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

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

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

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

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

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

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased through an equity transaction.

b) Business Combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

c) Segment Information

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

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

d) Foreign Currency Translation*Functional and presentation currency*

The functional currency of each of the Group's operations is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Australian dollars, which is the functional and presentation currency of the Company and its Australian subsidiaries.

The functional currency of the non-Australian subsidiaries is US dollars and Euro.

Transaction and balances

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

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

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

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

e) Cash and Cash Equivalents

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

f) Financial Instruments

Financial Assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

Impairment of financial assets

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the

Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

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

Financial liabilities

Initial recognition and measurement

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

Loans and borrowings and trade and other payables

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

g) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure

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

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

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

Once a development decision has been taken, all past evaluation expenditure in respect of the area of interest is reclassified as capitalised costs of development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

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

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

Farm-in Arrangements

Expenditure incurred under a farm-in arrangement is accounted for in the same way as directly incurred exploration and evaluation expenditure.

h) Property, Plant and Equipment

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

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

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

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

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

Disposal

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

i) Impairment of Non-Financial Assets

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

j) Trade and Other Payables

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

k) Employee Benefits

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

l) Share Based Payment Transactions

Equity Settled Transactions

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

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

That cost is recognised in employee benefits expense or capitalised to exploration and evaluation assets, together with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects

the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. For awards with service and non-market performance conditions expected vesting dates are based on the expiry date of the award. When both service and non-market performance conditions are satisfied prior to the expiry date of the award vesting dates are revised and the vesting expense adjusted accordingly. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

m) Contributed Equity

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

n) Other Income

Interest income

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

Disposal of asset

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

Research and development rebate

Research and development rebates are recognised when the claim is finalised and submitted to the government.

o) Income Tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary

difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

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

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

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

Cash flows are presented in the cash flow statement on a gross basis except for the GST or VAT component of investing activities, which are disclosed as operating cash flow.

q) Loss per Share (EPS)

Basic loss per share

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

Diluted earnings per share

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

r) Provisions

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

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

The provision for future restoration is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs will be reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date. The initial estimate of restoration and rehabilitation relating to exploration and evaluation assets is capitalised into the cost of the related asset and is amortised on the same basis as the related asset. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same way, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

s) Non current assets held for sale.

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

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to

sell the asset. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

4. Critical accounting judgements and key sources of estimation uncertainty

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

(i) Significant accounting judgments

Impairment of assets and exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related mineral title itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of measured, indicated and inferred mineral resources, proven and probable ore reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations), changes to commodity prices, ability to finance, renewal of the exclusive prospecting licence and the issue of a mining licence. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Recoverability of Deferred Tax Assets

Deferred tax assets are not recognised for deductible temporary differences as Directors consider that it is not probable that future taxable profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

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

Assets held for sale

The Group fair values assets held for sale by using comparable market transactions less the costs to dispose of the assets.

5. Operating Segments

Description of segments

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

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

All significant exploration and evaluation expenditure are domiciled in Angola.

	Consolidated	
	2019	2018
	\$	\$
Non-current assets		
Australia	6,554	5,922
Angola	<u>9,171,990</u>	<u>5,596,961</u>
	<u>9,178,544</u>	<u>5,602,883</u>

Non-current assets for this purpose consist of plant and equipment and evaluation and evaluation assets. The assets in Tanzanian held for sale have been reclassified to current and therefore not presented above.

6. Revenue and Other Expenses

	Note	Consolidated	
		2019	2018
		\$	\$
Other Income			
Interest revenue		5,628	2,288
Research and development rebate		102,720	-
Gain on sale of assets held for sale		<u>349,855</u>	<u>-</u>
		<u>458,203</u>	<u>2,288</u>

Loss for the year includes the following expenses:

Operating lease rental expenses:

Lease payments	57,284	59,090
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Depreciation on non-current assets:

Property, plant and equipment	12	9,269	60,321
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Corporate expenses

Employee Benefits

Charged to statement of comprehensive income

Performance rights and options granted to directors, officers and employees	2,115,239	183,257
Directors fees, superannuation and salaries & wages	886,937	535,441
	<u>3,002,176</u>	<u>718,698</u>

Key management personnel remuneration disclosed in note 25 includes amounts in "Employee benefits" disclosed above.

7. Income Taxes

	Consolidated	
	2019	2018
	\$	\$
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	-	-
Total tax expense/(benefit)	<hr/>	<hr/>

The tax rate used in the reconciliation below is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law. The *prima facie* income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Loss from continuing operations	(5,833,896)	(1,824,990)
Income tax benefit calculated at 27.5% (2018: 27.5%)	(1,604,321)	(501,872)
Tax effects of amounts which are not deductible in calculating taxable income	617,149	50,396
Tax assets not brought to account	987,172	451,476
Total tax expense/(benefit)	<hr/>	<hr/>
	-	-

The following deferred tax assets have not been brought to account:

Share issue costs	206,601	61,739
Unused tax losses (a)	6,287,796	4,277,934
Accruals	(12,460)	(29,765)
Exploration and evaluation expenditure	(961,087)	(566,284)
(a) Tax loss information is an estimate of available losses.		

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

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

No deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax losses can be utilised in the foreseeable future. Unrecognised tax losses as at 30 June 2019 aggregate \$20,959,320 (2018: \$15,556,122).

8. Cash and Cash Equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	4,712,730	242,769
	<hr/>	<hr/>
	4,712,730	242,769

9. Trade and Other Receivables

Other debtors	45,553	9,372
	<hr/>	<hr/>
	45,553	9,372

10. Assets held for sale

The fair value of the Group's capitalised Tanzanian mineral exploration and evaluation assets at 30 June 2019 has been determined based on comparable market transactions. The fair value methodology adopted at 30 June 2019 is categorised as Level 3 in the fair value hierarchy. In determining the fair value less cost to dispose (FVLCD), estimates are made in relation to transaction value from sales agreements or offers received, which are significant inputs to the valuation. Any changes in these estimates could impact the FVLCD of the underlying asset.

The Major classes of assets and liabilities for Tanzania classified as held for sale as at 30 June 2019 are as follows:

	30 June 2019
	\$
Assets	
Exploration and valuation assets	3,556,840
Other debtors	478,039
Less provision for estimated credit losses	<u>(478,039)</u>
Assets held for sale	<u>3,556,840</u>
Liabilities	
Trade and other payables	60,866
Net assets directly associated with disposal group	<u>3,495,974</u>

Included within Other comprehensive income is \$292,748 of foreign currency translation relating to Assets held for sale.

Miyabi Gold Project

The Company has recently received a proposal for the acquisition of the company's 100% interests in the Miyabi Gold Project. The board is currently considering the proposal.

During the current year, an impairment of \$1,613,770 has been recognised on the Miyabi Gold Project. to reflect the fair value of the asset.

Kitongo Gold Project - Sale agreement executed

The company executed a conditional sale agreement to sell the Kitongo Gold Project tenements for a total consideration of US\$550,000. The purchaser, Busolwa Mining Limited (Managing Director – Baraka Ezekiel) a private company incorporated in the United Republic of Tanzania, has paid US\$364,000 of the total consideration price.

All conditions on the sale have been met and the licence has been transferred to the purchaser. The remaining US\$186,000 is due and payable by the purchaser.

Canuck Prospecting Licence – Mineral prospecting rights agreement executed

A Mineral Prospecting rights agreement has been executed by Pensana and the Purchaser for the sale of the company's 100% owned Tanzania prospecting licence PL 11016/2017 - "Canuck". The purchaser, Pamoja Mining Company Limited, (Director – Nathan Conradie), a private company incorporated in the United Republic of Tanzania, agreed to purchase the licence for a total consideration of US\$250,000 subject to the transfer of the prospecting licence to the purchaser. During the period the licence was transferred and US\$100,000 of the consideration prices has been received with the remaining US\$150,000 due and payable by the purchaser.

11. Parent Entity Disclosure

The following details information related to the parent entity, Pensana Metals Ltd as at 30 June 2019. The information presented has been prepared using consistent accounting policies as presented in Note 3.

	2019 \$	2018 \$
Current assets	4,480,525	139,155
Non-current assets	-	-
Total assets	<u>4,480,525</u>	<u>139,155</u>
Current liabilities	463,405	322,224
Non-current liabilities – intercompany loan	<u>6,206,676</u>	<u>6,206,676</u>
Total liabilities	<u>6,670,081</u>	<u>6,528,900</u>
Contributed equity	50,991,922	41,149,646
Accumulated losses	(58,559,259)	(50,767,435)
Reserves	<u>5,377,781</u>	<u>3,228,044</u>
Total equity	<u>(2,189,556)</u>	<u>(6,389,745)</u>
Loss for the year	(7,791,824)	(3,330,025)
Total comprehensive loss for the year	<u>(7,791,824)</u>	<u>(3,330,025)</u>

No guarantees have been entered into by the parent entity on behalf of subsidiaries during the period.

12. Property, Plant and Equipment

	Consolidated		
	Motor Vehicles \$	Plant and equipment \$	Total \$
Balance at 1 July 2018	325,196	492,371	817,567
Additions	-	11,523	11,523
Disposals	-	-	-
Exchange differences	-	19	19
Balance at 30 June 2019	<u>325,196</u>	<u>503,913</u>	<u>829,109</u>
Accumulated depreciation			
Balance at 1 July 2018	(325,196)	(486,449)	(811,645)
Transfers	-	-	-
Disposals	-	-	-
Depreciation expense	-	(9,269)	(9,269)
Exchange differences	-	-	-
Balance at 30 June 2019	<u>(325,196)</u>	<u>(495,718)</u>	<u>(820,914)</u>
Net book value as at 30 June 2019	<u>-</u>	<u>8,195</u>	<u>8,195</u>
Balance at 1 July 2017	325,196	492,522	817,718
Additions	-	-	-
Disposals	-	-	-
Exchange differences	-	(151)	(151)
Balance at 30 June 2018	<u>325,196</u>	<u>492,371</u>	<u>817,567</u>
Accumulated depreciation			
Balance at 1 July 2017	(325,196)	(426,128)	(751,324)
Transfers	-	-	-
Disposals	-	-	-
Depreciation expense	-	(60,321)	(60,321)
Exchange differences	-	-	-
Balance at 30 June 2018	<u>(325,196)</u>	<u>(486,449)</u>	<u>(811,645)</u>
Net book value as at 30 June 2018	<u>-</u>	<u>5,922</u>	<u>5,922</u>

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated	
	2019 \$	2018 \$
Computer Equipment	9,269	6,107
Furniture & Fittings	-	54,214
Plant and equipment	-	-
Motor vehicles	-	-
Total depreciation	<u>9,269</u>	<u>60,321</u>

13. Exploration and Evaluation Expenditure

	Consolidated	
	2019 \$	2018 \$
Carrying value:		
Balance at beginning of period	5,596,961	8,800,077
Additions	3,203,623	2,059,214
Impairment	-	(110,827)
Transfer to held for sale	-	(5,645,553)
Foreign exchange	369,765	494,050
Balance at end of financial year	<u>9,170,349</u>	<u>5,596,961</u>
Accumulated impairment		
Balance at beginning of period	(7,908,726)	(7,797,899)
Impairment expense	-	(110,827)
Balance at end of financial year	<u>(7,908,726)</u>	<u>(7,908,726)</u>
At the end of the financial year book value net of accumulated amortisation and impairment (i)	9,170,349	5,596,961

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

14. Trade and Other Payables

	Consolidated	
	2019 \$	2018 \$
Trade, other payables and accrued expenses (i)	574,587	322,225
Sundry creditors (ii)	-	392,968
	<u>574,587</u>	<u>715,193</u>

- (i) There has been no interest charged on the trade payables
- (ii) For the prior year, sundry creditors relates to a refundable deposits received for payment for the sale of the Canuck asset in Tanzania which were completed during the year.

15. Issued Capital

Company/Consolidated	2019 No.	2019 \$	2018 No.	2018 \$
Fully paid ordinary shares				
Balance at beginning of the period	791,903,044	41,149,646	738,778,046	39,734,149
Share Placement	616,665,517	10,500,000	50,124,998	1,510,500
Share issue costs	-	(657,724)	-	(95,003)
Rights Issue	-	-	-	-
Shares issued on vesting of performance rights	43,580,371	-	3,000,000	-
Share Placement	-	-	-	-
Share issue costs	-	-	-	-
Balance at end of financial year	<u>1,452,148,932</u>	<u>50,991,922</u>	<u>791,903,044</u>	<u>41,149,646</u>

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

	Consolidated	
	2019 \$	2018 \$
1,452,148,932 fully paid ordinary shares (2018: 791,903,044)	<u>50,991,922</u>	<u>41,149,646</u>
	<u>50,991,922</u>	<u>41,149,646</u>

Share options on issue

The following options are on issue as at year end:

- 5,000,000 unlisted options exercisable at 6.0 cents and expiring on 25 September 2019
- 5,000,000 unlisted options exercisable at 4.0 cents and expiring on 25 September 2019
- 2,500,000 unlisted options exercisable at 6.0 cents and expiring on 14 November 2019
- 2,500,000 unlisted options exercisable at 4.0 cents and expiring on 14 November 2019
- 2,500,000 unlisted options exercisable at 4.0 cents and expiring on 31 December 2019
- 2,000,000 unlisted options exercisable at 5.0 cents and expiring 6 April 2020
- 2,500,000 unlisted options exercisable at 4.0 cents and expiring 31 December 2020

Performance rights on issue

Refer to note 26 for performance rights on issue as at year end:

16. Reserves

	Consolidated	
	2019 \$	2018 \$
Foreign Currency Translation Reserve	2,152,839	1,572,052
Share Option Reserve	5,377,781	3,228,042
Equity Reserve	<u>(683,260)</u>	-
	<u>6,847,360</u>	<u>4,800,094</u>
Foreign Currency Translation Reserve		
Balance at beginning of financial year	1,572,052	973,891
Movements:		
Translation adjustments (i)	<u>580,787</u>	<u>598,161</u>
Balance at end of financial year	<u>2,152,839</u>	<u>1,572,052</u>
Share Option Reserve		
Balance at beginning of financial year	3,228,042	3,044,785
Movements:		
Issue of performance rights and options(ii)	<u>2,149,739</u>	<u>94,349</u>
Shares issue costs refund / (expense)	-	-
Vested performance rights	-	88,908
Balance at end of financial year	<u>5,377,781</u>	<u>3,228,042</u>
Equity Reserve		
Balance at beginning of financial year	-	-
Purchase of additional 14% interest in Ozango (iii)	<u>(683,260)</u>	-
Balance at end of financial year	<u>(683,260)</u>	-

- (i) Represents foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.
- (ii) The Share option reserve includes the grant of share options and performance rights to executives, senior employees and consultants. Amounts are transferred out of the reserve and into issued capital when the options or performance rights are converted to equity. Further information about share-based payments can be found in note 26 to the financial statements.
- (iii) The movement in the equity reserve for the current period relates to the Company's acquisition of an additional 14% equity in Angolan subsidiary company Ozango Minerais SA (Ozango) for US\$500,000, from non-controlling interest. Ozango holds title to the Longonjo NdPr project.

17. Accumulated Losses

	Consolidated	
	2019 \$	2018 \$
Balance at beginning of financial year	(35,115,093)	(33,290,103)
Net loss for the year	<u>(5,833,896)</u>	<u>(1,824,990)</u>
Balance at end of financial year	<u>(40,948,989)</u>	<u>(35,115,093)</u>

18. Loss per Share

	2019 cents per share	2018 cents per share
Basic loss per share		
From continuing operations	5.10	2.39
Total basic loss per share	<u>5.10</u>	<u>2.39</u>
Diluted loss per share		
From continuing operations	5.10	2.39
Total diluted loss per share	<u>5.10</u>	<u>2.39</u>

Basic loss per share

The net loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2019 \$	2018 \$
Net loss	<u>(5,833,896)</u>	<u>(1,824,990)</u>
Losses used in the calculation of basic loss per share from continuing operations	<u>(5,833,896)</u>	<u>(1,824,990)</u>
Losses used in the calculation of diluted loss per share attributable to ordinary shareholders	<u>(5,833,896)</u>	<u>(1,824,990)</u>
	2019 No.	2018 No.
Weighted average number of ordinary shares for the purposes of calculating basic loss per share and diluted loss per share ¹	114,474,995	76,468,558

¹ The weighted average number of ordinary shares shown above for the current and prior year are post 10:1 consolidation numbers which was approved by shareholders on 9 August 2019.

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

As at year end there are 22,000,000 options on issue and 144,660,742 performance rights on issue. These numbers are pre the 10:1 share consolidation.

19. Dividends

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

20. Commitments for Expenditure

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

No provision has been made in the accounts for the possibility of a native title claim application. Any substantial claim may have an effect on the value of the relevant tenement. These obligations will vary from time to time, subject to statutory approval.

The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated Entity.

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

(i) Operating leases

The Group has entered into commercial property lease. The lease is currently on a rolling monthly lease.

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

	Consolidated	
	2019 \$	2018 \$
<u>Operating lease expenditure</u>		
Not longer than 1 year	5,500	7,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>5,500</u>	<u>7,000</u>

(ii) Exploration Commitments

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

	Consolidated	
	2019 \$	2018 \$
<u>Exploration and evaluation expenditure</u>		
Not longer than 1 year	20,160	53,614
Longer than 1 year and not longer than 5 years	63,946	-
Longer than 5 years	9,135	-
	<u>93,241</u>	<u>53,614</u>

21. Contingent Liabilities and Contingent Assets

The Directors are not aware of any other contingent liabilities or contingent assets that are likely to have a material effect on the results of the Group as disclosed in these financial statements.

22. Interests in Controlled Entities

Name of entity	Country of incorporation	Ownership interest	
		2019 %	2018 %
Parent entity:			
Pensana Metals Ltd (formerly Rift Valley Resources Limited) (i)	Australia		
Controlled entities:			
Carlton Resources Pty Ltd	Australia	100	100
Carlton Miyabi Tanzania Limited	Tanzania	100	100
Carlton Kitongo Tanzania Limited	Tanzania	100	100
Bright Star Tanzania Limited	Tanzania	100	100
Rift Valley Resources (Africa) Pty Ltd	Australia	100	100
Rift Valley Resources Tanzania Limited	Tanzania	100	100
Tasman Goldfields Australia Operations Pty Ltd	Australia	100	100
Sable Minerals Pty Ltd	Australia	100	100
Sable Minerals GmbH	Germany	100	100
Ozango Minerais S.A.	Angola	84	70
Mtemi Resources Pte Ltd	Singapore	100	100
Mtemi G Pte Ltd	Singapore	100	100
Mtemi O Pte Ltd	Singapore	100	100
Mtemi U Pte Ltd	Singapore	100	100
Mtemi G (Tanzania) Ltd	Tanzania	100	100
Mtemi O (Tanzania) Ltd	Tanzania	100	100
Mtemi U (Tanzania) Ltd	Tanzania	100	100

(i) Pensana Metals Ltd is the ultimate holding Company.

The parent entity and its controlled entities are not within a tax-consolidated Group.

23. Notes to the Consolidated Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

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

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents	4,712,730	242,769

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

	Consolidated	
	2019	2018
	\$	\$
Net loss	(5,833,896)	(1,824,990)
Add/less non cash items		
Interest income	-	-
Doubtful debt expense	-	-
Depreciation	9,269	60,321
Share based payments	2,115,239	183,257
Unrealised FX (gain)/loss	(84,814)	(162,494)
Gain on sale of assets held for sale	(210,033)	
Provisions for estimated credit losses on financial assets	478,039	
Impairment of assets	1,613,770	110,827
(Increase)/decrease in assets:		
Trade and other receivables	(36,181)	(26,459)
Other current assets	74,910	-
Increase/(decrease) in liabilities:		
Trade and other payables	120,570	296,083
Net cash used in operating activities	(1,753,127)	(1,363,455)

24. Financial Instruments

(a) Financial risk management objectives

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

(b) Significant accounting policies

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

(c) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Group includes cash and cash equivalents, equity attributable to equity holders of the parent, comprising of issued capital, reserves and accumulated losses as disclosed in notes 16, 17 and 18 respectively. The Group undertakes its exploration and evaluation activities through its wholly owned subsidiaries. None of the Group's entities are subject to externally imposed capital requirements. The Group intends to use a variety of capital market issues to meet anticipated funding requirements. The Group currently has no short-term or long-term borrowings.

(d) Market price risk

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

(e) Interest rate risk

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

A 1% change in interest rates on interest bearing assets will increase or decrease net loss and accumulated losses by \$47,127 (2018: \$2,427).

(f) Credit risk management

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

Financial Instruments and cash deposits

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

Trade and other receivables

At 30 June 2019, the Group had other receivables of \$478,039 being amounts receivable from the sale of Tanzanian assets, refer to Note 10. An impairment analysis is performed at each reporting date by senior management on all trade and other receivable balances. The maximum exposure to credit risk for trade and other receivables at reporting date is the carrying value of each class of financial asset. Other receivables that were past due by more than 90 day an estimated credit loss allowance for the entire receivable balance has been recognised based on the estimated lifetime credit loss.

(g) Foreign currency risk

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

At balance date, the Group had the following exposure to United States Dollars (USD) foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2019	2018
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalents		
United States Dollars	301,260	191,417
	301,260	191,417
Net exposure	301,260	191,417

A 5% change in the United States Dollar will increase or decrease net loss and accumulated losses by \$15,063 (2018: \$9,571)

(h) Liquidity risk

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

Maturity profile of financial instruments

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on undiscounted cash flows and details the Group's exposure to interest rate risk as at 30 June 2019 and as at 30 June 2018:

2019	Weighted average effective interest rate %						Total
		Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5 + years \$	
Financial assets							
Non-interest bearing		-	-	-	-	-	-
Variable interest rate instrument		4,712,730	-	-	-	-	4,712,730
Fixed interest rate instruments		-	-	-	-	-	-
		4,712,730	-	-	-	-	4,712,730
Financial liabilities							
Non-interest bearing		271,167	-	-	-	-	271,167
		4,441,563	-	-	-	-	4,441,563

2018	Weighted average effective interest rate %						Total
		Less than 1 month \$	1-3 months \$	3 months to 1 year \$	1-5 years \$	5 + years \$	
Financial assets							
Non-interest bearing		-	-	-	-	-	-
Variable interest rate instrument		242,769	-	-	-	-	242,769
Fixed interest rate instruments		-	32,815	-	-	-	32,815
		242,769	32,815	-	-	-	275,584
Financial liabilities							
Non-interest bearing		379,950	-	-	-	-	379,950
		379,950	-	-	-	-	379,950

25. Key Management Personnel Compensation

	2019 \$	2018 \$
Short-term employee benefits	859,766	561,441
Post-employment benefits	40,850	29,924
Termination benefits	-	-
Share-based payment	1,856,705	319,137
	2,757,321	910,502

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

26. Share-based Payments

2019

During the year the following performance rights were issued.

Issued to	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	10,000,000	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	17 September 2020	28 February 2019
David Hammond	10,000,000 ¹	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	17 September 2018	17 September 2023	Upon vesting conditions being met
David Hammond	10,000,000 ³	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	17 September 2018	17 September 2023	Upon vesting conditions being met
Paul Atherley	38,580,371	Completion of a capital raising of at least an aggregate amount of A\$5.5m via the issue of new shares by no later than 13 November 2018.	13 May 2018	13 November 2018	25 September 2018
Paul Atherley	38,580,371	Delivery of a pre-feasibility study and the Company making the decision to proceed to a definitive feasibility study project	13 May 2018	13 May 2023	Upon vesting conditions being met
Paul Atherley	38,580,371	Delivery of a positive definitive feasibility study and the Company making the decision to proceed with financing and development of the project.	13 May 2018	13 May 2023	Upon vesting conditions being met
Tim George	12,500,000	Commencement of concentrate sales by end of December 2021	22 April 2019	31 December 2021	Upon vesting conditions being met
Tim George	12,500,000	Commencement of Construction by end of December 2020	22 April 2019	31 December 2021	Upon vesting conditions being met
Issue under the Employee Incentive Plan	7,500,000	Delivery of a Pre-Feasibility Study and the Company making the decision to proceed to a Definitive Feasibility Study of the Project	28 June 2019	30 September 2019	Upon vesting conditions being met
Issue under the Employee Incentive Plan	5,000,000	Commencement of Construction by end of December 2020	28 June 2019	31 December 2020	Upon vesting conditions being met
Issue under the Employee Incentive Plan	10,000,000	Delivery of an inferred mineral resource of at least 46.4Mt	17 September 2018	-	28 February 2019
Scott Mison	5,000,000	Listing on London Stock exchange	28 June 2019	31 December 2019	Upon vesting conditions being met
Scott Mison	5,000,000	Completion of sale of Tanzanian assets and closing subsidiaries	28 June 2019	31 December 2019	Upon vesting conditions being met
Issue under the Employee Incentive Plan	1,500,000	No vesting conditions	28 June 2019	-	Vest on issue

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

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

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

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

	Director	KMP	Performance Rights KMP	Corporate advisor	KMP
Grant date	17 September 2018	22 April 2019	28 June 2019	28 June 2019	17 September 2018
Number of performance rights	145,741,113	25,000,000	22,500,000	1,500,00	22,500,000
Share price	1.8 cents	2.0 cents	2.3 cents	2.3 cents	1.8 cents
Exercise price	0 cents	0 cents	0 cents	0 cents	0 cents
Weighted average fair value	1.8 cents	2.0 cents	2.3 cents	2.3 cents	1.8 cents
Total amount	\$2,683,340 ¹	\$500,000	\$5175,500	\$34,500	\$180,000
Expensed to 30 June 2019	\$1,860,870 ²	\$45,398	\$6,628	\$34,500	\$180,000

2018

During the year the following performance rights were issued.

Director / KMP	Number of Rights	Vesting Conditions	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	at a delivered Pre Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met
David Hammond	2,500,000	at a delivered Bankable Feasibility Study	14 November 2017	14 November 2019	Upon vesting conditions being met

The fair value of performance rights granted to directors and KMP is estimated using the share price as at the grant date.

The following table lists the inputs to the models for the year ended 30 June 2018:

	Performance Rights Director	Director
Grant date	14 November 2017	14 November 2017
Number of performance rights	2,500,000	2,500,000
Share price	3.0 cents	3.0 cents
Exercise price	0 cents	0 cents
Weighted average fair value	3.0 cents	3.0 cents
Total amount	\$75,000	\$75,000
Expensed to 30 June 2018	\$23,438	\$23,438

Options

2019

During the 2019 financial year, the following options were issued to corporate advisors and consultants:

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

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

	Corporate Advisor	Unlisted Options	Corporate Advisor	Consultant	Consultant
Grant date	17 September 2018	17 September 2018		2 May 2019	2 May 2019
Number of options	5,000,000	5,000,000		2,500,000	2,500,000
Share price	1.8 cents	1.8 cents		1.8 cents	1.8 cents
Exercise price	4 cents	6 cents		4 cents	4 cents
Weighted average fair value	0.25 cents	0.12 cents		0.29 cents	0.86 cents
Total amount	\$12,500	\$6,000		\$7,250	\$21,500
Expensed to 30 June 2019	\$12,500	\$6,000		\$1,760	\$2,083

2018

During the 2018 financial year, the following options were issued to directors and key management personnel:

Name	Share options Number	Exercise Price	Grant date fair value	Grant date	Expiry date	Vesting date
David Hammond	2,500,000	\$0.04	\$0.011	14 November 2017	14 November 2019	Vested at date of grant
David Hammond	2,500,000	\$0.06	\$0.008	14 November 2017	14 November 2019	Vested at date of grant

The following table lists the inputs to the models for the year ended 30 June 2018:

	Unlisted Options	Director	Director
Grant date	14 November 2017		14 November 2017
Number of options	2,500,000		2,500,000
Share price	3.0 cents		3.0 cents
Exercise price	6 cents		4 cents
Weighted average fair value	0.08 cents		1.1 cents
Total amount	\$20,000		\$27,500
Expensed to 30 June 2018	\$20,000		\$27,500

Reconciliation of options outstanding

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

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of the financial year	17,500,000	\$0.05	12,500,000	\$0.05
Issued or to be issued during the financial year	15,000,000	\$0.04	5,000,000	\$0.05
Forfeited during the financial year	(10,000,000)	\$0.05	-	-
Expired during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Balance at end of the financial year	22,500,000	\$0.05	17,500,000	\$0.05
Exercisable at end of the financial year	12,500,000	\$0.04	17,500,000	\$0.05

27. Related party transactions

Parent entity

The parent entity in the Group is Pensana Metals Ltd which was incorporated in Victoria Australia on 29 September 2006.

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22 to the financial statements.

(b) Transactions with key management personnel and related parties

The aggregate compensation made to KMPs are disclosed in note 25 of the financial statements and details of the compensation has been provided in the remuneration report which forms part of the Directors' Report.

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

The following amounts have been disclosed as remuneration in note 25:

- Selection Capital Limited, a Company controlled by Mr Paul Atherley, has charged the Company \$156,660 for consultancy fees during the current year.
- Fernan Pty Ltd <Fernan Trust> controlled by Mark Hohnen, is owed director fees of \$50,000 (2019) and \$41,667 (2018).

28. Remuneration of auditors

	Consolidated	
	2019	2018
	\$	\$
Remuneration of Ernst & Young as the auditor of the parent entity		
Audit or review of the financial report	69,747	61,500

Remuneration of Ernst & Young as the auditor of the foreign subsidiaries

An audit or review of the financial report of the entity and any other entity in the Consolidated Entity

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29. Subsequent events

Subsequent to the year end the following events occurred:

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

No other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

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

ASX ADDITIONAL INFORMATION

DISTRIBUTION OF EQUITY SECURITIES

The distribution of members and their holdings of fully paid ordinary shares and listed options as at 22 August 2019 were as follows:

Shares held	No. of Shareholders	Ordinary shares
1-1,000	218	99,560
1,001-5,000	437	1,236,071
5,001-10,000	248	2,002,692
10,001-100,000	576	20,434,376
100,001 and over	195	123,592,578
Totals	1,674	147,365,277

Less than Marketable Parcel	Min Parcel size	Holders	Units
Shares	2,273	380	363,568

RESTRICTED SECURITIES

There are no restricted securities.

TWENTY LARGEST SHARE SECURITY HOLDERS

The names of the 20 largest holders of fully paid ordinary shares as at 22 August 2019 are listed below:

Name	Number of Shares	Percentage
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,389,002	11.12%
MR RICHARD ARTHUR LOCKWOOD	5,165,800	3.51%
SELECTION CAPITAL LIMITED	4,858,038	3.30%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,558,560	2.41%
ASHANTI INVESTMENT FUND PTY LTD <ASHANTI INVESTMENT FUND A/C>	3,144,550	2.13%
CITICORP NOMINEES PTY LIMITED	2,507,095	1.70%
STARFIN PTY LTD <MICHAEL SALMON SUPER A/C>	2,505,000	1.70%
MR NEIL THACKER MACLACHLAN	2,417,385	1.64%
PONDEROSA INVESTMENTS (WA) PTY LTD <THE PONDEROSA INVESTMENT A/C>	2,060,998	1.40%
ARREDO PTY LTD	2,000,000	1.36%
VYNBEN PTY LIMITED <MARK HOHNEN SUPER FUND A/C>	2,000,000	1.36%
TASMAN FUND TRUSTEE LIMITED <THE TASMAN RETIREMENT A/C>	2,000,000	1.36%
MS PHILIPPA CAMERON CUMMINS	2,000,000	1.36%
WESTERN CONDOR PTY LTD <W & C GILMOUR SUPER FUND A/C>	1,914,955	1.30%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	1,799,334	1.22%
BPM CAPITAL LIMITED	1,704,122	1.16%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,681,383	1.14%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,500,000	1.02%
PINELEAF PTY LIMITED <SMITHERS SUPER FUND A/C>	1,444,206	0.98%
EAST AFRICA INTERNATIONAL LTD	1,426,618	0.97%
	62,077,046	42.12%

SUBSTANTIAL SHAREHOLDERS

The Company's Register of Substantial Shareholders, prepared in accordance with Chapter 6C of the Corporations Act 2001, showed the following substantial shareholders as at 22 August 2019:

Name	Number of Shares	Percentage
FIL Limited and FIL Investments International	14,621,501	10.00%

VOTING RIGHTS

Under the Company's constitution, all ordinary shares carry one vote per share without restriction. Options over ordinary shares do not carry any voting rights.

TENEMENT SCHEDULE AS AT 30 JUNE 2019

Country	Project Name	License Name	License no.	% Held
Angola	Ozango	Ozango Minerais SA	Nº013/03/09/T.P/ANG-MGM/2015	84%
Tanzania	Kitongo	Ugambilo East	PL11175/2017	100%
	Kitongo	Kitongo West	PL10655/2015	100%
	Kitongo	Mwamazengo SE (2)	PL6543/2010	100%
	Kitongo	Mwamazengo South (2)	PL6631/2010	100%
	Kitongo	Gulumungu	PL10656/2015	100%
	Kitongo	Ntalebjika	PL10660/2015	100%
	Miyabi	Miyabi Dyke	PL8933/2013	100%
	Miyabi	Miyabi North	PL10908/2016	100%
	Miyabi	Miyabi Airport New	PL10556/2015	100%
	Miyabi	Mwabombo	PL10836/2016	100%
	Mtemi G	Kitongo	PL8148/2013	100%
	Canuck	Canuck South	PL11017/2017	100%