

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Pensana Plc
("Pensana" or the "Company")

Update on Finance for the Longonjo and Saltend Projects

The Company is pleased to provide the following update on the financing of both the Longonjo and Saltend projects.

Highlights

- The engineering team has successfully completed a modular redesign of the Longonjo mine and processing facility, with a total Capex of US\$200 million.
- The technical and economic due diligence review of the redesign by South African mining consultants, The Mineral Corporation, on behalf of ABSA Bank, is scheduled for completion in November.
- ABSA which has been mandated as the lead arranger for a US\$120 million loan facility has provided high level commercial debt terms which include South African export credit agency support.
- FSDEA and a pan-African Multilateral Development Financial Institution are working to provide the US\$80 million equity investment required to support the debt facility.
- FSDEA has provided a \$15 million bridging loan facility towards the US\$80 million investment, which is available to meet operating cash flow requirements to facilitate early-stage development and the route to main finance.
- The Company is aiming to fully-fund the Longonjo project at the subsidiary level, Ozango Minerais (84% Pensana), which owns 100% of the Longonjo project and as a result the Company's holding in Ozango Minerais is expected to reduce from 84% to ~64% at a read-through valuation of 66 pence per share.
- An updated MIC is currently being worked on, which could potentially include various additional tax incentives as a result of amendments to the private investment legislation in Angola, including a reduction in the rate and deferral in the payment of Corporate Income Tax rate along with a reduction in the tax applicable to the distribution of profits and dividends.
- The Company is in advanced discussion with a number of parties for the offtake of the highly marketable, radionuclide-free mixed rare earth carbonate (MREC) and

expects to be in a position to sign up to 100% of the production of the high value, clean MREC from the Longonjo Processing facility.

- The proposed funding arrangements for the Saltend rare earth separation facility remain largely as previously advised, with ABG Sundal Collier recently confirming that it will place a bond for circa US\$150 million and are independent of the Longonjo financing.
- The Company is in early discussions with the UKIB and with other potential equity partners for the balance of the funding, namely circa US\$100 million equity requirement at the subsidiary level and has received a UK Government grant of up to £4,000,000 towards the funding requirement.

Paul Atherley Chairman commented: *“The completion of the engineering redesign together with the technical and economic sign off by The Mineral Corporation during November is a very important step towards the execution of the financing.*

We are grateful for the ongoing support from FSDEA which is working closely with us and the team at ABSA to secure the funding to allow the commencement of construction at Longonjo in the first quarter of next year.

We have been pleased with the strong interest in the high value radionuclide-free MREC product from Longonjo and are advancing a number of offtake agreements as part of the financing.

We continue to progress the financing for the Saltend project which will be independent of the Longonjo financing and as previously advised will be a bond finance, however now with support from the UK Government.”

Longonjo

The engineering team has successfully completed a modular redesign of the processing facility, with a total Capex of US\$200 million.

The redesign has been led by Project Manager Kevin Botha working with a team of contractors including ADP, part of Lycopodium group and specialist in modular minerals processing unit installation, with extensive experience in Angola, ProProcess a hydrometallurgical specialist with extensive expertise in modular processing plants throughout Africa and mining consultant Practara which has completed the detailed mine redesign and scheduling.

South African mining consultants, The Mineral Corporation, is undertaking a technical and

economic review of the redesign on behalf of ABSA, which is scheduled to be completed in November.

As previously announced ABSA Bank, the South African based multinational banking and financial services conglomerate has been mandated as the lead arranger for a US\$120 million loan facility.

ABSA which has existing exposure to Angola's oil and gas sector and is looking to expand its interest in the country has identified the Longonjo project as an opportunity to gain exposure to the green energy sector.

High level commercial debt terms have been drafted which include South African export credit agency support. These terms are expected to be finalised once the sign off from independent consultants The Minerals Corporation has been received.

The Company continues to work closely with major shareholder, the Angola Sovereign Wealth Fund FSDEA. FSDEA is working with a pan-African Multilateral Development Financial Institution to provide the US\$80 million equity investment required to support the debt facility.

FSDEA has provided a \$15 million bridging loan facility towards the US\$80 million investment, which is available to meet operating cash flow requirements to facilitate early-stage development and route to main finance.

The Company is aiming to fully-fund the Longonjo project at the subsidiary level Ozango Minerais (84% PRE) which owns 100% of the Longonjo project.

It is intended that the US\$80 million equity will be invested at the Ozango Minerais level by FSDEA and an African multilateral agency and as a result Pensana's holding in Ozango Minerais will reduce from 84% to ~64% at a read-through valuation of 66 p per share at the Pensana level.

The valuation has been based on the independent third-party valuation prepared in March of this year at the time of the proposed US\$220 million strategic equity investment by a multinational mining company.

Further tax incentives

The current Fiscal Terms currently in place under the Mining Investment Contract (MIC) include:

- 2% royalty on revenue;

- 20% Corporate Income Tax rate and a 5% municipal tax on taxable net profits following an initial six-year tax holiday;
- Custom duties exemption on imported equipment;
- Full 5-year capital repayment allowance;
- Dividend tax exemption for 3 years.

An updated MIC is currently being worked on, which is potentially expected to include various additional tax incentives as a result of amendments to the private investment legislation in Angola most notably:

- Reduction in the Corporate Income Tax rate, applicable for a period of up to fifteen years;
- Deferral of the payment of taxes for a period of up to six years;
- Investment Tax reduction applicable to the distribution of profits and dividends, for a period of fifteen years;
- An Investment premium (uplift) corresponding to the cost recoverable and tax deductible in terms of the investment to be made for mining and product marketing.

Offtake

The global market for radionuclide-free mixed rare earth carbonate (MREC) is increasing. Demand from the rest of the world ex China is increasing due to the expansion plans of existing downstream facilities in Europe, India and Asia and the establishment of new separation capacity in the US and Australia.

To meet this increased demand the Company is in advanced discussion with a number of parties for the offtake of the highly marketable, radionuclide-free mixed rare earth carbonate (MREC) and has signed letters of intent for up to 100% of the Longonjo offtake.

Site based activities

Approximately 25% of the US\$15 million FSDEA loan has been deployed over the past three months on the following site-based activities:

- the continuation of onsite activities with earthworks contractors Grupo Nov and electrical contractor, Elektra in preparation of commencement of main construction;
- finalization of the preferred vendor re-pricing for the revised equipment schedule;

- finalization of redesign of the monthly mine schedule and Run-of-Mine blending strategy for years 1-5 to meet the redesign throughput rates;
- finalization of the optimized Tailings Storage Facility re-design;
- finalization of execution of the Livelihood Restoration Programme with the local community under the Relocation Action Plan.

Saltend Update

Whilst the immediate focus is on the financing of the Longonjo project, progress continues with the financing for the Saltend rare earth separation facility. Rather than financing both projects contemporaneously as previously proposed the Saltend financing will follow the Longonjo financing. The financings are independent of each other with no financier in common between the two projects.

The capital cost for the Saltend facility has been revised up to US\$250 million from the previous estimate of US\$195 million in May 2022. The increase in the estimate is primarily due to the impact of inflation and a number of design changes.

The engineering design has been completed, the site cleared, the preparatory infrastructure works completed and the early-works contractors identified. The project is ready to commence construction once the finance has been arranged.

The proposed funding arrangements remain largely as previously advised, with ABG Sundal Collier recently confirming that it will place a bond for circa US\$150 million with its institutional investor clients for which the Company has received green bond accreditation by Shades of Green (formerly part of CICERO, now a part of S&P Global).

The Company is in early discussions with UKIB and with other potential equity partners for the balance of the funding, namely circa US\$ 100 million equity requirement.

As with the Longonjo financing, it is intended to finance the Saltend project at the subsidiary level as a stand-alone business with its own feedstock and offtake arrangements rather than at the Pensana corporate level.

To this end and as previously announced Pensana has entered into an MOU with offtake partners for 30% of the Saltend NdPr oxide production. These arrangements recognize that Longonjo will initially be producing MREC and allow for the ability to convert MREC offtake to oxide offtake in the future. The Company is also in direct discussions with OEM's in the

automotive and wind sectors including Siemens, JLR, Volvo, Mercedes, GE and tier 1 suppliers to the automotive sectors.

UK Government Support

By 2030 the UK is expected to transition from a being a major producer of internal combustion engines to a world leader in electric drive units (EDUs), producing three million EDUs annually, with a large proportion for export. Without a secure magnet metal supply chain this is under threat.

As recently announced Nusrat Ghani, Minister of State at the Department for Business and Trade and Cabinet Office, highlighted that the Saltend project would be an important step in supporting the UK automotive industry which employs 780,000 people and has offered the Company a Grant of up to £4,000,000 towards the funding required to build a rare earth oxide separation facility in the 'Humber Freeport' at Saltend.

Pensana has been nominated by the UK Government as a partner under the Minerals Security Partnership (MSP) between the US and its international allies.

The information contained within this announcement is considered by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No.596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of the Company is *Paul Atherley, Chairman*.

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For further information, please contact:

Shareholder/analyst enquiries:

Pensana Plc

Paul Atherley, Chairman

IR@pensana.co.uk

Tim George, Chief Executive Officer

Rob Kaplan, Chief Financial Officer