

ASX Release

2 December 2019

Update on site activities and guidance on project development and financing

Following the completion of the Preliminary Feasibility Study and the passing of all resolutions at the AGM Pensana Metals Ltd (ASX: PM8) is pleased to provide an update on the activities at site and guidance on the overall project development and financing.

The main focus is to bring the project to Definitive Feasibility Study status, obtain full permitting, agree fiscal terms and secure offtake agreements, which collectively will enable debt financing to be finalised by the middle of next year.

Drilling programme to extend mine life

Twenty five holes for 672 metres have been completed of the 7,000 metre reverse circulation programme designed to convert more of the Inferred Mineral Resource into Measured and Indicated Mineral Resource and then into Proved and Probable Ore Reserves on completion of further technical studies for financing purposes.

The programme is expected to increase the current mine life of nine years. Initial results from the programme are expected to be reported in January and an updated Mineral Resource estimate is expected in May 2020.

In addition as previously advised the programme will be testing high grade targets which have the potential to provide sources of high grade NdPr material and will drill into the fresh material immediately underlying the shallow weathered zone in the current mine plan.

Bulk sample containers en route to Perth

The four containers with 60 tonnes of high-grade weathered mineralisation mined from 23 locations across the initial mining area have left the Port of Lobito en route to Perth Western Australia.

The pilot plant testwork program will produce approximately two tonnes of concentrate for delivery to customers ahead of offtake negotiations and will provide detail parameters for the flotation circuit final design.

The testwork is expected to confirm that the NdPr concentrate will meet customer expectations in terms of grade and mineralogy and that deleterious elements such as uranium will be amongst the lowest in the world with overall radioactivity well within international standards for transportation.

Definitive Feasibility Study (DFS)

Wood Group has commenced preparation of the DFS which is scheduled to be completed in June 2020.

Wood will progressively transfer reporting responsibility from the Perth office which has expertise in process design and mining to the Johannesburg office which has specific expertise in engineering, procurement, construction and management in the African context.

Permitting well advanced

The Environmental Impact Assessment Study is well advanced and following completion of the Preliminary Feasibility Study the documentation supporting the application for the Mining Licence is underway.

Full permitting is expected to be achieved by March 2020.

Mutually acceptable fiscal terms

The government of Angola is continuing with market reform and the changes required to liberalise and diversify the economy in order to attract foreign investment.

As part of the permitting process the Company is negotiating mutually acceptable fiscal arrangements which will meet the Government's objectives whilst accommodating the expected requirements from the Company's lenders. These will be finalised as part of the Mining Licence application.

Mezzanine and Main Financing

The Company has engaged with a number of well-established mining financial institutions for the provision of a mezzanine finance facility to take the project from PFS through DFS to the main financing by the middle of next year. The objective is to have these funds available to draw down by January 2020.

In addition, the Company has engaged in similar discussions with a number of financiers who have expressed interest in the main financing. These discussions are based on the completion of the DFS, the project being fully permitted and with offtake agreements in place. To date the discussions have addressed the issues of sovereign risk, fiscal terms and rare earth pricing.

The Company has commenced discussions with UK Export Finance which last year provided €450 million in export finance guarantees to UK companies investing in Angola and also with lenders who are actively lending to the oil and gas sector in Angola.

Whilst all the main commodity analysts are forecasting strongly rising demand for NdPr and significant increases in prices over the next decade the Company is not reliant on these outcomes as the project has a relatively low up front capital cost, low operating costs and is strongly cashflow positive at the current spot prices of Neodymium oxide of US\$41,000 per tonne and Praseodymium oxide of US\$48,000 per tonne.

LSE Standard listing

The Company has lodged a scheme of arrangement with ASIC and the Court of Western Australia for the redomiciling of the Company to the UK. The scheme booklet once approved will be circulated to shareholders for approval.

The Company has commenced preparation of the necessary documentation and applications for the dual listing of the Company on the LSE and the ASX scheduled for early February 2020. Further details will be provided in due course.

ENDS

For further information, please contact CEO Tim George or Chairman Paul Atherley at contact@pensanametals.com.

Competent Person Statement

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.